KENCANA AGRI LIMITED
(Registration No: 200717793E)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2024

Table of contents **Page**

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 interim consolidated financial statements of the Group for the period ended 30 June 2024.

A. Condensed interim consolidated statement of comprehensive income

		Group 6 months ended 30 June	
	Notes	2024	2023
		US$'000	US$'000
Revenue	5	54,531	61,775
Cost of sales	6	(40,214)	(51,867)
Gross profit		14,317	9,908
Interest income		312	426
Other gains	8	849	5,231
Changes in fair value of biological assets and plasma receivables	7	2,062	(536)
Distribution costs	9	(867)	(967)
Administrative expenses		(4,748)	(5,094)
Finance costs	10	(7,148)	(7,704)
Other losses	8	(2,564)	(872)
Profit before tax		2,213	392
Income tax (expense) benefit	11	(1,645)	1,478
Net profit for the period		568	1,870
Other comprehensive (loss) income			
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		(2,146)	1,155
Other comprehensive (loss) income for the period, net of tax		(2,146)	1,155
Total comprehensive (loss) income		(1,578)	3,025

B. Condensed interim statements of financial position

	Notes	Group		Company	
		30 June 2024	31 December 2023	30 June 2024	31 December 2023
ASSETS		**US$'000**	**US$'000**	**US$'000**	**US$'000**
Non-current assets					
Property, plant and equipment	13	70,521	73,844	-	-
Right-of-use assets	12	274	331	-	-
Bearer plants	14	93,300	100,575	-	-
Investments in subsidiaries		-	-	32,057	34,147
Land use rights	15	22,258	24,255	-	-
Deferred tax assets		5,567	6,222	-	-
Other receivables	19	4,539	5,609	-	-
Total non-current assets		196,459	210,836	32,057	34,147
Current assets					
Biological assets	16	24,060	23,770	-	-
Inventories		19,183	12,855	-	-
Trade and other receivables		25,441	26,003	34,949	37,207
Other non-financial assets		2,867	3,113	1	1
Cash and cash equivalents	17	16,946	16,680	10	85
Total current assets		88,497	82,421	34,960	37,293
Total assets		284,956	293,257	67,017	71,440
EQUITY AND LIABILITIES					
Equity					
Share capital	18	93,860	93,860	93,860	93,860
Accumulated losses		(21,072)	(21,640)	(839)	(124)
Other reserve		2,400	2,400	-	-
Translation reserve		(46,188)	(44,042)	(36,232)	(32,501)
Total equity attributable to owners of the Company		29,000	30,578	56,789	61,235
Non-current liabilities					
Advances from customer	20	11,785	15,493	-	-
Deferred tax liabilities		2,320	2,479	-	-
Lease liabilities	24	903	1,473	-	-
Other financial liabilities	24	135,014	132,289	-	-
Other non-financial liabilities		6,434	6,562	-	-
Total non-current liabilities		156,456	158,296	-	-
Current liabilities					
Income tax payable		1,810	1,853	-	-
Trade and other payables	20	43,114	47,796	10,228	10,205
Lease liabilities	24	1,488	1,678	-	-
Other financial liabilities	24	53,088	53,056	-	-
Total current liabilities		99,500	104,383	10,228	10,205
Total liabilities		255,956	262,679	10,228	10,205
Total equity and liabilities		284,956	293,257	67,017	71,440

C. Condensed interim consolidated statement of cash flows

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Cash flows from operating activities		
Profit before tax	2,213	392
Adjustments for:		
Interest income	(312)	(426)
Interest expense	7,148	7,704
Amortisation of land use rights	525	561
Depreciation expense	7,132	7,626
Fair value changes in biological assets	(1,786)	374
Fair value changes in plasma receivables	(276)	162
Provision for employment pension benefits	279	526
Loss on disposal of property, plant and equipment	5	7
Bearer plant written-off	24	-
Write-off of long overdue payables to supplier	-	(4)
Impairment or (reversal) on assets held for sale	-	54
Net effect of exchange rate changes in consolidating entities	274	(2,146)
Operating cash flows before changes in working capital	15,226	14,830
Inventories	(7,283)	(7,192)
Trade and other receivables	2,521	(2,590)
Other non-financial assets	56	(1,180)
Trade and other payables	(4,294)	6,026
Net cash flows from operations	6,226	9,894
Income taxes paid	(2,130)	(494)
Net cash flows from operating activities	4,096	9,400
Cash flows (used in) from investing activities		
Proceeds from disposal of property, plant and equipment	-	8
Purchase of property, plant and equipment	(4,888)	(3,885)
Additions to bearer plants	(2,150)	(1,099)
Proceeds from sale of assets held for sale	-	4,913
Interest received	312	426
Net cash flows (used in) from investing activities	(6,726)	363
Cash flows from (used in) in financing activities		
Cash restricted in use	(545)	2,635
Proceeds from borrowings	131,058	70,387
Repayment of borrowings	(118,865)	(68,735)
Repayments of lease liabilities	(636)	(571)
Interest paid	(7,225)	(7,990)
Net cash flows from (used in) financing activities	3,787	(4,274)
Net increase in cash and cash equivalents	1,157	5,489
Net effect of exchange rate changes on cash and cash equivalents	(240)	128
Cash and cash equivalents, beginning balance	3,491	2,871
Cash and cash equivalents, ending balance	4,408	8,488
Cash and cash equivalents as presented in the statement of financial positions :		
Cash and cash equivalents	16,946	20,482
Deposits pledged for bank facilities	(12,538)	(11,994)
	4,408	8,488

D. Condensed interim statements of changes in equity

Group	Total equity attributable to owners of the Company	Share capital	Accumulated losses	Other reserve	Translation reserve
	US$'000	US$'000	US$'000	US$'000	US$'000
Current year:					
Opening balance at 1 January 2024	30,578	93,860	(21,640)	2,400	(44,042)
Changes in equity:					
Total comprehensive loss (income) for the period	(1,578)	-	568	-	(2,146)
Closing balance at 30 June 2024	29,000	93,860	(21,072)	2,400	(46,188)
Previous year:					
Opening balance at 1 January 2023	30,532	93,860	(21,171)	2,400	(44,557)
Changes in equity:					
Total comprehensive income for the period	3,025	-	1,870	-	1,155
Closing balance at 30 June 2023	33,557	93,860	(19,301)	2,400	(43,402)

Company	Total equity	Share capital	Accumulated losses / earnings	Translation reserve
	US$'000	US$'000	US$'000	US$'000
Current year:				
Opening balance at 1 January 2024	61,235	93,860	(124)	(32,501)
Changes in equity:				
Total comprehensive loss for the period	(4,446)	-	(715)	(3,731)
Closing balance at 30 June 2024	56,789	93,860	(839)	(36,232)
Previous year:				
Opening balance at 1 January 2023	60,660	93,860	541	(33,741)
Changes in equity:				
Total comprehensive income for the period	2,954	-	116	2,838
Closing balance at 30 June 2023	63,614	93,860	657	(30,903)

E. Notes to the condensed interim 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 period ended 30 June 2024 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 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. 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

The condensed interim consolidated financial statements for the period ended 30 June 2024 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Financial Reporting* issued by the Accounting Standards Committee in Singapore. The condensed interim 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 2023.

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

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting period compared with the audited financial statements for the year ended 31 December 2023, 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 2024. 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 interim 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 2023.

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) Deferred tax assets;
(c) Impairment assessment of cost of investments and other receivables from subsidiaries;
(d) Impairment assessment of non-current non-financial assets;
(e) Assessing expected credit loss allowance on trade and other receivables;
(f) Useful lives of property,plant and equipment;
(g) Land use right;
(h) Pension and employee benefits;
(i) Advances/guarantees under Plasma Programme;
(j) 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 yield of oil palm trees, annual discount rate, cost of production and projected selling prices of FFB. The disclosures about measurement of fair values are included in note 16, which explains that small changes in the key assumptions used could give rise to gains and losses. Actual outcomes could vary from these estimates.

(b) Deferred tax assets

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 judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

(c) Impairment assessment of of cost of investments and other receivables from subsidiaries

Where a subsidiary is in net equity deficit and or has suffered losses, a test is made whether the investment and other receivable from subsidiary 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 subsidiary, 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 period that are different from assumptions could require a material adjustment to the carrying amounts.

The two subsidiaries of the company that own the Group's Indonesian palm oil plantation business are Kencana Plantations Pte Ltd ("KP") and Sawindo Agri Pte Ltd ("SA"). The KP subgroup and SA subgroup's palm oil plantation estates are individually identified as a single Cash Generating Unit ("CGU") for impairment testing. The recoverable amounts of the CGUs were also used for the purpose of management's impairment assessment of the Group's non-current non-financial assets comprising primarily of property, plant and equipment, bearer plants and land use rights.

(d) Impairment assessment of non-current non-financial assets

The Group's non-current non-financial assets comprise primarily of property, plant and equipment, bearer plants and land use rights. An assessment is made for the reporting period 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. This impairment assessment was undertaken in conjunction with the impairment assessment of subsidiaries.

(e) Assessing expected credit loss allowance on trade and other receivables

The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts might change materially within the next reporting period but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

(f) Useful lives of 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 period that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

(g) 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 (December 2023: 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.

(h) 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 2023. 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 30 June 2024 was US$6,434,000 (31 December 2023: US$6,562,000).

(i) 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

(j) 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 period.

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

	Revenue		Non-current assets	
	6 months ended			
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	US$'000	US$'000	US$'000	US$'000
Indonesia	54,531	61,775	183,804	195,584
Singapore	-	-	2,549	2,580
Total	54,531	61,775	186,353	198,164

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

Revenue from major customers

	Group	
	6 months ended	
	2024	2023
	US$'000	US$'000
Top 1 customer in plantation segment	17,465	23,694
Top 2 customers in plantation segment	28,163	43,119
Top 3 customers in plantation segment	38,092	48,406

5. Revenues

Revenue classified by type of good or service:

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Sale of goods	54,531	61,775

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

6. Cost of Sales

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Cost of goods produced and purchases	40,145	51,788
Cost incurred for rental income and rendering of services	69	79
	40,214	51,867

7. Changes in fair value of biological assets and plasma receivables

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Gain (loss) on fair value changes in biological assets	1,786	(374)
Gain (loss) on fair value changes in plasma receivables	276	(162)
	2,062	(536)

8. Other gains and (losses)

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Loss on disposal of property, plant and equipment	(5)	(7)
Foreign exchange translation (loss) gain	(2,099)	4,483
Withholding and other tax losses	(419)	(252)
Write-off of long overdue payables to suppliers	-	4
Insurance claim	39	187
Impairment on assets held for sale	-	(54)
Management fee from plasma	372	460
Tolling fee	99	97
Sale of waste and materials	339	(27)
Bearer plants written-off	(24)	-
Miscellaneous items	(17)	(532)
	(1,715)	4,359
Presented in profit or loss as:		
Other gains	849	5,231
Other losses	(2,564)	(872)
Net	(1,715)	4,359

9. Distribution costs

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Freight & storage cost	819	922
Others	48	45
	867	967

10. Finance costs

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Gross finance costs	7,225	7,990
Less: capitalised in bearer plants and property, plant and equipment	(77)	(286)
Net finance costs	7,148	7,704

11. Income tax

	Group 6 months ended 30 June	
	2024	2023
	US$'000	US$'000
Income tax expense (benefit)	1,645	(1,478)

The Group's operations are predominantly located in Indonesia. The statutory corporate income tax rate is 22%. In 1H 2024, the effective income tax rate is higher than statutory tax rate due to (i) expenses which are non-deductible for tax purpose and (ii) losses from non-operating subsidiaries which are not eligible for offsetting against future profit.

12. Right-of-use assets

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

	Lease of office and warehouse premises	
	30 June 2024	31 December 2023
	US$'000	US$'000
Group		
Cost:		
At beginning of the year	642	629
Foreign exchange difference	(39)	13
At end of the period / year	603	642
Accumulated depreciation:		
At beginning of the year	311	267
Depreciation for the period / year	37	39
Foreign exchange difference	(19)	5
At end of the period / year	329	311
Carrying value:		
At beginning of the year	331	362
At end of the period / year	274	331

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, there is no lease liability.

13. Property, plant and equipment

Group	Freehold land	Leasehold buildings	Assets under construction	Plant, fixtures and equipment	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:					
At 1 January 2023	35	32,999	8,912	98,742	140,688
Foreign exchange difference	-	647	137	1,826	2,610
Additions	-	58	12,845	4,573	17,476
Capitalisation of interest cost	-	-	146	-	146
Disposals	-	-	(7)	(1,702)	(1,709)
Reclassifications	-	2,137	(9,494)	7,357	-
At 31 December 2023	35	35,841	12,539	110,796	159,211
Foreign exchange difference	-	(2,270)	(700)	(6,686)	(9,656)
Additions	-	-	4,524	292	4,816
Disposals	-	(8)	-	(577)	(585)
Reclassifications	-	3,278	(7,455)	4,177	-
At 30 June 2024	35	36,841	8,908	108,002	153,786
Accumulated Depreciation :					
At 1 January 2023	-	16,908	-	60,697	77,605
Foreign exchange difference	-	316	-	1,182	1,498
Depreciation for the year	-	2,278	-	5,667	7,945
Disposals	-	-	-	(1,681)	(1,681)
At 31 December 2023	-	19,502	-	65,865	85,367
Foreign exchange difference	-	(1,220)	-	(4,050)	(5,270)
Depreciation for the period	-	1,136	-	2,612	3,748
Disposals	-	-	-	(580)	(580)
At 30 June 2024	-	19,418	-	63,847	83,265
Carrying Value:					
At 1 January 2023	35	16,091	8,912	38,045	63,083
At 31 December 2023	35	16,339	12,539	44,931	73,844
At 30 June 2024	35	17,423	8,908	44,155	70,521

14. Bearer plants

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
Cost:		
At beginning of the year	162,065	155,342
Additions	2,150	3,245
Capitalisation of interest cost	77	468
Capitalisation of depreciation expense	26	29
Write-off	(961)	(147)
Foreign exchange difference	(9,949)	3,128
At end of the period / year	153,408	162,065
Accumulated Depreciation:		
At beginning of the year	61,490	53,446
Depreciation for the period / year	3,373	7,189
Write-off	(937)	(147)
Foreign exchange difference	(3,818)	1,002
At end of the period / year	60,108	61,490
Carrying Value:		
At beginning of the year	100,575	101,896
At end of the period / year	93,300	100,575

15. Land use rights

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
Cost:		
At beginning of the year	35,295	34,640
Foreign exchange difference	(2,160)	708
Disposal	-	(53)
At end of the period / year	33,135	35,295
Accumulated amortisation:		
At beginning of the year	11,040	9,749
Foreign exchange difference	(688)	184
Amortisation for the period / year included under cost of sales	525	1,107
At end of the period / year	10,877	11,040
Carrying value:		
At beginning of the year	24,255	24,891
At end of the period / year	22,258	24,255

16. Biological assets

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
At beginning of the year	23,770	27,871
Foreign exchange difference	(1,496)	630
Fair value changes less estimated point-of-sale costs	1,786	(4,731)
At end of the period / year (Level 3)	24,060	23,770

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 period are based on management inspection on actual condition of un-harvested FFB growing on the trees in June 2024;
(ii) The discount rate used in June 2024 is 11.67% per annum (December 2023: 11.67% 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 June 2024, 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. 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.

17. Cash and cash equivalents

	Group		Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	US$'000	US$'000	US$'000	US$'000
Not restricted in use	4,408	3,893	10	85
Deposits pledged for bank facilities	12,538	12,787	-	-
Cash at end of the period / year	16,946	16,680	10	85

The interest earning balances are not significant.

18. Share Capital

	Number of shares issued	Share capital
	'000	US$'000
Ordinary shares of no par value:		
Balance at 1 January 2023, 31 December 2023 and 30 June 2024	287,011	93,860

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

19. 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	
	30 June 2024	31 December 2023
	US$'000	US$'000
Facility amounts	15,590	17,952
Outstanding balances	12,585	13,325

As mentioned above, 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 period is as below :

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
Presented as other receivables:		
Advances under Plasma Programme, current	11,510	9,497
Advances under Plasma Programme, non-current	4,539	5,609
Total	16,049	15,106

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 key 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 June 2024 is 6.57% (December 2023: 6.45%) 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.

20. Trade and Other Payables

	Group		Company	
	30 June 2024	31 December 2023 (Restated)*)	30 June 2024	31 December 2023
	US$'000	US$'000	US$'000	US$'000
Non-current				
Other payables :				
Advances from customers	11,785	15,493	-	-
Current				
Trade payables :				
Outside parties and accrued liabilities	17,537	14,034	-	-
Related parties	167	381	-	-
	17,704	14,415	-	-
Other payables :				
Advances from customers	15,508	20,365	-	-
Subsidiaries	-	-	10,087	10,109
Outside parties and accrued liabilities	9,902	13,016	141	96
	25,410	33,381	10,228	10,205
	43,114	47,796	10,228	10,205
Total trade and other payables	54,899	63,289	10,228	10,205

*) Reclassification of US$7.7 million from other payables to trade payables.

21. 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:

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
Commitments for construction of leasehold buildings	335	1,304
Commitments for purchase of plant, fixtures and equipment	1,493	2,105

22. 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 period:

	Group		Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Financial assets measured at amortised cost	22,684	18,428	34,959	37,292
Financial assets at fair value through profit and loss	16,049	15,106	-	-
	38,733	33,534	34,959	37,292
Financial liabilities:				
Financial liabilities measured at amortised cost	218,099	215,927	10,228	10,205

23. 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 period :

	Group 6 months ended 30 June	
Group	2024 US$'000	2023 US$'000
Related parties:		
Sales of commodities [(a)]	10,028	5,312
Purchase of goods [(a)]	(571)	-
Services received [(b)]	(857)	(906)
Sales and processing of EFB [(b)]	41	43
Land lease [(b)]	-	9

(a) The related party, Wilmar International Limited, has 20% equity interest in and has significant influence over the Group.
(b) The related parties are companies in which certain directors of the Company have controlling interests.

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

Loans and borrowings

The Group's loans and borrowings of US$190.5 million (2023: S$188.5 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.

	Group	
	30 June 2024	31 December 2023
	US$'000	US$'000
Amount due within one year		
Secured	54,576	54,734
Amount due more than one year		
Secured	135,917	133,762

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 period, the lenders have agreed to waive the compliance of all the breaches in the covenants of certain loans amounting to US$56,566,000 (31 December 2023: US$125,813,000).

25. 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.

There have been no changes in the Company's issued share capital since 31 December 2023. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2023 and 30 June 2024.

The Company has not granted options or shares during the financial period ended 30 June 2024.

(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.

	30 June 2024 Number of shares	31 December 2023 Number of shares
Issued and fully paid:		
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.
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.
Not applicable.

26. 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

	Group 6 months ended 30 June	
	2024 US Cents	2023 US Cents
Earnings per share attributable to ordinary equity holders of the Company	0.20	0.65
Weighted number of shares	287,011,177	287,011,177

27. 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

	Group		Company	
	30 June 2024 US Cents	31 December 2023 US Cents	30 June 2024 US Cents	31 December 2023 US Cents
Net asset value per ordinary share	10.10	10.65	19.79	21.34
Number of shares outstanding	287,011,177	287,011,177	287,011,177	287,011,177

28. Subsequent events

None

F. Other information required by Listing Rule Appendix 7.2

1. Review

The condensed interim consolidated statements of financial position of Kencana Agri Limited and its subsidiaries as at 30 June 2024 and the related condensed interim consolidated profit and loss and other comprehensive income, condensed interim consolidated statements of changes in equity and condensed interim consolidated statement of cash flows for the period 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.
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

Review of financial performance

Revenue
The Group's revenue decreased by 12% as compared to those of 1H 2023. This was mainly due to lower selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"). The average selling price ("ASP") of CPO in 1H 2024 was US$706/MT which was 12% lower compared to 1H 2023 of US$798/MT. The ASP of PK has also decreased to US$384/MT in 1H 2024 from US$407/MT in 1H 2023. The adverse impact of the price was compensated with the increase in the sales volume of PK. The sales volume of PK was 13,715MT in 1H 2024, an increase of 5% as compared to 1H 2023's volume of 13,047MT. The sales volume of CPO was stable compared to the same period last year.

Cost of Sales
Cost of sales comprises mainly manuring costs, plantation upkeep and maintenance costs, harvesting costs, overhead costs and processing costs. Our cost of sales decreased by 22% from US$51.9 million to US$40.2 million in 1H 2024 and our gross profit margin increased from 16% to 26%. The decrease in cost were mainly due to more moderate upkeep, manuring and maintenance activities compared to the same period last year. The improved margin was due to reduction in cost of sales offset the reduction in ASP.

Net Profit
For the 6 months ended 30 June 2024, the Group recorded profit before tax of US$2.2 million. Income tax expense recorded at US$1.6 million, which effectively higher than Indonesia statutory corporate income tax rate of 22% due to (i) expenses which are non-deductible for tax purpose and (ii) losses from non-operating subsidiaries which are not eligible for offsetting against future profit.

Net profit of the Group recorded at US$0.6 million, decreased 70% compared to US$1.9 million of 1H 2023. This was mainly due to the impact of foreign exchange loss of US$2.1 million (1H 2023: gain US$4.5 million). The forex exchange loss derived mainly from USD denominated bank loan. During 1H 2024, IDR depreciated by 1,005 points or 7% as compared to USD from IDR15,416 per USD to IDR16,421 per USD. On the other hand, gain from the increase in biological asset value of US$1.8 million which propelled by bullish trend of CPO price, help to cushion the impact of adverse forex movement.

Review of Financial Position

The Group's total current assets increased by US$6.0 million from US$82.4 million as at 31 December 2023 to US$88.5 million as at 30 June 2024. This was mainly due to increase in the inventories of US$6.3 million. Inventories comprises mainly of fertilizer, CPO and PK.

Total non-current assets decreased by US$14.4 million from US$210.8 million as at 31 December 2023 to US$196.4 million as at 30 June 2024. This was mainly due to (i) US$12.0 million forex translation loss for the land use rights, property, plant and equipment as well as bearer plants and (ii) US$3.4 million depreciation of mature bearer plant, offset against US$2.2 million addition following the replanting program in Bangka plantation and new planting in Sulawesi.

The Group's total liabilities decreased by US$6.7 million from US$262.7 million as at 31 December 2023 to US$256.0 million as at 30 June 2024. This was mainly due to :

i. US$12.8 million forex translation gain from IDR denominated trade payables and bank borrowings,
ii. Settlement of trade payable to suppliers and long-term advances from customers amounting to US$4.3 million, offset against
iii. Net additional drawdown of borrowings of US$12.2 million.

Review of Group Cash Flows

The Group's operating cash flow decreased by US$5.3 million in 1H 2024 as compared to 1H 2023. This was mainly due to higher working capital outflow from payment of trade payable to supplier and settlement of advances from customers. The Group reported a net cash outflow from investing activities of US$6.7 million in 1H 2024. This was mainly due to payment for additional property, plant and equipment and bearer plants. Net cash flows from financing activities was US$3.8 million. This came mainly from new borrowings offset by repayments of borrowings and interest.

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

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.

CPO price has been relatively stable in first half of 2024 as global demand has weakened alongside the disrupted supply due to drier weather. However, in second half of the year, the CPO price is expected to be supported with (i) the possibility of further disruption in production due to weather and (ii) the possibility of strong demand in view of the government policy to achieve full implementation of B35 biodiesel and its intention to launch B40 biodiesel in 2025.

Geopolitical situation may continue to cast uncertainty on exchange rates, energy price and supply which trigger volatility in logistics and overall business cost. The company will continue to be versatile and focus on cost management, optimize maintenance and harvesting practices, and enhance its competitive position by improving production yield and overall efficiency.

6. Dividend

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.

No dividend has been declared or recommended for 1H2024 as the Group would like to conserve cash for its working capital requirements.

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.

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$100,000)**
		1H 2024	**1H 2024**
		US$'000	**US$'000**
Wilmar Group [(1)] (sales and purchase)	Controlling shareholder	-	10.599
PT Berkat Wahana Sukses [(2)] (services received, shareholders' mandate obtained at EGM held on 29 April 2019)	Associate of Maknawi family	-	842

[(1)] In respect of transactions conducted pursuant to General Mandate for transactions with Willmar Group.
[(2)] In respect of transactions conducted pursuant to Specific Mandate for transactions PT Berkat 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.
Not applicable.

9. Board of Directors' assurance.

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.

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 pursuant to Rule 706A of the Listing Rule.

None.

BY ORDER OF THE BOARD KENCANA AGRI LIMITED

Ratna Maknawi
Vice Chairman and Executive Director
13 August 2024