

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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		
	2019	2018	Change
	US\$'000	US\$'000	%
Revenue	20,501	27,990	-26.8%
Cost of sales	(17,613)	(27,878)	-36.8%
Gross profit	2,888	112	n/m
Fair value changes of biological assets and other receivables, net	3,051	157	n/m
Distribution costs	(673)	(423)	59.1%
Administrative expenses	(2,473)	(2,637)	-6.2%
Other gains/(losses), net	24	(352)	n/m
Operating profit/(loss)	2,817	(3,143)	n/m
Gain/(loss) on foreign exchange	3,212	(3,623)	n/m
Fair value changes of derivative financial instruments	-	139	n/m
Interest income	903	895	0.9%
Interest expense	(4,745)	(5,407)	-12.2%
Share of results from equity-accounted joint ventures	(731)	(756)	-3.3%
Profit/(loss) before income tax	1,456	(11,895)	n/m
Income tax (expense)/benefit	(854)	2,049	n/m
Net profit/(loss) for the period	602	(9,846)	n/m

n/m : not meaningful

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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

	Jan - Mar		
	2019	2018	Change
	US\$'000	US\$'000	%
Depreciation and amortisation expenses	4,010	4,626	-13%
(Gain)/loss on foreign exchange	(3,212)	3,623	n/m
Fair value changes of derivative financial instruments	-	(139)	n/m
Interest expense	4,745	5,407	-12%
Interest income	(903)	(895)	1%
Fair value changes of biological assets	(2,721)	(235)	n/m
Fair value changes of other receivables	(330)	78	n/m
Loss on disposal of property, plant and equipment	5	286	-98%
Loss on disposal of assets held for sale	-	139	n/m
Plasma management fee	289	80	261%
Tax assessment results	359	19	n/m

Additional information :

EBITDA (excluding fair value changes of biological assets)	6,587	(2,992)	n/m
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n/m : not meaningful

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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		
	2019 US\$'000	2018 US\$'000	Change %
Net profit/(loss) for the period	602	(9,846)	n/m
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating IDR functional currency to US\$ presentation currency, net of tax	218	(628)	n/m
Items that may not be reclassified subsequently to profit or loss:			
Actuarial gain /(loss) on post-employment benefits	-	-	n/m
Total comprehensive income/(loss) for the period	<u>820</u>	<u>(10,474)</u>	n/m
Profit/(loss) attributable to owners of the parent, net of tax	602	(9,846)	n/m
Profit/(loss) attributable to non-controlling interests, net of tax	-	-	n/m
Profit/(loss) for the period, net of tax	<u>602</u>	<u>(9,846)</u>	n/m
Total comprehensive income/(loss) attributable to owners of the parent	820	(10,474)	n/m
Total comprehensive income/(loss) attributable to non-controlling interests	-	-	n/m
Total comprehensive income/(loss) for the period	<u>820</u>	<u>(10,474)</u>	n/m

n/m : not meaningful

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



1 (b) (i) 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 31/03/19 US\$'000	As at 31/12/18 US\$'000	As at 31/03/19 US\$'000	As at 31/12/18 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	13,780	17,351	49	20
Trade and other receivables	28,423	31,047	33,110	32,934
Inventories	13,646	12,976	-	-
Biological assets	8,474	5,681	-	-
Other assets	1,813	2,160	1	1
Total current assets	66,136	69,215	33,160	32,955
Non-current assets:				
Investments in subsidiaries	-	-	37,198	36,351
Investments in joint ventures	-	-	-	-
Other receivables	12,208	13,199	-	-
Property, plant and equipment	82,547	82,832	-	-
Investment property	2,323	2,350	-	-
Bearer plants	142,066	142,685	-	-
Land use rights	35,062	34,749	-	-
Deferred tax assets	12,364	11,657	-	-
Other assets	653	642	-	-
Total non-current assets	287,223	288,114	37,198	36,351
TOTAL ASSETS	353,359	357,329	70,358	69,306
LIABILITIES AND EQUITY				
Current liabilities:				
Income tax payables	2,121	659	-	-
Trade and other payables	52,837	58,131	1,753	1,769
Finance leases	217	216	-	-
Other financial liabilities	79,302	73,331	-	-
Total current liabilities	134,477	132,337	1,753	1,769
Non-current liabilities:				
Deferred tax liabilities	731	383	-	-
Finance leases	189	127	-	-
Other financial liabilities	190,330	197,890	-	-
Other liabilities	4,668	4,448	-	-
Total non-current liabilities	195,918	202,848	-	-
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserve	2,485	2,485	-	-
(Accumulated losses)/retained earnings	(31,440)	(32,042)	2,061	2,116
Translation reserve	(41,941)	(42,159)	(27,316)	(28,439)
Equity attributable to the owners of the parent	22,964	22,144	68,605	67,537
Non-controlling interests	-	-	-	-
Total equity	22,964	22,144	68,605	67,537
TOTAL LIABILITIES AND EQUITY	353,359	357,329	70,358	69,306

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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

	As at 31/03/2019 US\$'000	As at 31/12/2018 US\$'000
Amount due within one year		
Secured	<u>79,519</u>	<u>73,547</u>
Amount due more than one year		
Secured	<u>190,519</u>	<u>198,017</u>

The secured borrowings 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.

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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

	Jan - Mar	
	2019 US\$'000	2018 US\$'000
Cash flows from operating activities		
Profit/(loss) before tax	1,456	(11,895)
Adjustments for:		
Interest income	(903)	(895)
Interest expense	4,745	5,407
Amortisation of land use rights	307	457
Depreciation expense	3,703	4,169
Fair value changes in biological assets	(2,721)	(235)
Fair value changes in other receivables	(330)	78
Gain on disposal of bearer plants	-	(18)
Increase in provision for employment pension benefits	146	185
Loss on disposal of property, plant and equipment	5	286
Loss on disposal of assets held for sale	-	139
Share of results from equity-accounted joint ventures	731	756
Net effect of exchange rate changes in consolidating entities	(2,581)	1,038
Operating cash flows before changes in working capital	4,558	(528)
Inventories	(454)	(2,767)
Trade and other receivables	7,338	1,184
Other assets	383	953
Trade and other payables	(6,261)	3,469
Net cash flows from operations before tax	5,564	2,311
Income taxes refund/(paid)	426	(426)
Net cash flows from operating activities	5,990	1,885
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,303)	(4,641)
Disposal of property, plant and equipment	43	-
Disposal of assets held for sale	-	286
Additions to bearer plants	(530)	(510)
Disposal of bearer plants	11	880
Purchase of land use rights	(39)	(288)
Interest received	211	141
Net cash flows used in investing activities	(1,607)	(4,132)
Cash flows from financing activities		
Proceeds from borrowings	50,405	70,820
Repayment of borrowings	(53,419)	(65,900)
Finance lease repayments	57	(76)
Interest paid	(5,044)	(5,756)
Net cash flows used in financing activities	(8,001)	(912)
Net decrease in cash and cash equivalents	(3,618)	(3,159)
Net effect of exchange rate changes on cash and cash equivalents	289	(263)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	16,789	16,692
Cash and cash equivalents, consolidated statement of cash flows, ending balance	13,460	13,270
Cash and cash equivalents included in consolidated statement of cash flows consist of the following:		
Balance as in statement of financial position (including cash restricted in use)	13,780	13,934
Less : Bank overdraft	(320)	(664)
Cash and cash equivalents for consolidated statement of cash flows purposes	13,460	13,270

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



1 (e) 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	Accumulated Losses US\$'000	Translation Reserve US\$'000	Other Reserve US\$'000	Reserve on Post- Employment Benefit US\$'000	Total US\$'000	Non-Controlling Interests US\$'000	Total Equity US\$'000
Balance as at 1/1/2019	93,860	(32,042)	(42,159)	2,485	-	22,144	-	22,144
Total comprehensive income	-	602	218	-	-	820	-	820
Balance as at 31/03/2019	93,860	(31,440)	(41,941)	2,485	-	22,964	-	22,964
Balance as at 1/1/2018	93,860	(8,110)	(39,665)	2,485	-	48,570	-	48,570
Total comprehensive loss	-	(9,846)	(628)	-	-	(10,474)	-	(10,474)
Balance as at 31/03/2018	93,860	(17,956)	(40,293)	2,485	-	38,096	-	38,096

COMPANY	Share Capital US\$'000	Retained Earnings US\$'000	Translation Reserve US\$'000	Total Equity US\$'000
Balance as at 1/1/2019	93,860	2,116	(28,439)	67,537
Total comprehensive (loss)/income	-	(55)	1,123	1,068
Balance as at 31/03/2019	93,860	2,061	(27,316)	68,605
Balance as at 1/1/2018	93,860	5,652	(23,550)	75,962
Total comprehensive loss	-	(408)	(1,140)	(1,548)
Balance as at 31/03/2018	93,860	5,244	(24,690)	74,414

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



1 (f) 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

There have been no changes in the Company's issued share capital since 31 December 2018. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.

The Company has not granted options or shares under its share scheme during the financial period ended 31 March 2019.

1 (g) 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 2019

287,011,177

As at 31 December 2018

287,011,177

1 (h) (i) 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.

1 (h) (ii) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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.

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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 2018, except for the adoption of the new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for the financial year beginning on or after 1 January 2019. 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.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on the Statement of Financial Position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the ROU asset.

The Group has assessed that there is no material impact upon the application of SFRS(I) 16 on the financial position and financial performance of the Group.

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	
	2019	2018
	US Cents	US Cents
Earnings/(loss) per share for the period		
(a) based on weighted average number of shares	0.21	(3.43)
(b) based on a fully diluted basis	0.21	(3.43)
Weighted number of shares	287,011,177	287,011,177

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



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 31/03/2019 US Cents	As at 31/12/2018 US Cents	As at 31/03/2019 US Cents	As at 31/12/2018 US Cents
Net asset value per ordinary share	8.00	7.72	23.90	23.53
Number of shares outstanding	287,011,177	287,011,177	287,011,177	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 27% from US\$28.0 million in 1Q2018 to US\$20.5 million in 1Q2019. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO") offset by higher sales volume. ASP of CPO decreased 29% from US\$599 in 1Q2018 to US\$424 in 1Q2019 whereas sales volume of CPO increased by approximately 4% from 39,273 MT in 1Q2018 to 40,986 MT in 1Q2019. The Group recorded an Operating Profit ("OP") of US\$2.8 million in 1Q2019 and a Net Profit for the period of US\$0.6 million in 1Q2019. The Net Profit for the period in 2019 was mainly due to fair value gain in biological assets, foreign exchange gain as a result of the IDR strengthening against the USD offset by lower ASP and share of loss from equity accounted joint venture.

Cost of operation

Cost of sales decreased by 37% from US\$27.9 million in 1Q2018 to US\$17.6 million in 1Q2019 mainly due to a lower mix of CPO purchased. Gross margin was lower mainly due to lower ASP. CPO production increased from 28,236MT in 1Q2018 to 40,829MT in 1Q2019.

Sales and distribution costs increased by 59% from US\$0.4 million in 1Q2018 to US\$0.6 in 1Q2019 mainly due to an increase in freight costs.

The Group recorded a decrease in administrative expenses from US\$2.6 million in 1Q2018 to US\$2.5 million in 1Q2019 mainly due to decrease in staff cost.

Other gains comprise mainly of plasma management fee income offset by expense from tax assessment results.

Interest income remained fairly stable in 1Q2019 as compared to 1Q2018.



Review of financial position

Shareholders' equity increased from US\$22.1 million as at 31 December 2018 to US\$23.0 million as at 31 March 2019 mainly due to the profit for the period of US\$0.6 million and a translation gain of US\$0.2 million.

The Group's total current assets decreased by US\$3.1 million from US\$69.2 million as at 31 December 2018 to US\$66.1 million as at 31 March 2019. Save for the movement in cash and cash equivalents as explained in the cash flow section below, the remaining movement in current assets arose mainly from:

- a) decrease in trade and other receivables amounting to US\$2.6 million due to lesser credit sales;
- b) increase in biological assets amounting to US\$2.8 million due to higher forecasted production and higher FFB prices.

Total non-current assets decreased by US\$0.9 million from US\$288.1 million as at 31 December 2018 to US\$287.2 million as at 31 March 2019. This was mainly due to the following:

- a) decrease in other receivables of US\$1.0 million due to receipts from plasma farmers and share of loss from Joint Venture;
- b) decrease in bearer plants of US\$0.6 million mainly due to depreciation and transfer of bearer plants to plasma; and
- c) increase in deferred tax assets of US\$0.7 million mainly due to additional deferred tax assets recognised in relation to certain subsidiaries which are making losses for the period.

The Group's total current liabilities increased by US\$2.1 million from US\$132.3 million as at 31 December 2018 to US\$134.5 million as at 31 March 2019. This was mainly due to the following:

- a) increase in other financial liabilities of US\$6.0 million due to increase in short-term borrowing and current portion of long-term borrowings;
- b) increase in income tax payables of US\$1.5 million due to additional estimated tax payable recognised in relation to subsidiaries making profit for the period; and
- c) decrease in trade and other payables of US\$5.3 million due to reduction in advances from customers.

Total non-current liabilities decreased by US\$7.0 million from US\$202.8 million as at 31 December 2018 to US\$196.0 million as 31 March 2019. This was mainly due to a decrease in non-current portion of long-term borrowings due to its reclassification to current portion as mentioned above.

The Group reported negative working capital of US\$68.3 million as at 31 March 2019. This was mainly due to a portion of borrowings used to invest in plantation assets.



Review of group cash flows

The closing cash and cash equivalents (net of bank overdrafts) of the Group decreased by US\$3.3 million from US\$16.8 million as at 31 December 2018 to US\$13.5 million as at 31 March 2019. The decrease was due to net cash inflow from operating activities offset by net cash outflow from investing and financing activities.

The Group's operating cash flows was higher by US\$4.1 million in 1Q2019 as compared to 1Q2018 mainly due to operating profit for the period and decrease in trade and other receivables offset by reduction of trade advances received from customers.

The Group reported a net cash outflow used in investing activities of US\$1.6 million in 1Q2019 mainly due to purchase of property, plant and equipment. Net cash flows used in financing activities was US\$8.0 million mainly due to repayments of borrowings and interest offset by proceeds from new borrowings.

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.

While prices have recovered slightly from its lows of 4Q2018, it is still at a relatively low level historically. The strong production and weak demand in 2018 resulted in a build-up of inventory which will limit any upward movement in prices until it is drawn down to a lower level. As for the US/China trade tension, we do not see a quick resolution happening anytime soon and we expect commodity prices to remain volatile. However, we are optimistic that the biodiesel program in Indonesia will provide support to prices.

In the challenging environment, we will continue to focus our efforts on our core business and improving productivity and cost 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.

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



12. If no dividend has been declared/recommended, a statement to that effect and the reason for the decision

In view of the current market condition and the capital expenditure for 2019, no dividend has been declared or recommended for the financial period ended 31 March 2019.

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)
	2019	2019
	<u>US\$'000</u>	<u>US\$'000</u>
Wilmar Group (Sales)	-	4,873
Wilmar Group (Purchases)	-	463
PT Berkah Wahana Sukses (Services Received)	96	-

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 2019 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

Henry Maknawi

Executive Chairman

14 May 2019