

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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		Change %
	2017 US\$'000	2016 US\$'000	
Revenue	39,459	28,847	37%
Cost of sales	(29,045)	(26,495)	10%
Gross profit	10,414	2,352	343%
Fair value changes of biological assets and other receivables, net	942	119	692%
Distribution costs	(748)	(675)	11%
Administrative expenses	(2,307)	(2,262)	2%
Other losses, net	(224)	(163)	37%
Operating profit/(loss)	8,077	(629)	n/m
Gain on foreign exchange	1,221	1,804	-32%
Fair value changes of derivative financial instruments	332	853	-61%
Interest income	768	782	-2%
Interest expense	(4,786)	(4,966)	-4%
Share of results of joint ventures	270	2,726	-90%
Profit before income tax	5,882	570	932%
Income tax (expense)/benefit	(1,621)	198	n/m
Net profit for the period	4,261	768	455%

n/m : not meaningful

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

	Jan - Mar		Change %
	2017 US\$'000	2016 US\$'000	
Depreciation and amortisation expenses	4,025	3,957	2%
Gain on foreign exchange	(1,221)	(1,804)	-32%
Fair value changes of derivative financial instruments	(332)	(853)	-61%
Interest expense	4,786	4,966	-4%
Interest income	(768)	(782)	-2%
Fair value changes of biological assets	(1,065)	-	n/m
Fair value changes of other receivables	123	(119)	n/m
Loss on disposal of property, plant and equipment	5	-	n/m
<u>Additional information :</u>			
EBITDA (exclude gain from fair value changes of biological assets)	12,860	8,711	48%

n/m : not meaningful

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

Statement of Comprehensive Income

	Jan - Mar		Change %
	2017 US\$'000	2016 US\$'000	
Net profit for the period	4,261	768	455%
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	339	3,892	-91%
Items that may not be reclassified subsequently to profit or loss:			
Actuarial income on post-employment benefits	-	-	n/m
Total comprehensive loss for the period	<u>4,600</u>	<u>4,660</u>	-1%
Profit attributable to owners of the parent, net of tax	4,261	768	455%
Profit attributable to non-controlling interests, net of tax	-	-	n/m
Profit for the period, net of tax	<u>4,261</u>	<u>768</u>	455%
Total comprehensive income attributable to owners of the parent	4,600	4,660	-1%
Total comprehensive income attributable to non-controlling interests	-	-	n/m
Total comprehensive income for the period	<u>4,600</u>	<u>4,660</u>	-1%

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 31/03/2017 US\$'000	As at 31/12/2016 US\$'000	As at 31/03/2017 US\$'000	As at 31/12/2016 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	6,694	13,302	151	309
Trade and other receivables	22,313	22,490	21,970	22,002
Inventories	12,171	10,031	-	-
Biological assets	11,120	9,965	-	-
Other assets	2,687	4,188	1	1
Asset held for sale	10,889	8,697	5,986	5,938
Total current assets	65,874	68,673	28,108	28,250
Non-current assets:				
Investments in subsidiaries	-	-	39,796	39,455
Investments in joint ventures	-	-	-	-
Other receivables	23,169	21,000	-	-
Property, plant and equipment	88,781	91,163	-	-
Investment property	2,396	2,403	-	-
Bearer plants	162,330	160,819	-	-
Land use rights	38,626	38,282	-	-
Deferred tax assets	9,007	9,108	-	-
Other assets	2,011	737	-	-
Total non-current assets	326,320	323,512	39,796	39,455
TOTAL ASSETS	392,194	392,185	67,904	67,705
LIABILITIES AND EQUITY				
Current liabilities:				
Income tax payables	2,200	3,291	-	-
Trade and other payables	50,387	46,966	2,035	2,110
Finance leases	241	353	-	-
Other financial liabilities	43,921	44,271	-	-
Total current liabilities	96,749	94,881	2,035	2,110
Non-current liabilities:				
Trade and other payables	2,485	6,815	-	-
Deferred tax liabilities	2,028	1,180	-	-
Finance leases	44	81	-	-
Other financial liabilities	238,129	241,304	-	-
Other liabilities	4,552	4,317	-	-
Total non-current liabilities	247,238	253,697	-	-
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserve	2,485	2,485	-	-
Retained earnings/(accumulated losses)	(9,079)	(13,340)	(5,681)	(5,384)
Translation reserve	(39,059)	(39,398)	(22,310)	(22,881)
Equity attributable to the owners of the parent	48,207	43,607	65,869	65,595
Non-controlling interests	-	-	-	-
Total equity	48,207	43,607	65,869	65,595
TOTAL LIABILITIES AND EQUITY	392,194	392,185	67,904	67,705

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

	<u>As at 31/03/2017</u> US\$'000	<u>As at 31/12/2016</u> US\$'000
Amount due within one year		
Secured	<u>44,162</u>	<u>44,624</u>
Amount due more than one year		
Secured	<u>238,173</u>	<u>241,385</u>

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

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

	Jan - Mar	
	2017 US\$'000	2016 US\$'000
Cash flows from operating activities		
Profit before tax	5,882	570
Adjustments for:		
Interest income	(768)	(853)
Interest expense	4,786	4,966
Amortisation of land use rights	320	296
Depreciation expense	3,705	3,661
Fair value changes in biological assets	(1,065)	-
Fair value changes in other receivables	123	(119)
Increase in provision for employment pension benefits	198	343
Loss on disposal of property, plant and equipment	5	-
Share of result of equity-accounted joint ventures	(270)	(2,726)
Net effect of exchange rate changes in consolidating entities	143	(2,749)
Operating cash flows before changes in working capital	13,059	3,389
Inventories	(2,053)	(2,091)
Trade and other receivables	(1,604)	182
Other assets	269	(5,879)
Trade and other payables	(1,373)	19,608
Other financial liabilities	(332)	(853)
Net cash flows from operations before tax	7,966	14,356
Income taxes paid	(1,723)	(1,231)
Net cash flows from operating activities	6,243	13,125
Cash flows used in investing activities		
Purchase of property, plant and equipment	(582)	(8,438)
Additions to bearer plants	(810)	(1,126)
Purchase of land use rights	(333)	(352)
Interest received	105	312
Net cash flows used in investing activities	(1,620)	(9,604)
Cash flows from financing activities		
Proceeds from borrowings	34,208	35,249
Repayment of borrowings	(40,227)	(32,925)
Finance lease movement	(153)	131
Interest paid	(5,418)	(5,943)
Net cash flows used in financing activities	(11,590)	(3,488)
Net (decrease)/increase in cash and cash equivalents	(6,967)	33
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	12,157	8,196
Cash and cash equivalents, consolidated statement of cash flows, ending balance	5,190	8,229
Cash and cash equivalents included in consolidated cash flow consist of the following:		
Balance as in statement of financial position	6,694	9,519
Less : Bank overdraft	(1,504)	(1,290)
Cash and cash equivalents at the end of the period	5,190	8,229

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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	Retained Earnings/ (Accumulated losses)	Translation Reserve	Other Reserve	Reserve on Post- Employment Benefit	Total	Non-Controlling Interests	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1/1/2017	93,860	(13,340)	(39,398)	2,485	-	43,607	-	43,607
Total comprehensive income	-	4,261	339	-	-	4,600	-	4,600
Balance as at 31/03/2017	93,860	(9,079)	(39,059)	2,485	-	48,207	-	48,207
Balance as at 1/1/2016	93,860	(4,669)	(41,753)	2,485	-	49,923	-	49,923
Total comprehensive income	-	768	3,892	-	-	4,660	-	4,660
Balance as at 31/03/2016	93,860	(3,901)	(37,861)	2,485	-	54,583	-	54,583

COMPANY	Share Capital	Retained Earnings/ (Accumulated losses)	Translation Reserve	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1/1/2017	93,860	(5,384)	(22,881)	65,595
Total comprehensive (loss)/income	-	(297)	571	274
Balance as at 31/03/2017	93,860	(5,681)	(22,310)	65,869
Balance as at 1/1/2016	93,860	(4,751)	(24,607)	64,502
Total comprehensive (loss)/income	-	(408)	2,520	2,112
Balance as at 31/03/2016	93,860	(5,159)	(22,087)	66,614

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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 2017

287,011,177

As at 31 December 2016

287,011,177

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

Not applicable.

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

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

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

Not applicable.

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

The same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently audited financial statements as at 31 December 2016, except for the adoption of the new revised FRS which became effective for the financial year beginning on or after 1 January 2017. 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	
	2017 US Cents	2016 US Cents
Loss per share for the period		
(a) based on weighted average number of shares	1.48	0.27
(b) based on a fully diluted basis	1.48	0.27
Weighted number of shares	287,011,177	287,011,177

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 31/03/2017 US Cents	As at 31/12/2016 US Cents	As at 31/03/2017 US Cents	As at 31/12/2016 US Cents
Net asset value per ordinary share	16.80	15.19	22.95	22.85
Number of shares outstanding	287,011,177	287,011,177	287,011,177	287,011,177

Net assets value per ordinary share for 31 March 2017 and 31 December 2016 are calculated based on value of net assets as at 31 March 2017 and 31 December 2016 respectively, divided by the total number of issued shares of 287,011,177.

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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 increased by 37% from US\$28.8 million in 1Q 2016 to US\$39.5 million in 1Q 2017. The increase was mainly due to higher Average Selling Price ("ASP") of CPO during the quarter despite a slight decrease in sales volume. ASP of CPO increased 33% from US\$505 to US\$674 whereas sales volume of CPO decreased approximately 7% from 50,264 MT in 1Q 2016 to 46,683 MT in 1Q 2017.

The Group's Operating Profit ("OP") for 1Q 2017 turned from a loss of US\$0.6 million in 1Q 2016 to a profit of US\$8.1 million whereas Net Profit After Tax ("NPAT") increased from US\$0.8 million to US\$4.3 million. The increase in OP this year was mainly due to higher ASP of CPO resulting in a higher gross margin. The increase in NPAT was similarly due to higher ASP of CPO, lower interest expense offset by the decrease in foreign exchange gain. The decrease in interest expense was mainly due to higher mix of USD loans incurring interests at a lower rate than IDR loans.

Cost of operation

The Group recognized a fair value gain of US\$1.1 million on biological assets mainly due to increase in FFB prices and higher margin.

Distribution costs increased slightly due to higher CIF sales during the quarter.

Administrative expenses remained fairly stable for the quarter.

Review of financial position

Shareholders' equity increased from US\$43.6 million as at 31 December 2016 to US\$48.2 million as at 31 March 2017 mainly due to profit for the quarter of US\$4.3 million.

The Group's total current assets decreased by US\$2.8 million from US\$68.7 million as at 31 December 2016 to US\$65.9 million as at 31 March 2017. Save for the movement in cash and cash equivalents as explained in cash flow section below, the remaining movement in current assets arose mainly from:

- a) increase in inventory amounting to US\$2.0 million as a result of higher level of finished goods and consumables as at 31 March 2017;
- b) increase in biological assets amounting to US\$1.1 million due to fair value gain recognized for the period.
- c) decrease in other assets amounting to US\$1.5 million as a result of reclassification to property, plant and equipments.
- d) increase in assets held for sale amounting to US\$2.2 million due to 2 vessels being classified as asset held for sale.

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Total non-current assets increased by US\$2.8 million from US\$323.5 million as at 31 December 2016 to US\$326.3 million as at 31 March 2017. This was mainly due to the following:

- a) increase in other receivables amounting to US\$2.2 million mainly due to advances to plasma for capital and operating expenditures.
- b) decrease in properties, plant and equipment of US\$2.4 million mainly due to reclassification of vessels to assets held for sale and depreciation charge for the period.
- c) Increase in bearer plants amounting to US\$1.5 million mainly due to expenditures incurred on immature plantations and the capitalization of interest and depreciation.
- d) Increase in other assets of US\$1.3 million due to deposits paid in relation to purchase of property, plant and equipment.

The Group's total current liabilities increased by US\$1.8 million from US\$94.9 million as 31 December 2016 to US\$96.7 million as at 31 March 2017. This was mainly due to the increase in trade and other payables of US\$3.4 million resulting from increase in trade payables for purchases made offset by decrease in income tax payables of US\$1 million.

Total non-current liabilities decreased by US\$6.5 million from US\$253.7 million as at 31 December 2016 to US\$247.2 million as 31 March 2017. This was mainly due to the decrease in trade and other payables of US\$4.3 million due to the movement of trade advances received from non-current to current portion and decrease in long-term borrowings of US\$3.2 million as a result of net repayment during the quarter.

Review of Cash flows

The closing cash and cash equivalents of the Group decreased from US\$12.2 million as at 31 December 2016 to US\$5.2 million as at 31 March 2017. Cash generated from operating activities was offset by net cash outflows from investing and financing activities.

The Group's operating cash flows were lower compared to 1Q 2016 mainly due to more trade advances received in 1Q 2016.

The Group reported net cash out flows from investing activities of US\$1.6 million mainly due to additions to property, plant and equipment, biological assets and land use rights. Net cash flows from financing activities were negative US\$11.6 million mainly due to net repayment of borrowings and interests payments.

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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.

We have seen a recovery in production as the effect of El Niño tapered off. Along with higher CPO prices the group was able to start the year well with an encouraging set of results for 1Q2017. We expect this recovery to continue for the rest of the year if the favourable climatic conditions remain. Prices however have been volatile recently being affected by soy and crude oil prices as well as biodiesel policies. We will focus our efforts on productivity and cost control in this challenging environment.

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 2017.

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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 2017	1Q 2017
	<u>US\$'000</u>	<u>US\$'000</u>
Wilmar Group (Sales)	–	463
Wilmar Group (Purchases)	–	154
PT Berkat Wahana Sukses (Services Received)	–	–
PT Berkat Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	453	–
PT Alamindo Sejahtera Persada (Services Received)	–	–
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	–	–

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

The Directors do hereby confirm that to the best of their knowledge, nothing has come to their attention which would render the unaudited financial statements for the period ended 31 March 2017 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
Chairman and Chief Executive Officer
15 May 2017