



KENCANA AGRI LIMITED

(Registration No: 200717793E)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2021

Table of contents	Page
A CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
B CONDENSED STATEMENTS OF FINANCIAL POSITION	3
C CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
D CONDENSED STATEMENTS OF CHANGES IN EQUITY	5
E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
F OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2	18

INFORMATION REQUIRED FOR ANNOUNCEMENT OF FINANCIAL YEAR ENDED 31 DECEMBER 2021

The board of directors (the "Board") of Kencana Agri Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce the unaudited condensed consolidated financial statements of the Group for the year ended 31 December 2021.

A. Condensed consolidated statement of comprehensive income

SGX Appendix 7.2 para 1(a)

		<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>Notes</u>	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Continuing operations			
Revenue	5	128,454	104,284
Cost of sales	6	(87,289)	(76,103)
Gross profit		41,165	28,181
Interest income		1,089	872
Other gains	8	3,952	863
Changes in biological assets and plasma receivables	7	13,234	8,885
Distribution costs	9	(1,312)	(1,807)
Administrative expenses		(9,762)	(8,521)
Finance costs	10	(16,682)	(16,893)
Other losses	8	(6,403)	(3,878)
Share of results from equity-accounted joint ventures		(66)	(149)
Profit before tax from continuing operations		25,215	7,553
Income tax expense	11	(8,416)	(3,532)
Net profit for the year		16,799	4,021
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating Group entities' functional currency to US\$ presentation currency, net of tax		8	42
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension plans, net of tax		267	(228)
Other comprehensive income (loss) for the year, net of tax		275	(186)
Total comprehensive income		17,074	3,835

B. Condensed statements of financial position

SGX Appendix 7.2 para 1(b)

		Group		Company	
	Notes	31 December 2021 US\$'000	31 December 2020 US\$'000	31 December 2021 US\$'000	31 December 2020 US\$'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	12	65,122	70,695	-	-
Right-of-use assets	13	442	489	-	-
Bearer plants	14	118,763	129,303	-	-
Investments in subsidiaries		-	-	36,891	37,320
Investments in joint ventures		-	-	-	-
Land use rights	15	28,622	33,179	-	-
Deferred tax assets		4,702	5,448	-	-
Other receivables	21	4,449	4,582	-	-
Total non-current assets		222,100	243,696	36,891	37,320
<u>Current assets</u>					
Assets held for sale	16	8,290	4,864	-	-
Biological assets	17	36,815	23,841	-	-
Inventories		12,932	10,735	-	-
Trade and other receivables		32,058	35,536	31,672	32,553
Other non-financial assets		3,300	1,904	1	1
Cash and cash equivalents	18	18,727	13,859	77	71
Total current assets		112,122	90,739	31,750	32,625
Total assets		334,222	334,435	68,641	69,945
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	19	93,860	93,860	93,860	93,860
(Accumulated losses) / Retained earnings		(23,893)	(40,959)	2,163	2,629
Other reserve		2,485	2,485	-	-
Translation reserve		(41,687)	(41,695)	(27,452)	(26,626)
Total equity attributable to owners of the parent		30,765	13,691	68,571	69,863
<u>Non-current liabilities</u>					
Deferred tax liabilities		5,431	2,345	-	-
Lease liabilities	25	228	24	-	-
Other financial liabilities	25	179,240	201,785	-	-
Other non-financial liabilities		6,137	6,137	-	-
Total non-current liabilities		191,036	210,291	-	-
<u>Current liabilities</u>					
Income tax payable		2,745	3,904	-	-
Trade and other payables		54,006	59,557	70	82
Lease liabilities	25	149	252	-	-
Other financial liabilities	25	51,692	46,740	-	-
Liabilities held for sale	16	3,829	-	-	-
Total current liabilities		112,421	110,453	70	82
Total liabilities		303,457	320,744	70	82
Total equity and liabilities		334,222	334,435	68,641	69,945

C. Condensed consolidated statement of cash flows

SGX Appendix 7.2 para 1(c)

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	25,215	7,553
Adjustments for:		
Interest income	(1,089)	(872)
Interest expense	16,682	16,893
Amortisation of land use rights	1,289	1,259
Depreciation expense	14,707	15,049
Fair value changes in biological assets	(13,168)	(8,437)
Changes in plasma receivables	(66)	(448)
Provision for employment pension benefits	369	552
(Gain)/Loss on disposal of property, plant and equipment	(497)	1
Bearer plants written-off	41	105
Impairment on other receivables – joint ventures	100	188
Impairment on asset held for sale – joint ventures	669	-
Share of results from equity-accounted joint ventures from continuing operations	66	149
Impairment on asset held for sale - KAM	2,612	-
Net effect of exchange rate changes in consolidating entities	1,540	3,133
Operating cash flows before changes in working capital	48,470	35,125
Inventories	(2,383)	1,224
Trade and other receivables	4,191	5,125
Other non-financial assets	(1,418)	(746)
Trade and other payables	(4,722)	(20,020)
Net cash flows from operations	44,138	20,708
Income taxes (paid)/refunded	(5,451)	(678)
Net cash flows from operating activities	38,687	20,030
<u>Cash flows used in investing activities</u>		
Proceeds on disposal of property, plant and equipment	998	57
Purchase of property, plant and equipment	(4,818)	(1,316)
Additions to bearer plants	(617)	(628)
Purchase of land use rights	(878)	(98)
Proceeds from sale of assets held for sale – investment property	2,306	-
Interest received	606	543
Net cash flows used in investing activities	(2,403)	(1,442)
<u>Cash flows used in financing activities</u>		
Cash restricted in use	(5,673)	143
Proceeds from borrowings	142,498	99,082
Repayment of borrowings	(156,433)	(107,658)
Repayments of lease liabilities	104	(339)
Interest paid	(17,493)	(17,830)
Repayment to related parties	-	(160)
Net cash flows used in financing activities	(36,997)	(26,762)
<u>Net decrease in cash and cash equivalents</u>	(713)	(8,174)
Net effect of exchange rate changes on cash and cash equivalents	29	(228)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	3,626	12,028
Cash and cash equivalents, consolidated statement of cash flows, ending balance	2,942	3,626
Cash and cash equivalents for the consolidated statement of cash flows has been calculated as follows:		
Cash and cash equivalents	18,727	13,859
Less:		
Bank overdrafts included in other financial liabilities - current	(438)	(477)
Deposits pledged for bank facilities	(15,347)	(9,756)
	2,942	3,626

D. Condensed Statements of Changes in Equity

SGX Appendix 7.2 para 1(d)(i)

Group	Total equity attributable to owners of the parent US\$'000	Share capital US\$'000	Accumulated losses US\$'000	Other reserve US\$'000	Reserve on post-employment benefits US\$'000	Translation reserve US\$'000
Current year:						
Opening balance at 1 January 2021	13,691	93,860	(40,959)	2,485	-	(41,695)
Changes in equity:						
Total comprehensive income for the year	17,074	-	16,799	-	267	8
Transferred to accumulated losses	-	-	267	-	(267)	-
Closing balance at 31 December 2021	30,765	93,860	(23,893)	2,485	-	(41,687)
Previous year:						
Opening balance at 1 January 2020	9,856	93,860	(44,752)	2,485	-	(41,737)
Changes in equity:						
Total comprehensive income/(loss) for the year	3,835	-	4,021	-	(228)	42
Transferred to accumulated losses	-	-	(228)	-	228	-
Closing balance at 31 December 2020	13,691	93,860	(40,959)	2,485	-	(41,695)

Company	Total equity US\$'000	Share capital US\$'000	Retained earnings US\$'000	Translation reserve US\$'000
Current year:				
Opening balance at 1 January 2021	69,863	93,860	2,629	(26,626)
Changes in equity:				
Total comprehensive loss for the year	(1,292)	-	(466)	(826)
Closing balance at 31 December 2021	68,571	93,860	2,163	(27,452)
Previous year:				
Opening balance at 1 January 2020	71,709	93,860	3,437	(25,588)
Changes in equity:				
Total comprehensive loss for the year	(1,846)	-	(808)	(1,038)
Closing balance at 31 December 2020	69,863	93,860	2,629	(26,626)

E. Notes to the condensed consolidated financial statements

1. Corporate information

The Company is incorporated as a limited liability Company and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). These condensed consolidated financial statements as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are:

- (a) Oil palm plantations and palm oil mill; and
- (b) Logistics and bulking.

The financial position of the entity, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition, the notes to the financial statements include the objectives, policies and processes for managing capital, the financial risk management objectives, details of its financial instruments, availability of borrowing facilities and its exposures to credit risk and liquidity risk. The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due in the next twelve months. The Group also had net operating cash inflows in December 2021 and December 2020.

If the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise.

As a consequence and in view of the available financial resources and arrangements, the directors believe that the Group is well placed to manage its business risks. After consideration of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

2 Basis of preparation

SGX Appendix 7.2 para 4

The condensed consolidated financial statements for the financial year ended 31 December 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Financial Reporting* issued by the Accounting Standards Council in Singapore. The condensed consolidated financial statements is included all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand changes in the Group's financial positions and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed consolidated financial statements are presented in United States Dollars.

2.1 New and amended standards

SGX Appendix 7.2 para 5

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting year compared with the audited financial statements for the year ended 31 December 2020, except for the adoption of new or revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 January 2021. The adoption of these SFRS(I) and INT SFRS(I) has no significant impact on the Group.

2.2 Use of judgement and estimates

In preparing the condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- (a) Valuation of biological assets;
- (b) Income tax;
- (c) Property, plant and equipment;
- (d) Land use right;
- (e) Pension and employee benefits;
- (f) Measurement of impairment of subsidiary or joint venture;
- (g) Advances/guarantees under Plasma Programme;
- (h) Impairment of assets held for sale;
- (i) Environmental regulation.

(a) Valuation of biological assets

The biological assets (un-harvested FFB) are stated at fair value less costs to sell at the point of harvest. This measurement is significant and the process is highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins.

(b) Income tax

The Group has exposure to income taxes in mainly two jurisdictions, Indonesia and Singapore. The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the year when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future years to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature, assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

(c) Property, plant and equipment

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units, if applicable, is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of property, plant and equipment at the end of the reporting year affected by the assumption are disclosed in the note on property, plant and equipment.

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

(d) Land use right

The Group holds location permits or *Ijin Lokasi* in respect of plantation land in Indonesia allocated by the Indonesian authorities. Upon the completion of the acquisition of such land, the Group will be entitled to begin the process of application for Business Usage Rights ("Hak Guna Usaha" or "HGU") certificates over such land. The *Ijin Lokasi* may not be extended by the Indonesian authorities and will automatically expire if the Group fails to acquire the land covered in the *Ijin Lokasi* within the stipulated validity year of the said *Ijin Lokasi*. In such an event, the Group may lose their rights granted by the Indonesian authorities under the *Ijin Lokasi* in respect of the remaining area covered by the original *Ijin Lokasi*. At the date of this report, the Group is in the final process of obtaining HGU certificates for conversion in respect of 4,371 (2020: 4,371) hectares of Kadastral land. Kadastral land is land that is measured to determine the actual land area for the HGU title based on the application submitted by the Group. The Group is also in the process of acquiring and clearing land held under their land bank prior to the issuance of Kadastral for such land. Prior to the issuance of the HGU certificates, such land is considered as uncertified land. Pending the issue of HGU certificates, the Group is permitted to physically occupy and build on the uncertified land and to plant and harvest crops. However, as the administration of land laws and regulations may be subject to a certain degree of discretion by the Indonesian authorities, there is no assurance with certainty that the relevant authorities would not take a different approach or view as regard the uncertified land, its use, registration and future disposal for value. Should the relevant authorities take a different approach or view as regards the same and the Group is unable to convert the uncertified land to HGU certified land, the Group's interest in the uncertified land as well as the use of such land may be adversely affected.

(e) Pension and employee benefits

The determination of the group's obligations and cost for pension and employee benefits liability is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increases, annual employee turnover rates, disability rates, retirement age and mortality rates.

There was no significant change in estimates from 31 December 2020. Actual results that differ from the assumptions are recognised immediately in profit or loss as and when they occur. While the group believes that its assumptions are reasonable and appropriate, significant differences in the group's actual experience or significant changes in the assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the estimated liabilities for employee benefits as at 31 December 2021 was US\$6,137,000 (31 December 2020: US\$6,137,000).

(f) Measurement of impairment of subsidiary or joint venture:

Where an investee is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amounts.

(g) Advances/guarantees under Plasma Programme

The Group has provided guarantees in respect of loans granted by banks to villagers under the Plasma Programme. The villagers will repay the bank loans from the sale proceeds of FFB. In the event the villagers default on their obligations to repay the bank loans, the banks may call upon the guarantees, which have been provided by the Group to the banks to secure the loans of the villagers. The entity recognises expected losses, if any, which require significant judgement

(h) Impairment of assets held for sale

In 2019, the Group decided to dispose off its investment property and certain joint ventures and have classified them as held for sale as they were available for immediate sale and could be sold to potential buyers in their current condition and the actions to complete the sale were initiated and expected to be completed within the next one year. The investment property was sold in 2021 and the joint ventures were sold in February 2022.

In 2021, the Group decided to dispose off its indirect-owned subsidiary, PT Karunia Alam Makmur ("KAM") and have classified in assets and liabilities as held for sale as they were available for immediate sale and could be sold to potential buyers in their current condition and the actions to complete the sale were initiated and expected to be completed within the next one year.

Management has assessed that the KAM's assets meet the criteria to be classified as held for sale despite the delay in finalising the sale brought about by the current Covid-19 climate and ongoing negotiations and discussions with potential buyers.

In addition, management has performed an assessment based on the latest market prices/negotiation prices at the end of the reporting year and have concluded that these assets are carried at the lower of their carrying amount and fair value less costs of disposal.

(i) Environmental regulation

The main environmental concerns relate to the discharge of effluent arising from the milling of FFB and clearance of land and forest for developing the Group's plantations. The main social concern relates to possible conflicts that may arise with local communities in the areas around the plantations. Any environmental claims or failure to comply with any present or future regulations could result in the imposition of fines, the suspension or a cessation of the Group's operations. The Group's plantations are subject to both scheduled and unscheduled inspections by various Indonesian government agencies, each of whom may have differing perspectives or standards from the others. These agencies have the power to examine and control the Group's compliances with their environmental regulations, including the imposition of fines and revocation of licenses and land rights. However, governmental agencies may adopt additional regulations that would require the Group to spend additional funds on environmental matters.

Environmental regulations and social practices in Indonesia tend to be less exact than in developed countries. It is possible that these regulations could become more exact in the future and compliance with them may involve incurring significant costs. This may consequently have an adverse effect on the Group's operations. Any failure to comply with the laws and regulations could subject the Group to further liabilities. It is impracticable to disclose the extent of the possible effects of the above matters on the consolidated financial statements of the Group.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

4. Segment information

Information about reportable segment profit or loss, assets and liabilities

Segment reporting is not presented as the group is primarily engaged in the palm oil plantation business. The core business consists of planting of palm oil trees, processing of fresh fruit bunches into palm oil and palm kernel at the palm oil mills and kernel crushing plants and the sale of crude palm oil and palm kernel. The measurement of profit or loss that is used by the chief operating decision makers is on a group basis.

Geographical information

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>financial year ended</u>			
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Indonesia	128,454	104,284	210,322	231,007
Singapore	—	—	2,627	2,659
Total	<u>128,454</u>	<u>104,284</u>	<u>212,949</u>	<u>233,666</u>

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services.

Revenue from major customers

The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

	<u>Group</u>	
	<u>financial year ended</u>	
	<u>2021</u>	<u>2020</u>
	US\$'000	US\$'000
Top 1 customer in plantation segment	43,252	20,699
Top 2 customers in plantation segment	58,752	37,242
Top 3 customers in plantation segment	<u>73,659</u>	<u>48,787</u>

5. Revenues

Revenue classified by type of good or service:

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Sale of goods	128,034	103,778
Rental income	420	506
	<u>128,454</u>	<u>104,284</u>

The revenue from sale of goods such as Crude Palm Oil ("CPO"), palm kernel and FFB, and rendering of services is earned from customers who are mainly wholesalers and producers of oil palm products. All contracts are short-term and recognised at a point-in-time.

6. Cost of Sales

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Cost of goods produced and purchases	86,948	75,807
Cost incurred for rental income and rendering of services	341	296
	<u>87,289</u>	<u>76,103</u>

7. Changes in biological assets and plasma receivables

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Gain on fair value changes in biological asset	13,168	8,437
Gain on changes in plasma receivables	66	448
	<u>13,234</u>	<u>8,885</u>

8. Other gains and (other losses)

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Gain/(Loss) on disposal of property, plant and equipment	497	(1)
Foreign exchange translation loss	(2,396)	(2,729)
Withholding and other tax losses	(585)	(855)
Insurance claim	-	1
Impairment on other receivables – joint ventures	(100)	(188)
Impairment on asset held for sale – joint ventures	(669)	-
Management fee from plasma	2,754	587
Tolling fee	70	107
Sale of waste	233	156
Bearer plant written-off	(41)	(105)
Impairment on asset held for sale - KAM	(2,612)	-
Miscellaneous	398	12
	<u>(2,451)</u>	<u>(3,015)</u>
Presented in profit or loss as:		
Other gains	3,952	863
Other losses	(6,403)	(3,878)
Net	<u>(2,451)</u>	<u>(3,015)</u>

9. Distribution costs

	<u>Group</u> <u>financial year ended</u> <u>31 December</u>	
	<u>2021</u> US\$'000	<u>2020</u> US\$'000
Distribution cost	<u>1,312</u>	<u>1,807</u>

10. Finance costs

	Group financial year ended 31 December	
	2021 US\$'000	2020 US\$'000
Gross finance costs	17,493	17,830
Less: capitalised in bearer plants	(811)	(937)
Net finance costs	<u>16,682</u>	<u>16,893</u>

11. Income tax

	Group financial year ended 31 December	
	2021 US\$'000	2020 US\$'000
Income tax expense	<u>8,416</u>	<u>3,532</u>

The Group's operations are predominantly located in Indonesia. In 2020, the Indonesian government enacted a change in the national income tax rates to 22% for the reporting year ended 31 December 2020 and the year ending 31 December 2021 and, 20% for financial year 2022 onwards. In 2021, the Indonesian Government enacted a revision in the national income tax rate to 22% from financial year 2021 onwards.

Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes and losses of certain subsidiaries not recognized as deferred tax assets due to the uncertainty of its recovery.

12. Property, plant and equipment

Group	Freehold land US\$'000	Leasehold buildings US\$'000	Assets under construction US\$'000	Plant, fixtures and equipment US\$'000	Total US\$'000
<u>Cost:</u>					
At 1 January 2020	35	35,664	3,520	106,172	145,391
Foreign exchange difference	—	(485)	(295)	(1,846)	(2,626)
Additions	—	13	803	500	1,316
Disposals	—	—	(25)	(177)	(202)
Reclassifications	—	836	(3,064)	2,228	—
At 31 December 2020	35	36,028	939	106,877	143,879
Foreign exchange difference	—	(416)	3	(1,301)	(1,714)
Additions	—	107	2,899	1,812	4,818
Disposals	—	(9)	(33)	(1,044)	(1,086)
Reclassifications	—	197	(289)	92	—
Transfer to asset held for sale	—	(194)	—	(1,035)	(1,229)
At 31 December 2021	35	35,713	3,519	105,401	144,668
<u>Accumulated Depreciation and Impairment Losses:</u>					
At 1 January 2020	—	12,423	—	53,118	65,541
Foreign exchange difference	—	(102)	—	(520)	(622)
Depreciation for the year	—	2,099	—	6,310	8,409
Disposals	—	—	—	(144)	(144)
Impairment for the year	—	14	—	(14)	—
At 31 December 2020	—	14,434	—	58,750	73,184
Foreign exchange difference	—	(155)	—	(220)	(375)
Depreciation for the year	—	2,157	—	5,884	8,041
Disposals	—	(5)	—	(580)	(585)
Transfer to asset held for sale	—	(59)	—	(660)	(719)
At 31 December 2021	—	16,372	—	63,174	79,546
<u>Carrying Value:</u>					
At 1 January 2020	35	23,241	3,520	53,054	79,850
At 31 December 2020	35	21,594	939	48,127	70,695
At 31 December 2021	35	19,341	3,519	42,227	65,122

13. Right-of-use assets

The details of right-of-use assets in the statement of financial position are as follows:

	<u>Lease of office and warehouse premises</u>	
	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	US\$'000	US\$'000
<u>Group</u>		
<u>Cost:</u>		
At beginning of the year	702	714
Foreign exchange difference	(8)	(12)
At end of the year	<u>694</u>	<u>702</u>
<u>Accumulated depreciation:</u>		
At beginning of the year	213	44
Depreciation for the year	42	170
Foreign exchange difference	(3)	(1)
At end of the year	<u>252</u>	<u>213</u>
<u>Carrying value:</u>		
At beginning of the year	<u>489</u>	<u>670</u>
At end of the year	<u>442</u>	<u>489</u>

The right-of-use assets are for the lease of office and warehouse premises from a related party. The lease agreement covers a period of 25 years from 1 July 2008 to 31 December 2033. The Group has prepaid the lease payments to the related party. Accordingly, no lease liability has been recognised.

14. Bearer plants

	<u>Group</u>	
	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	US\$'000	US\$'000
<u>Cost:</u>		
At beginning of the year	175,237	175,938
Additions	617	628
Capitalisation of interest cost	811	937
Capitalisation of depreciation expense	194	318
Write-off	(51)	(105)
Transfer to asset held for sale	(4,723)	-
Foreign exchange difference	(2,014)	(2,479)
At end of the year	<u>170,071</u>	<u>175,237</u>
<u>Accumulated Depreciation:</u>		
At beginning of the year	45,934	39,465
Depreciation for the year	6,818	6,788
Write-off	(10)	-
Transfer to asset held for sale	(942)	-
Foreign exchange difference	(492)	(319)
At end of the year	<u>51,308</u>	<u>45,934</u>
<u>Carrying Value:</u>		
At beginning of the year	<u>129,303</u>	<u>136,473</u>
At end of the year	<u>118,763</u>	<u>129,303</u>

15. Land use rights

	<u>Group</u>	
	<u>31 December</u> <u>2021</u> US\$'000	<u>31 December</u> <u>2020</u> US\$'000
<u>Cost:</u>		
At beginning of the year	42,584	43,105
Foreign exchange difference	(485)	(619)
Additions	878	98
Transfer to asset held for sale	(4,787)	-
At end of the year	<u>38,190</u>	<u>42,584</u>
<u>Accumulated amortisation:</u>		
At beginning of the year	9,405	8,218
Foreign exchange difference	(100)	(72)
Amortisation for the year included under cost of sales	1,289	1,259
Transfer to asset held for sale	(1,026)	-
At end of the year	<u>9,568</u>	<u>9,405</u>
<u>Carrying value:</u>		
At beginning of the year	<u>33,179</u>	<u>34,887</u>
At end of the year	<u>28,622</u>	<u>33,179</u>

16. Assets held for sale

Details of the assets classified as held for sale are as follows:

	<u>Group</u>	
	<u>31 December</u> <u>2021</u> US\$'000	<u>31 December</u> <u>2020</u> US\$'000
Investment property	-	2,323
Loan receivable from joint venture	2,732	2,541
Disposal of KAM	5,558	-
Total assets classified as held for sale	<u>8,290</u>	<u>4,864</u>

The proceeds of disposal of joint ventures are expected to meet the net carrying amount of the relevant assets and liabilities. An impairment loss of US\$669,000 has been recognized for these assets as held for sale.

The summary of the carrying amounts of the assets and liabilities of KAM that was classified as held for sale is as follow:

	<u>31 December</u> <u>2021</u> US\$'000
Cash and cash equivalents	52
Inventories	59
Deferred tax asset	7
Property, plant, and equipment, net	510
Bearer plants	3,781
Land rights	3,761
Total assets of KAM	<u>8,170</u>
Impairment	<u>(2,612)</u>
Asset held for sale	<u>5,558</u>
Trade and other payables	916
Current tax payable	6
Current portion of long term borrowings	1,191
Estimated liabilities for employee benefits	31
Long term bank loan	1,685
Liabilities held for sale	<u>3,829</u>
Net carrying amount at end of the year	<u>1,729</u>

Investment property

The Group's investment property which relates to a leasehold property is presented as held for sale following the decision of management in 2019 to sell the investment property. The sale was completed in July 2021.

Loan receivables from joint ventures

On 12 December 2019, the Company, together with its subsidiary, PT Sawindo Kencana ("SWK"), entered into a Conditional Sales and Purchase Agreement with a related party, for the sale and purchase of 78.5% of the issued shares and paid-up share capital of PT Cahaya Permata Gemilang ("CPG"). The related assets of CPG and its subsidiaries have been presented in the statement of financial position as "assets held for sale". These assets were sold in February 2022.

Disposal of KAM

On 23 November 2021, two of the Company's wholly-owned indirect subsidiaries, PT Alamraya Kencana Mas ("AKM") and PT Langgeng Nusa Makmur ("LNM"), have entered into a conditional share sale and purchase agreement with PT Central Cipta Murdaya for the disposal of its entire equity interests in a wholly owned subsidiary, PT Karunia Alam Makmur ("KAM"). As at the date of this announcement, the transaction has yet to be completed.

17. Biological assets

	<u>31 December</u> <u>2021</u> US\$'000	<u>Group</u> <u>31 December</u> <u>2020</u> US\$'000
<u>Movement in fair value</u>		
At beginning of the year	23,841	15,315
Foreign exchange difference	(194)	89
Fair value less estimated point-of-sale costs	13,168	8,437
At end of the year (Level 3)	<u>36,815</u>	<u>23,841</u>

There was no change in the fair value hierarchy during the year. The Group's oil palm plantations are located in Indonesia.

Biological assets comprise of un-harvested fresh fruit bunches ("FFB") growing on oil palm trees (bearer plants). The Group measures its biological assets at fair value less cost to sell at the point of harvest, which require use of accounting estimates and assumptions. Significant components of fair value measurement on a recurrent basis were determined using assumptions and estimates such as the yield of oil palm trees, annual discount rate, and projected selling prices of FFB. Any changes in fair values of these biological assets would affect the Group's profit and carrying value of the biological assets. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

The significant assumptions made in determining the fair values of the oil palm plantations are as follows:

- (i) Projected volumes of FFB harvested subsequent to year-end are based on management inspection on actual condition of un-harvested FFB growing on the trees in December 2021;
- (ii) The discount rate used in December 2021 is 10.67% per annum (2020: 11.05% per annum) (such discount rates represent the asset specific rate for the Group's plantation operations which is applied in the discounted future cash flows calculations); and
- (iii) The projected selling prices of FFB are based on FFB published prices for the respective provinces for December 2021, which is used as an estimate for the forecasted market price.

The fair value of biological assets would be affected by changes in the above assumptions used, particularly the FFB prices used and projected volumes of FFB.

Sensitivity on unobservable inputs:

Favourable or adverse changes in discount rate, projected selling price and projected volume of FFB will increase or decrease the fair value.

Risk management strategy related to agricultural activities:

The Group is exposed to the following risks relating to its oil palm plantations.

Regulatory and environmental risks:

The Group is subject to laws and regulations in Indonesia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Supply and demand risks:

The Group is exposed to risks arising from fluctuations in the price and sales volume of CPO and Crude Palm Kernel Oil ("CPKO"). When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Climate and other risks:

The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular plantation health inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

18. Cash and cash equivalents

	Group		Company	
	31 December 2021 US\$'000	31 December 2020 US\$'000	31 December 2021 US\$'000	31 December 2020 US\$'000
Not restricted in use	3,380	4,103	77	71
Deposits pledged for bank facilities	15,347	9,756	–	–
Cash at end of the year	<u>18,727</u>	<u>13,859</u>	<u>77</u>	<u>71</u>

The interest earning balances are not significant.

19. Share Capital

	Number of shares issued '000	Share capital US\$'000
Ordinary shares of no par value:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>287,011</u>	<u>93,860</u>

The ordinary shares of no par value which are fully paid carry no right to fixed income.

20. Litigation

In 2020, a subsidiary of the Group and its subcontractor received a court summon from an external party for the alleged misuse of a patent. The Court has pronounced the verdict at the trial on 24 May 2021 and rejected the claim from the plaintiff.

In relation to the Court decision, the plaintiff has filed an appeal to High Court of Jakarta. The High Court of Jakarta annulled the Lower Court verdict.

According to the verdict of the High Court of Jakarta, the subsidiary filed the appeal to the Supreme Court. The verdict of the Supreme Court ruled that the subsidiary has to pay US\$70,000 to the plaintiff.

21. Contingent Liabilities

Arrangements under the Plasma Programme

The Indonesian authorities require oil palm plantations to develop the surrounding local plantation areas held by small landholders when applying for land rights for oil palm plantations. This form of assistance to local small landholders is generally known as the Plasma Programme. Under the Plasma Programme, a plantation developer transfers a designated land area to the small landholders, who then operate the plasma plantation under the supervision of the plantation developer.

Certain subsidiaries of the Group have implemented the Plasma Programme using plantation business cooperatives scheme (Kredit Koperasi Primer Anggota or "KKPA"), cooperation in local community oil palm plantation scheme (Kebun Kelapa Sawit Rakyat or "KKSR"), and independent plasma scheme (Plasma Mandiri).

Under the KKPA scheme, the villagers typically occupy the land and the Group helps to develop the land and manage the oil palms to maturity. The development costs are funded by bank loans, which are guaranteed by the Group using the aforementioned land certificates and/or other appropriate forms of security as collateral. Upon maturity of the oil palms, the land will be maintained and managed by the villagers or in the future by the Group. The harvested fresh fruit bunches ("FFB") will then be sold to the Group. The villagers will repay the loan facilities from a portion of the FFB sale price. The Group obtains a power of attorney to manage the accounts of the villagers into which all monies from the sale of FFB will be deposited. This power of attorney allows the Group to withdraw funds from such accounts to pay for all the villagers operating costs and expenses. Under the KKSR scheme, the villagers also typically occupy the land. The Group will provide seedlings and the regional authorities will provide fertiliser to the villagers.

Post-harvest, the FFB will be sold to the Group and part of the sale proceeds will be paid to the Group and the regional authorities as payment for the seedlings and fertiliser respectively. Plasma Mandiri is a scheme whereby the Group will provide the seedlings to the villagers, and the villagers will plant and maintain the plantations. Post-harvest, the FFB will be sold to the Group and part of the sale proceeds will be paid to the Group as payment for the seedlings provided. There is no governmental involvement under this scheme.

Costs incurred during development up to conversion of the oil palm plantations and temporary funding to the villagers for working capital purposes are included in other receivables in the statement of financial position. The funds received from the designated banks on behalf of villagers for the development and operations of the plantations are offset against advances under plasma program in the statement of financial position.

The development of plantations is financed by credit investment facilities granted by designated banks to the villagers through local cooperatives as the representatives of the villagers. The loan facilities are secured by the land certificates held by the villagers and corporate guarantees from the Group. The credit facility amounts and the outstanding balances of the bank loans granted by the banks to the villagers as at the end of the reporting year are as follows:

	Group	
	31 December 2021 US\$'000	31 December 2020 US\$'000
Facility amounts	27,266	29,217
Outstanding balances	<u>15,193</u>	<u>18,327</u>

Upon maturity of the oil palm, the land will be maintained and managed by the villagers or in the future by the Group. The harvested FFB will then be sold to the Group. The villagers will repay the loan facilities from a portion of the FFB sale price. In addition to the scheme, the Group provided temporary funding to the local cooperatives for working capital purposes. The cost of development of plantations and temporary funding provided by the Group to local cooperatives as at the end of the reporting year is US\$18,378,000 (2020: US\$25,080,000):

	<u>31 December</u> <u>2021</u> US\$'000	<u>Group</u> <u>31 December</u> <u>2020</u> US\$'000
<u>Presented as other receivables:</u>		
Advances under Plasma Programme, current	14,710	20,498
Advances under Plasma Programme, non-current	3,668	4,582
Total	<u>18,378</u>	<u>25,080</u>

The advances under plasma programme that are not secured by bank facilities and to be repaid by villagers using FFB was measured by management at the end of the reporting year based on the present value of the expected net cash flows with the following significant assumptions.

- (i) Yield per hectare of oil palm trees is determined by reference to guidelines issued by the Indonesian Oil Palm Research Institute (Pusat Penelitian Kelapa Sawit), which varies with the average age of oil palm trees;
- (ii) The discount rate for 2021 is 3.50% (2020: 3.75%) per annum;
- (iii) The projected selling prices of FFB are derived from adjusting CPO prices to the FFB extraction rate (% of CPO extractable from FFB) and processing costs. The CPO prices are based on the World Bank forecasts.

The carrying value of advances under plasma programme would be affected by changes in the assumptions used.

Relationship of unobservable inputs to carrying value:

Favourable or adverse change in discount rate will increase or decrease carrying value.

22. Capital Commitment

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	<u>31 December</u> <u>2021</u> US\$'000	<u>Group</u> <u>31 December</u> <u>2020</u> US\$'000
Commitments for construction of leasehold buildings	98	265
Commitments for construction of CPO mill and purchase of plant, fixtures and equipment	<u>6,836</u>	<u>282</u>

23. Financial instruments: categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>31 December</u> <u>2021</u> US\$'000	<u>Group</u> <u>31 December</u> <u>2020</u> US\$'000	<u>31 December</u> <u>2021</u> US\$'000	<u>Company</u> <u>31 December</u> <u>2020</u> US\$'000
<u>Financial assets:</u>				
Financial assets measured at amortised cost	38,384	36,061	31,749	32,624
Financial assets at FVTPL	4,449	4,582	—	—
	<u>42,833</u>	<u>40,643</u>	<u>31,749</u>	<u>32,624</u>
<u>Financial liabilities:</u>				
Financial liabilities measured at amortised cost	266,538	286,988	70	82

24. Related party transactions

The related party balances and financial guarantee, if any, are unsecured without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these financial statements are not disclosed as related party transactions and balances below.

The following are the significant related party transactions during the year:

	<u>financial year ended</u> <u>31 December</u> <u>2021</u> US\$'000	<u>2020</u> US\$'000
<u>Group</u>		
<u>Related parties:</u>		
Sales of commodities ^(a)	6,497	—
Services received ^(b)	(1,775)	(1,963)
Interest expense to a shareholder ^(a)	(15)	(183)
Interest expense to a director ^(c)	<u>(55)</u>	<u>(42)</u>

(a) The related party, Wilmar International Limited, has 20% interest in and significant influence over the reporting entity.

(b) Transportation services rendered by PT Berkah Wahana Sukses, an associate of Maknawi family.

(c) The related party, Henry Maknawi, is a director and an ultimate controlling party.

25. Aggregate amount of Group's borrowings and debt securities

SGX Appendix 7.2 para 1 (b)(i)

Loans and borrowings

The Group's loans and borrowings of US\$231.3 million (2020: S\$248.8 million) are secured by way of negative pledges on certain deposits, inventories, trade receivables, land use rights, investment property, bearer plants, property, plant and equipment and biological assets of the Group.

	<u>31 December</u> <u>2021</u> US\$'000	<u>Group</u> <u>31 December</u> <u>2020</u> US\$'000
Amount due within one year		
Secured	51,841	46,992
Amount due more than one year		
Secured	179,468	201,809

The loan agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans becoming repayable immediately upon service of a notice by default by the lenders. As at reporting year end, the lenders have agreed to waive the compliance of all the breaches in the covenants of certain loan amounting to US\$77,974,000 (31 December 2020: US\$55,337,000).

26. Share capital

- (a) **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 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.**

SGX Appendix 7.2 para 1 (d)(iii)

There have been no changes in the Company's issued share capital since 31 December 2020. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2021 and 31 December 2020.

The Company has not granted options or shares during the financial year ended 31 December 2021.

- (b) **Number of shares held as treasury shares against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer.**

Not applicable.

- (c) **To show the total number of issued shares excluding treasury shares as at the end of the current financial year.**

SGX Appendix 7.2 para 1 (d)(iii)

	<u>31 December</u> <u>2021</u> Number of shares	<u>31 December</u> <u>2020</u> Number of shares
<u>Issued and fully paid:</u>		
At beginning and end of the year	287,011,177	287,011,177

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

SGX Appendix 7.2 para 1 (d)(iv)

Not applicable.

- (e) **A statement showing all sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on.**

SGX Appendix 7.2 para 1 (d)(v)

Not applicable.

27. 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

SGX Appendix 7.2 para 6

	<u>Group</u> <u>financial year ended</u> <u>31 December</u> <u>2021</u> US Cents	<u>2020</u> US Cents
Earnings per share for the year		
(a) Based on weighted average number of shares		
from continuing operations	5.85	1.40
from discontinued operation	-	-
Total earnings per share attributable to ordinary equity holders of the Company	5.85	1.40

(b) Based on weighted average number of shares		
from continuing operations	5.85	1.40
from discontinued operation	-	-
Total diluted earnings per share attributable to ordinary equity holders of the Company	<u>5.85</u>	<u>1.40</u>
Weighted number of shares	287,011,177	287,011,177

28. Net assets value (for the issuer and Group) per ordinary share based on issued share capital at the end of the :

a. current financial period reported on; and

b. immediately preceding financial year

SGX Appendix 7.2 para 7

	<u>Group</u>		<u>Company</u>	
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	10.72	4.77	23.89	24.34
Number of shares outstanding	287,011,177	287,011,177	287,011,177	287,011,177

29. Subsequent events

Assets held for sale – investment in joint venture which was presented as assets held for sale

As announced on 10 August 2021, 12 November 2021, 10 December 2022 and 30 December 2021, the Company and its wholly owned subsidiary, PT Sawindo Kencana, entered into a Conditional Share Sale and Purchase Agreement with PT Biomassa Energi Jaya for the sale and purchase of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang.

The transaction was completed on 10 February 2022.

F. Other information required by Listing Rule Appendix 7.2

1. Review

SGX Appendix 7.2 para 2 and 3

The condensed consolidated statement of financial position of Kencana Agri Limited and its subsidiaries as at 31 December 2021 and the related condensed consolidated profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed by the auditors.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

a. Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

b. Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

SGX Appendix 7.2 para 3

Not applicable.

3. 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, (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

SGX Appendix 7.2 para 8

Review of financial performance

Revenue and profit

The Group's revenue increased by 23.2% from FY 2020 due to higher Crude Palm Oil ("CPO") and Palm Kernel ("PK") selling prices. The average selling price ("ASP") of CPO in FY 2021 was US\$705/mt which was 31% higher than that of the last financial year at US\$537/mt. The ASP of PK also surged to US\$429/mt in FY 2021 from merely US\$271/mt in FY 2020.

For the year ended 31 December 2021, the Group recorded an operating profit ("OP") of US\$43.3 million and a net profit of US\$16.8 million. Our performance improved compared to that of FY 2020 due to the higher gross profit because of the increase in CPO price, increase in biological assets value due to better commodity price and lower distribution costs offset with slightly higher administrative expenses and other losses. Other losses comprise mainly of impairment of assets held for sale, foreign exchange losses due to depreciation of Indonesian Rupiah against United States Dollars for the said denominated bank borrowings offset by plasma management fee income.

Cost of operation

Our cost of sales increased by US\$ 11.2 million in FY 2021 to US\$ 87.3 million from US\$ 76.1 million in FY 2020. This was mainly due to higher purchase price of Fresh Fruit Bruch ("FFB") from both plasma plantation and third-party crops.

Sales and distribution costs decreased from US\$1.8 million in FY 2020 to US\$1.3 million in FY 2021 mainly due to decrease in freight expenses as a result of lower CIF sales.

Administrative expenses increased from US\$8.5 million in FY 2020 to US\$9.8 million in FY 2021. This was mainly due to incidental costs incurred for banks financing, engagement of external consultants for legal & licences services.

Review of financial position

Shareholders' equity increased from US\$13.7 million as at 31 December 2020 to US\$30.8 million as at 31 December 2021 mainly due to profit for the year of US\$16.8 million.

The Group's total current assets increased by US\$21.4 million from US\$90.7 million as at 31 December 2020 to US\$112.1 million as at 31 December 2021. The movement in current assets arose mainly from:

- decrease in trade and other receivables amounting to US\$3.5 million due to repayment of plasma receivables;
- increase in inventory amounting to US\$2.2 million mainly due to higher CPO and PK stock on hand as at 31 December 2021;
- increase in carrying value of asset held for sale was due to classification of assets of KAM, an indirect-owned subsidiary, in FY 2021; and
- increase in biological assets amounting to US\$13.0 million due mainly to better CPO selling price.

Total non-current assets decreased by US\$21.6 million from US\$243.7 million as at 31 December 2020 to US\$222.1 million as at 31 December 2021. This was mainly due to the decrease in the value of bearer plants and property, plant and equipment of US\$10.5 million and US\$5.6 million respectively as a result of depreciation. Land rights value has also decreased by US\$ 4.6 million mainly due to the reclassification for the intended disposal of KAM as asset held for sale.

The Group's total current liabilities increased by US\$1.9 million from US\$110.5 million as at 31 December 2020 to US\$112.4 million as at 31 December 2021. This was mainly due to the following:

- decrease in trade and other payables amounting to US\$5.6 million;
- increase in other financial liabilities of US\$5.0 million due to increase in current portion of long - term borrowings; and
- increase in liabilities held for sale for KAM.

Total non-current liabilities decreased by US\$19.3 million from US\$210.3 million as at 31 December 2020 to US\$191.0 million as at 31 December 2021 was mainly due to repayment of bank borrowings.

Net asset value per share for the Group increased from 4.77 US cents as at 31 December 2020 to 10.72 US cents as at 31 December 2021. For the same year ended, the Group's EBITDA improved by 39.4% to US\$44 million in FY 2021 and reported a slightly negative net working capital of US\$0.3 million as at 31 December 2021.

Review of Group cash flows

The closing cash and cash equivalents (net of bank overdrafts and cash pledged) of the Group decreased by US\$0.7 million from US\$3.6 million as at 31 December 2020 to US\$2.9 million as at 31 December 2021. The decrease was due to cash outflows for investing activities and financing activities offset by cash inflow from operating activities.

The Group's operating cash flows was higher by US\$18.6 million in 31 December 2021 as compared to 31 December 2020 mainly due to higher profit before tax generated during the financial year. The Group reported a net cash outflow used in investing activities of US\$2.4 million in 2021 mainly due to payment for property, plant and equipment and bearer plants. Net cash flows used in financing activities was US\$37.0 million mainly due to repayments of borrowings and interest offset by funding from new borrowings.

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

SGX Appendix 7.2 para 9

Not applicable.

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

SGX Appendix 7.2 para 10

Amid the uncertainty in global economic due to the new Covid-19 variant, CPO price continue its rally from second quarter of 2020 throughout 2021. Average CPO price for the year has increased significantly since then and is expected to remain high in 2022.

However, as Covid-19 continues to cast uncertainties and with doubts on the global economy's recovery, the Group will remain cautious while continuing to keep maintaining its focus on the Group's efficiency in managing cost and improve plantation productivity for the benefit of our stakeholders.

6. Dividend

SGX Appendix 7.2 para 11

a. Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the Corresponding Period of the Immediately Preceding Financial Year?

No

c. Date Payable

Not applicable

d. Books closure date

Not applicable

If no dividend has been declared (recommended), a statement to that effect.

SGX Appendix 7.2 para 12

In view of the current market condition, no dividend has been declared or recommended for the financial year ended 31 December 2021.

7. Interested person transactions

If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), 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.

SGX Appendix 7.2 para 13

Name of interested person	Nature of relationship	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)
		FY 2021	FY 2021
		US\$'000	US\$'000
Wilmar Group ⁽¹⁾ (Sales)	Controlling shareholder	-	6,497
PT Berkah Wahana Sukses ⁽²⁾ (Services received, shareholders' mandate obtained at EGM held on 29 April 2019)	Associate of Maknawi family	-	1,775

⁽¹⁾ In respect of transactions conducted pursuant to General Mandate for transactions with Wilmar Group.

⁽²⁾ In respect of transactions conducted pursuant to Specific Mandate for transactions PT Berkah Wahana Sukses.

8. Please disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purpose, a breakdown with specific details on how the proceeds have been applied must be disclosed.

SGX Appendix 7.2 para 14

Not applicable.

9. Board of Directors' assurance.

SGX Appendix 7.2 para 14 and para 15

As at the date of this announcement, the Board of Directors confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results to be false or misleading, in any material aspect pursuant to Rule 705(5) of the SGX-ST Listing Manual.

10. Confirmation that the issuer has procured undertakings from all its directors and executive officers.

SGX Appendix 7.7

The Company confirms it has procured the undertakings from all its Directors and executive officers as required under Rule 720(1) of the SGX-ST Listing Manual.

11. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(3). If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family Relationship with any Director, Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties held, if any, during the year
Albert Maknawi	41	Son of Henry Maknawi (Executive Chairman) Nephew of Ratna Maknawi (Executive Vice-Chairman)	<p><u>Executive Director and Chief Executive Officer</u> 2020 Responsible for the overall business strategies and the policies of the Group. Mr Maknawi continues to oversee the Group's overall operating activities, including strategic planning of the Group.</p> <p><u>Chief Executive Officer</u> 2018 Responsible for the overall business strategic and policies of the Group.</p> <p><u>Chief Operating Officer</u> 2011 Overseeing the Group's overall operational activities, including strategic planning for the Group.</p> <p><u>Deputy Chief Operating Officer</u> 2010 Assisting the Chief Operating Officer on the day-to-day operations, including strategic planning for the Group.</p> <p><u>Director of Subsidiaries:</u> 2017 PT Sawit Permai Lestari PT Wira Palm Mandiri PT Mentari Bangun Persada PT Citra Megah Kencana</p> <p>2015 Global Eastern Capital Pte. Ltd.</p> <p>2010 PT Bumi Permai Sentosa</p> <p>2007 Sawindo Agri Pte. Ltd.</p> <p><u>Director of subsidiary of Joint Venture Company:</u> 2010 PT Cahaya Permata Gemilang</p> <p>2007 PT Listrindo Kencana PT Belitung Energy</p> <p><u>Commissioner of subsidiaries of Joint Venture Company:</u></p>	No change

			<u>2014</u> PT Energy Cipta Usaha PT Energy Karya Persada	
Ajis Chandra	58	Brother-in-law of Henry Maknawi (Executive Chairman) Husband of Ratna Maknawi (Executive Vice-Chairman)	Director of Subsidiaries: <u>2010</u> PT Bumi Permai Sentosa <u>2007</u> Kencana Logistics Pte. Ltd.	No change
Augyawati Joe	42	Niece of: - Henry Maknawi (Executive Chairman) - Ratna Maknawi (Executive Vice-Chairman)	Director of Subsidiaries: <u>2015</u> Global Eastern Capital Pte. Ltd. <u>2008</u> Sawindo Agri Pte. Ltd. Kencana Logistics Pte. Ltd. Kencana Plantations Pte. Ltd.	No change
Eddy Maknawi	59	Brother of Henry Maknawi (Executive Chairman) Brother of Ratna Maknawi (Executive Vice-Chairman)	Head of Procurement: <u>2008</u> In charge of the Group's procurement. Director of Subsidiaries: <u>2015</u> PT. Mentari Bangun Persada <u>2010</u> PT. Sawit Permai Lestari PT. Wira Palm Mandiri Commissioner of Subsidiaries: <u>2015</u> PT. Loka Indah Lestari PT. Karunia Sawit Permai <u>2010</u> PT. Wira Mas Permai PT. Palm Makmur Sentosa PT. Langgeng Nusa Makmur PT. Listrindo Kencana PT. Belitung Energy PT. Agro Mas Lestari <u>2007</u> PT. Sawindo Cemerlang PT. Wira Sawit Mandiri	No change

12. Disclosure pursuant to Rule 706A of the Listing Rule.

Proposed disposal of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang

As announced on 10 August 2021, 12 November 2021, 10 December 2022 and 30 December 2021, the Company and its wholly owned subsidiary, PT Sawindo Kencana, entered into a Conditional Share Sale and Purchase Agreement with PT Biomassa Energi Jaya for the sale and purchase of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang.

The transaction has been completed on 10 February 2022.

Proposed disposal of 100% of the issued and paid-up share capital of PT Karunia Alam Makmur

The proposed disposal of 100% of the issued and paid-up share capital of PT Karunia Alam Makmur was announced on 23 November 2021 to PT Central Cipta Murdaya.

As at the date of this announcement, the transaction has yet to be completed.

BY ORDER OF THE BOARD KENCANA AGRI LIMITED

Ratna Maknawi
Vice Chairman and Executive Director
25 February 2022