

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

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		
	2014	2013	Change
	US\$'000	US\$'000	%
Revenue	50,223	89,524	-44%
Cost of sales	(37,867)	(83,152)	-54%
Gross profit	12,356	6,372	94%
Distribution costs	(688)	(2,296)	-70%
Administrative expenses	(2,753)	(2,806)	-2%
Other credits, net	2,383	372	540%
Operating profit	11,298	1,642	588%
Financial income	52	68	-24%
Financial expense	(3,375)	(1,754)	92%
Share of results of joint venture	209	197	6%
Profit before income tax	8,184	153	5249%
Income tax expense	(2,054)	(49)	4092%
Net profit for the period	6,130	104	5794%

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

	Jan - Mar		
	2014	2013	Change
	US\$'000	US\$'000	%
Depreciation and amortisation expense	1,708	1,496	14%
Foreign exchange (gain)/loss, net	(2,295)	366	n/m
Interest expense	3,375	1,754	92%
Interest income	(52)	(68)	-24%
Gain from fair value of other receivables	-	(720)	n/m

Additional information :

EBITDA	13,215	3,335	296%
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n/m : not meaningful

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		
	2014	2013	Change
	US\$'000	US\$'000	%
Net profit for the period	6,130	104	5794%

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

Total comprehensive income/(loss) for the period

12,136	(16,162)	n/m
18,266	(16,058)	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 31/3/2014 US\$'000	As at 31/12/2013 US\$'000	As at 31/3/2014 US\$'000	As at 31/12/2013 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	16,651	14,208	1,446	1,501
Trade and other receivables	16,055	32,888	27,527	27,160
Inventories	14,687	12,087	-	-
Other assets	15,051	13,929	23	-
Total current assets	62,444	73,112	28,996	28,661
Non-current assets:				
Investments in Subsidiaries	-	-	49,072	44,584
Investments in Joint Ventures	5,928	5,406	5,531	5,389
Other receivables	4,320	4,811	-	-
Property, plant and equipment	98,387	90,466	-	-
Investment property	2,479	2,486	-	-
Biological assets	296,643	270,302	-	-
Land use rights	38,980	34,893	-	-
Other assets	955	942	-	-
Total non-current assets	447,692	409,306	54,603	49,973
TOTAL ASSETS	510,136	482,418	83,599	78,634
LIABILITIES AND EQUITY				
Current liabilities:				
Income tax payables	2,680	2,200	65	61
Trade and other payables	47,048	55,138	83	108
Finance leases	1,664	1,795	-	-
Other financial liabilities	20,965	46,402	-	-
Total current liabilities	72,357	105,535	148	169
Non-current liabilities:				
Trade and other payables	21,600	22,585	-	-
Deferred tax liabilities	25,363	23,935	-	-
Finance leases	989	1,309	-	-
Other financial liabilities	201,046	160,081	-	-
Other liabilities	3,855	3,429	-	-
Total non-current liabilities	252,853	211,339	-	-
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserves	2,688	2,628	-	-
Retained earnings	138,699	132,629	220	994
Translation reserves	(51,542)	(63,678)	(10,629)	(16,389)
Equity attributable to the owners of the company	183,705	165,439	83,451	78,465
Non-controlling interests	1,221	105	-	-
Total equity	184,926	165,544	83,451	78,465
TOTAL LIABILITIES AND EQUITY	510,136	482,418	83,599	78,634

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

	As at 31/3/2014 US\$'000	As at 31/12/2013 US\$'000
Amount due within one year		
Secured	22,629	30,096
Unsecured	-	18,024
Total	22,629	48,120
Amount due more than one year		
Secured	201,126	161,390
Total	201,126	161,390

The unsecured borrowings were covered by corporate guarantees of the Company whereas the secured borrowings are secured by certain inventories, trade receivables, land use 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	
	2014	2013
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before tax	8,184	153
Adjustments for :		
Depreciation and amortisation expense	1,708	1,496
Interest expense	3,375	1,754
Interest income	(52)	(68)
Unrealised gain on foreign exchange currency forward contracts	(574)	-
Unrealised gain on fair value of commodity contracts	-	(295)
Share of results of equity-accounted joint ventures	(209)	(197)
Post employment benefits	221	274
Net effect of exchange rate changes in consolidating entities	(6,701)	678
Operating profit before changes in working capital	5,952	3,796
Inventories	(2,600)	(2,700)
Trade and other receivables	17,324	19,580
Other assets	(1,135)	(4,934)
Trade and other payables	(6,160)	4,889
Net cash flows from operations before tax	13,381	20,631
Income taxes refund/(paid)	3,945	(1,679)
Net cash flows from operating activities	17,326	18,952
Cash flows used in investing activities		
Investments in joint venture	(82)	(1,023)
Purchase of property, plant and equipment	(6,179)	(6,563)
Additions to biological assets	(6,256)	(7,428)
Payment on land use rights	(1,803)	(3,615)
Receipt from non-controlling interests	1,036	-
Interest received	52	68
Proceed from disposals of property, plant and equipment	26	30
Net cash flows used in investing activities	(13,206)	(18,531)
Cash flows from financing activities		
Proceeds from borrowings	60,347	26,505
Repayment of borrowings	(53,942)	(19,687)
Finance lease payment	(167)	(563)
Interest paid	(7,915)	(3,531)
Net cash flows (used in)/from financing activities	(1,677)	2,723
Net increase in cash and cash equivalents	2,443	3,144
Cash and cash equivalents at the beginning of the period	14,208	7,603
Cash and cash equivalents at the end of the period	16,651	10,747

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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 Reserve US\$'000	Other Reserves US\$'000	Total US\$'000	Non-Controlling Interests US\$'000	Total Equity US\$'000
Balance as at 1/1/2014	93,860	132,629	(63,678)	2,628	165,439	105	165,544
Investment from non-controlling interest	-	(60)	-	60	-	1,242	1,242
Total comprehensive income	-	6,130	12,136	-	18,266	(126)	18,140
Balance as at 31/03/2014	93,860	138,699	(51,542)	2,688	183,705	1,221	184,926
Balance as at 1/1/2013	93,860	145,501	(14,910)	2,628	227,079	134	227,213
Total comprehensive income	-	104	(915)	-	(811)	(1) *	(812)
Balance as at 31/03/2013	93,860	145,605	(15,825)	2,628	226,268	133 *	226,401

COMPANY	Share Capital US\$'000	Retained Earnings US\$'000	Translation Reserve US\$'000	Total Equity US\$'000
Balance as at 1/1/2014	93,860	994	(16,389)	78,465
Total comprehensive income	-	(774)	5,760	4,986
Balance as at 31/03/2014	93,860	220	(10,629)	83,451
Balance as at 1/1/2013	93,860	1,902	4,759	100,521
Total comprehensive income	-	(114)	(470)	(584)
Balance as at 31/03/2013	93,860	1,787	4,290	99,937

* Less than US\$1,000

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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 2014

1,148,044,720

As at 31 December 2013

1,148,044,720

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 2013, except for the adoption of the new revised FRS which became effective for the financial year beginning on or after 1 January 2014. The adoption of the new and revised FRS (including its consequential amendments) and interpretations have no significant impact on the Group's and the Company's financial statements.

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.

Not applicable.

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	
	2014 US Cents	2013 US Cents
Earnings per share for the period		
(a) based on weighted average number of shares	0.53	0.01
(b) based on a fully diluted basis	0.53	0.01
Weighted number of shares	1,148,044,720	1,148,044,720

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 31/3/2014 US Cents	As at 31/12/2013 US Cents	As at 31/3/2014 US Cents	As at 31/12/2013 US Cents
Net asset value per ordinary share	16.11	14.42	7.27	6.83
Number of shares outstanding	1,148,044,720	1,148,044,720	1,148,044,720	1,148,044,720

Net assets value per ordinary share for 31 March 2014 and 31 December 2013 are calculated based on value of net assets as at 31 March 2014 and 31 December 2013 respectively, divided by the total number of issued shares of 1,148,044,720.

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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 44% from US\$89.5 million in 1Q 2013 to US\$50.2 million in 1Q 2014. The decrease was mainly due to lower sales volume of CPO during the quarter offset by higher Average Selling Price ("ASP"). Overall sales volume of CPO decreased approximately 55% from 122,954MT to 55,452MT. ASP of CPO increased from US\$691 in 1Q 2013 to US\$785 in 1Q 2014.

The Group's Operating Profit ("OP") for 1Q 2014 increased from US\$1.6 million to US\$11.3 million and Net Profit After Tax ("NPAT") increased from US\$104,000 to US\$6.1 million. The increase in OP this quarter was mainly due to the increase in ASP of CPO as mentioned above and foreign exchange gains of US\$2.6 million due to the strengthening of IDR against the US\$. The increase in NPAT was mainly due to the factors mentioned above offset by higher interest expense (increased by US\$1.6million) as a result of higher mature area.

Cost of Operation

Total cost of sales decreased by 54% compared to 1Q 2013 mainly due to the impact of significantly lower CPO purchases from third parties which generally yields lower margins. Gross margin improved as a result of increase in ASP and lower CPO purchases from third parties.

The decrease in distribution costs was mainly due to lower CIF sales made in the quarter.

Included in "Other credit, net" is a foreign exchange gain of US\$2.3 million, which resulted mainly from the revaluation of US\$ borrowings (1US\$= IDR 11,404 at 31 March 2014, 1US\$= IDR 12,189 at 31 December 2013).

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Review of financial position

The Group

Shareholders' equity increased to US\$184.9 million as at 31 March 2014 mainly due to translation gains of US\$12.1 million resulting from the strengthening of the IDR against US\$ in 1Q 2014 and profit for the period of US\$6.1 million.

As at 31 March 2014, the Group's total current assets decreased by US\$10.6 million to US\$62.4 million. Save for the movement in cash and bank balances as explained in cash flow section below, the movement in current assets came mainly from:

- a) decrease in trade receivables amounting to US\$16.8 million as a result of lower sales in 1Q 2014;
- b) increase in inventories amounting to US\$2.6 million as a result of higher amount of finished goods as well as consumables and supplies held at this period end.

Total non-current assets increased by US\$38.4 million to US\$447.7 million. This was mainly due to:

- a) increase of US\$7.9 million in property, plant and equipment. This was mainly due to spending on infrastructure and heavy equipment in our plantations offset by depreciation of US\$1.7 million;
- b) increase of US\$26.3 million in the value of the biological assets, attributable mainly to expenditure incurred on new planting and on maintenance of immature plantations, capitalisation of interest and depreciation;
- c) increase of US\$4.1 million in land use rights as a result of costs incurred on conversion of the land status, offset by amortisation.

Total current liabilities decreased by US\$33.2 million to US\$72.4 million. This was mainly due to decrease in short term borrowings of US\$25.4 million owing mainly to refinancing by long-term loans.

Total non-current liabilities increased by US\$41.5 million to US\$252.9 million. This was mainly due to the increase of long term borrowings US\$41.0 million resulting from new loan drawdown and translation effect.

Review of Group Cash flow

The closing cash and cash equivalents of the Group was US\$16.7 million for 1Q2014. The increase was mainly due to cash generated from operating activities and offset by cash outflow to investment and financing activities.

Operating cash flow was positive US\$17.3 million mainly due to the collection of receivables and higher operating profit.

Cash outflow to investments were mainly for the purchase of property, plant and equipment and additions to biological assets.

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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.

Our results improved in 1Q2014 mainly due to higher production from more matured area and the recovery of CPO prices. While prices have softened after 1Q 2014 due to increased stockpiles and the credit curbs on commodity financing in China, we are optimistic that the increased demand in the near future coming from the Indonesian biodiesel mandate and Ramadan will lend support to prices.

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 2014.

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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 2014	1Q 2014
	<u>US\$'000</u>	<u>US\$'000</u>
Wilmar Group (Sales)	–	3,116
Wilmar Group (Purchases)	–	–
Wilmar Group (Services)	–	268
PT Berkas Wahana Sukses (Services Received)	19	–
PT Berkas Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	649	–
PT Alamindo Sejahtera Persada (Services Received)	68	–
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	696	–

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14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Three Months Ended 31 March 2014

	Plantation US\$'000	Logistic & Bulking US\$'000	Power Generation US\$'000	Elimination US\$'000	Group US\$'000
Revenue by Segment:					
Revenue from external customers	48,695	1,415	113	-	50,223
Inter-segment sales	11,677	108	-	*(11,785)	-
Total revenue	60,372	1,523	113	(11,785)	50,223
Results:					
Segment results	6,628	158	(355)	-	6,431
Other unallocated items					1,544
Share of results of joint venture					209
Profit before income tax					8,184
Income tax expense					(2,054)
Net loss for the period					6,130

* Less than US\$1,000

Three Months Ended 31 March 2013

	Plantation US\$'000	Logistic & Bulking US\$'000	Power Generation US\$'000	Elimination US\$'000	Group US\$'000
Revenue by Segment:					
Revenue from external customers	87,983	1,275	266	-	89,524
Inter-segment sales	14,857	185	23	(15,065)	-
Total revenue	102,840	1,460	289	(15,065)	89,524
Results:					
Segment results	(5,403)	2	(445)	-	(5,846)
Other unallocated items					5,802
Share of results of joint venture					197
Profit before income tax					152
Income tax expense					(49)
Net profit for the period					104

The Group operates predominantly in Indonesia.

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15. 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 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Kent Surya
Finance Director
13 May 2014