KENCANA AGRI LIMITED

(Registration Number: 200717793E)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

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	2nd Quarter			1st Half		
	2013	2012	Change	2013	2012	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Revenue	43,629	48,209	-10%	133,153	125,872	6%
Cost of sales	(37,318)	(41,486)	-10%	(120,470)	(109,728)	10%
Gross profit	6,311	6,723	-6%	12,683	16,144	-21%
Gain from fair value changes of biological and other assets, net	3,722	-	n/m	4,439	-	n/m
Distribution costs	(911)	(301)	203%	(3,207)	(2,474)	30%
Administrative expenses	(3,298)	(2,969)	11%	(6,104)	(5,965)	2%
Other credits/(charges), net	(2,610)	(1,910)	37%	(2,955)	(2,098)	41%
Operating profit	3,214	1,543	108%	4,856	5,607	-13%
Financial income	66	118	-44%	134	249	-46%
Financial expense	(3,095)	(1,608)	92%	(4,848)	(3,012)	61%
Share of results of equity-accounted joint	(43)	58	n/m	153	(12)	n/m
Profit before income tax	142	111	28%	295	2,832	-90%
Income tax (expense)/benefit	(49)	628	n/m	(98)	58	n/m
Net profit for the period	93	739	-87%	197	2,890	-93%

n/m : not meaningful

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

	2nd Quarter			1st Half		
	2013 US$'000	2012 US$'000	Change %	2013 US$'000	2012 US$'000	Change %
Depreciation and amortisation expense	2,079	1,347	54%	3,575	2,547	40%
Interest expense	3,095	1,608	92%	4,848	3,012	61%
Interest income	(66)	(118)	-44%	(134)	(249)	-46%
Loss on disposal of property, plant, and equipment	-	-	n/m	-	(23)	n/m
Gain from fair value changes of biological assets	(3,722)	-	n/m	(3,722)	-	n/m
Gain from fair value changes of other receivables	-	-	n/m	(717)	-	n/m
Provision for doubtful debt	900	-	n/m	900	-	n/m
<u>Additional information :</u>						
EBITDA (excluding gain from fair value changes of biological assets)	1,527	2,948	-48%	4,862	8,142	-40%

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.

<u>Statement of comprehensive income</u>

	2nd Quarter			1st Half		
	2013 US$'000	2012 US$'000	Change %	2013 US$'000	2012 US$'000	Change %
Net profit for the period	93	739	-87%	197	2,890	-93%
Other comprehensive income						
Items that may be reclassified subsequently to profi t or loss:						
Exchange differences on translating IDR functional currency to US dollar presentation currency and foreign operation's financial statements	(5,239)	(8,303)	-37%	(6,154)	(11,460)	-46%
Total comprehensive income for the period - (loss)	(5,146)	(7,564)	-32%	(5,957)	(8,570)	-30%

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 30/6/2013 US$'000	As at 31/12/2012 US$'000	As at 30/6/2013 US$'000	As at 31/12/2012 US$'000
ASSETS				
Current assets:				
Cash and cash equivalents	16,071	7,603	1,566	991
Trade and other receivables	32,583	51,011	34,370	38,935
Inventories	20,261	17,404	-	-
Other assets	17,996	10,033	11	-
Financial assets	67	910	-	-
Total current assets	**86,978**	**86,961**	**35,947**	**39,926**
Non-current assets:				
Investments in Subsidiaries	-	-	54,732	56,198
Investments in Joint Ventures	5,720	4,550	5,671	4,655
Other receivables	-	2,444	-	-
Property, plant and equipment	100,848	98,736	-	-
Investment property	2,505	2,512	-	-
Biological assets	311,785	292,169	-	-
Land rights	41,049	37,848	-	-
Other assets	1,216	1,249	-	-
Total non-current assets	**463,123**	**439,508**	**60,403**	**60,853**
TOTAL ASSETS	**550,101**	**526,469**	**96,350**	**100,779**
LIABILITIES AND EQUITY				
Current liabilities:				
Income tax payables	642	2,483	74	56
Trade and other payables	58,017	45,400	88	202
Finance leases	1,963	2,021	-	-
Other financial liabilities	79,200	58,397	-	-
Total current liabilities	**139,822**	**108,301**	**162**	**258**
Non-current liabilities:				
Trade and other payables	5,556	13,890	-	-
Deferred tax liabilities	32,318	33,161	-	-
Finance leases	1,365	1,721	-	-
Other financial liabilities	148,316	139,860	-	-
Other liabilities	2,681	2,323	-	-
Total non-current liabilities	**190,236**	**190,955**	**-**	**-**
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserves	2,628	2,628	-	-
Retained earnings	144,489	145,501	57	1,902
Translation reserves	(21,064)	(14,910)	2,271	4,759
Equity attributable to the owners of the company	219,913	227,079	96,188	100,521
Non-controlling interests	130	134	-	-
Total equity	**220,043**	**227,213**	**96,188**	**100,521**
Total liabilities and equity	**550,101**	**526,469**	**96,350**	**100,779**

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

	As at 30/6/2013 US$'000	As at 31/12/2012 US$'000
Amount due within one year		
Secured	54,774	38,581
Unsecured	26,389	21,837
Total	**81,163**	**60,418**
Amount due more than one year		
Secured	149,681	141,581
Total	**149,681**	**141,581**

The unsecured borrowings are covered by corporate guarantees of the Company whereas 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.

	1st Half	
	2013	2012
	US$'000	US$'000
Cash flows from operating activities		
Profit before tax	295	2,832
Adjustments for :		
Depreciation and amortisation expense	3,575	2,547
Interest expense	4,848	3,012
Interest income	(134)	(249)
Gain from fair value changes of biological and other assets, net	(4,439)	-
Gain on disposal of property, plant and equipment	-	(23)
Unrealised (gain)/loss on fair value of commodity contracts	(295)	505
Share of results of equity-accounted joint ventures	(153)	12
Post employment benefits	545	479
Net effect of exchange rate changes in consolidating entities	1,795	(599)
Operating profit before changes in working capital	6,037	8,516
Inventories	(2,857)	(5,789)
Trade and other receivables	22,726	9,518
Other assets	(7,930)	(2,413)
Trade and other payables	8,191	4,025
Net cash flows from operations before tax	26,167	13,857
Income taxes paid	(1,851)	(3,920)
Net cash flows from operating activities	**24,316**	**9,937**
Cash flows used in investing activities		
Investments in joint ventures	(1,017)	(1,500)
Purchase of property, plant and equipment	(11,746)	(13,258)
Additions to biological assets	(21,090)	(11,070)
Purchase of land rights	(4,758)	(4,986)
Interest received	134	249
Proceed from disposals of property, plant, and equipment	30	23
Net cash flows used in investing activities	**(38,447)**	**(30,542)**
Cash flows from financing activities		
Proceeds from borrowings	90,086	80,106
Repayment of borrowings	(58,077)	(65,387)
Finance lease payment	(1,163)	(966)
Dividend paid	(1,209)	(1,988)
Interest paid	(7,038)	(6,253)
Net cash flows from financing activities	**22,599**	**5,512**
Net increase/(decrease) in cash and cash equivalents	8,468	(15,093)
Cash and cash equivalents at the beginning of the period	7,603	23,019
Cash and cash equivalents at the end of the period	**16,071**	**7,926**

Cash and cash equivalents included in consolidated cash flow consist of the following:

Balance as in balance sheet	16,071	7,926
Less : Bank overdrafts	-	-
Cash and cash equivalents at the end of period	**16,071**	**7,926**

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.

	Share Capital US$'000	Retained Earnings US$'000	Translation Reserves US$'000	Other Reserves US$'000	Total US$'000	Non-Controlling Interests US$'000	Total Equity US$'000
Balance as at 1/1/2013	93,860	145,501	(14,910)	2,628	227,079	134	227,213
Total comprehensive income - (loss)	-	197	(6,154)	-	(5,957)	(4)	(5,961)
Dividend	-	(1,209)	-	-	(1,209)	-	(1,209)
Balance as at 30/06/2013	**93,860**	**144,489**	**(21,064)**	**2,628**	**219,913**	**130**	**220,043**
Balance as at 1/1/2012	93,860	130,052	1,252	2,628	227,792	- *	227,792
Total comprehensive income - (loss)	-	2,890	(11,460)	-	(8,570)	- *	(8,570)
Dividend	-	(1,988)	-	-	(1,988)	- *	(1,988)
Balance as at 31/06/2012	**93,860**	**130,954**	**(10,208)**	**2,628**	**217,234**	**- ***	**217,234**

COMPANY	Share Capital US$'000	Retained Earnings US$'000	Translation Reserves US$'000	Total Equity US$'000
Balance as at 1/1/2013	93,860	1,902	4,759	100,521
Total comprehensive income - (loss)	-	(565)	(2,488)	(3,053)
Dividend	-	(1,280)	-	(1,280)
Balance as at 30/06/2013	**93,860**	**57**	**2,271**	**96,188**
Balance as at 1/1/2012	93,860	3,621	11,468	108,949
Total comprehensive income - (loss)	-	(68)	(4,543)	(4,611)
Dividend	-	(1,988)	-	(1,988)
Balance as at 30/06/2012	**93,860**	**1,565**	**6,925**	**102,350**

* Less than US$1,000

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 30 June 2013	As at 31 December 2012
1,148,044,720	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.

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 2012, except for the adoption of the new revised FRS which became effective for the financial year beginning on or after 1 January 2013 and the change in the frequency of recognition of the fair value changes in biological assets as discussed below. 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.

Previously, biological assets of the Group were fair valued once yearly at the end of the financial year. During the period, the Group changed its practice of fair valuing these assets to a semi-annual basis. In view of more rapid changes in the factors affecting the valuation of the biological assets such as the CPO price and more mature trees coming on stream, the Group believes that fair valuing of these assets more regularly would better reflect its financial position.

During the period, the Group reported fair value gain on biological assets of US$3.7million. The fair valuation of the biological assets was determined by PT Asian Appraisal Indonesia. Had the Group continued with the frequency of fair valuing the biological assets once yearly, it would have reported a net loss of US$2.6million for 1H2013 and US$2.7million for 2Q213 and its net assets would be reduced to US$217million.

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.

See paragraph 4.

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.

	2nd Quarter		1st Half	
	2013	2012	2013	2012
	US Cents	US Cents	US Cents	US Cents
Earnings per share for the year				
(a) based on weighted average number of shares	0.01	0.06	0.02	0.25
(b) based on a fully diluted basis	0.01	0.06	0.02	0.25
Weighted number of shares	1,148,044,720	1,148,044,720	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 30/6/2013 US Cents	As at 31/12/2012 US Cents	As at 30/6/2013 US Cents	As at 31/12/2012 US Cents
Net asset value per ordinary share	19.17	19.79	8.38	8.76
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 30 June 2013 and 31 December 2012 are calculated based on value of net assets as at 30 June 2013 and 31 December 2012 respectively, divided by the total number of issued shares of 1,148,044,720.

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.

<u>2Q2013 vs 2Q2012</u>

Revenue and profit

The Group revenue decreased by 10% from US$48.2 million in 2Q2012 to US$43.6 million in 2Q2013. The decrease came mainly from:

a) lower average selling price (net of export tax) per tonne ("ASP") for CPO (decreased from US$868 to US$708);
b) lower FFB production and consequently lower CPO production. This was due to seasonality of crops and adverse weather condition;
c) offset by higher CPO sales volume (increased from 49,600MT to 55,958MT). The increase in CPO sales volume was due to higher purchases of CPO from third party sources.

The Group operating profit ("OP") for 2Q2013 increased from US$1.5 million to US$3.2 million and net profit after tax ("NPAT") decreased from US$0.7 million to US$0.09 million compared the same quarter of 2012.

The increase in OP in this quarter was mainly due to the change in policy for recognition of the fair value changes of biological assets. The decrease in NPAT was mainly due to higher interest expenses as a result of higher mature area. Interest cost related to mature area is expensed whereas that of immature area is capitalised.

Costs of Operation

The Group's cost of sales decreased by 10% over that of the same period of last year. This decrease in cost of sales was due mainly to lower CPO purchase price.

The increase in our distribution costs was due to higher CIF sales in the quarter.

The administrative expenses increased by 11% over that of 2Q2012. The increase was mainly due to the increase in employee related expenses.

Included in "Other (charges)/credits, net" is a foreign exchange loss of US$1.9 million, which came mainly from the translation of US$ borrowings (due to weakening of IDR against US$ from U$1= IDR 9,719 to 9,929).

<u>1H2013 vs 1H2012</u>

Revenue and Profit

The Group reported revenue of US$133.2 million, which is 6% higher than that achieved in the same period last year. The increase was mainly due higher CPO purchased from third parties offset by lower ASP of CPO (ASP decreased from US$901 to US$697) and lower FFB and CPO production as mentioned above.

For the period under review, the Group reported OP and NPAT of US$4.8 million and US$0.1 million respectively as compared to US$5.6 million and US$2.9 million respectively in 1H2012. The decreases were mainly due to the lower ASP of CPO and higher interest cost offset by the recognition of fair value changes of biological assets.

Cost of Operation

Total cost of sales increased to US$120.5 million mainly due to higher CPO purchased from third parties.

The increase in distribution cost was mainly due to higher CIF sales made in 1H2013.

The administrative expenses increased by 2% over that of 1H2012. The increase was mainly due to increase in employee related expenses.

Included in "Other (charges)/credits, net" is a foreign exchange loss of US$2.2 million, which came mainly from the translation of US$ borrowings (due to weakening of IDR against US$ from U$1= IDR 9,670 to 9,929).

The Group's interest expense increased by 61% as a result of higher mature area. Interest cost related to mature area is expensed whereas that of immature area is capitalised.

Review of financial position

The Group

Shareholders' equity reduced to US$220 million as at 30 June 2013. The reduction was mainly due to the foreign exchange translation loss of US$6.1 million from the weakening of IDR against US$ for 1H2013 (from US$1: Rp9,670 to US$1: Rp9,929) and lower profit for the period.

As at 30 June 2013, total non-current assets increased to US$46.3 million from US$440 million. This was mainly due to:

a) increase of US$1.2 million in the investment in joint venture as we provided additional loan to the JV company in 1Q2013 for capital expenditure purpose,
b) increase of US$2.1 million in property, plant and equipment. This was mainly due to spending on infrastructure and heavy equipment in our plantations, after netting off translation loss of US$3.5 million and depreciation of US$3.8 million,
c) US$19.6 million increase in the value of the biological assets, attributable mainly to expenditure incurred on new planting and on maintenance of immature plantations totalling US$21.1 million, capitalisation of interest and depreciation amounting to US$2.9 million, gain on fair value changes US$3.7 million and a foreign exchange translation loss of US$8.1 million, and
d) the increase of US$3.2 million in land rights as a result of expenditure incurred on conversion of the land status

The Group's total current assets increased by US$0.02 million to US$86.9 million as at 30 June 2013. 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 which mainly came from the collection of 2012 receivables collected in 1Q2013,
b) increase in inventories amounting to US$2.8 million which was mainly due to higher stocks of spare parts and fertiliser, and
c) increase in advance payment (under "Other Assets") of US$7.9 million. This comprises mainly advance payment to contractors and suppliers for the development of new planted area, down payment for heavy equipment for mill expansion and purchase of raw materials.

Total current liabilities increased by US$31.5 million to US$139.8 million. This was mainly due to increase in short term borrowings (US$20.8 million), higher purchases and advances from customers and increase in trade payables which is in line with the increase in business activities.

Total non-current liabilities remained unchanged at US$190 million. This was mainly due to reclassification of US$8.3 million in long-term advances to short term offset by increase in long-term borrowings.

Review of Group Cash flow

The closing cash and cash equivalents of the Group increased by US$8.1 million for 1H2013 when compared to 1H2012. The increase was mainly due to higher cash generated from operating and financing activities and offset by cash outflow to investments.

As compared to 1H2012, our operating cash flow for 1H2013 increased by US$14.4 million mainly due to collection of receivables. The higher capital expenditure incurred in 1H2013 was in line with our planting programme.

Our cash from financing activities increased as compared to that of the previous period mainly due the drawdown of the investment loans.

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.

CPO price weakened in 1H2013 and is likely to remain soft in the near term. The weakness in the CPO price was caused by lower demand and high inventory level. However, the Group believes the long-term prospects of the palm oil industry remain positive.

The persistent softening in the CPO price has affected the Group. We expect to face increasing challenges in the short to medium term. Nevertheless, the Group's longer term fundamentals remain strong. The Group will continue to closely monitor its production costs, overall expenses and the impact of foreign exchange movements.

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/recommended, a statement to that effect.

Not applicable.

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$100,000)
	1H 2013	**1H 2013**
	US$'000	**US$'000**
Wilmar Group (Sales)	–	13,744
Wilmar Group (Purchases)	–	1,039
Wilmar Group (Services)	–	268
PT Berkat Wahana Sukses (Services Received)	–	–
PT Berkat Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	831	–
PT Alamindo Sejahtera Persada (Services Received)	82	–
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	1,251	–

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 30 June 2013 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Kent Surya
Finance Director
14 August 2013