



FIRST RESOURCES LIMITED

Unaudited Financial Statements for the Second Quarter (“2Q”) and Six Months (“6M”) Ended 30 June 2014

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	US\$'000	US\$'000	(%)	US\$'000	US\$'000	(%)
Sales	290,089	294,320	(1.4%)	112,186	119,678	(6.3%)
Cost of sales	(154,378)	(117,670)	31.2%	(51,242)	(48,145)	6.4%
Gross profit	135,711	176,650	(23.2%)	60,944	71,533	(14.8%)
Selling and distribution costs	(12,670)	(18,116)	(30.1%)	(5,886)	(7,984)	(26.3%)
General and administrative expenses	(11,808)	(14,557)	(18.9%)	(4,238)	(6,936)	(38.9%)
Other operating expenses	(806)	(854)	(5.6%)	(412)	(444)	(7.2%)
Profit from operations	110,427	143,123	(22.8%)	50,408	56,169	(10.3%)
(Losses)/gains on foreign exchange	(634)	696	n.m.	(1,615)	(613)	163.5%
Losses on derivative financial instruments	(1,744)	(4,326)	(59.7%)	(2,043)	(2,688)	(24.0%)
Net financial expenses	(7,121)	(11,138)	(36.1%)	(3,388)	(5,570)	(39.2%)
Other non-operating expenses	(1,055)	(589)	79.1%	(2,263)	(225)	905.8%
Profit before tax	99,873	127,766	(21.8%)	41,099	47,073	(12.7%)
Tax expense	(25,911)	(23,920)	8.3%	(14,183)	(8,618)	64.6%
Profit for the period	73,962	103,846	(28.8%)	26,916	38,455	(30.0%)
Profit attributable to:						
Owners of the Company	71,085	101,267	(29.8%)	26,091	37,699	(30.8%)
Non-controlling interests	2,877	2,579	11.6%	825	756	9.1%
	73,962	103,846	(28.8%)	26,916	38,455	(30.0%)

n.m. – not meaningful

1(a) An income statement and statement of comprehensive income (continued)

	Group					
	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	US\$'000	US\$'000	(%)	US\$'000	US\$'000	(%)
Profit for the period	73,962	103,846	(28.8%)	26,916	38,455	(30.0%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses) on cash flow hedges	10,260	(1,381)	n.m.	4,571	(1,228)	n.m.
Fair value (gains)/losses on cash flow hedges transferred to the income statement	(12,542)	4,593	n.m.	(9,587)	8,396	n.m.
Foreign currency translation adjustments	10,984	(32,423)	n.m.	(75,713)	(27,320)	177.1%
Income tax effect	(1,153)	1,306	n.m.	2,922	680	329.7%
Other comprehensive income for the period, net of tax	7,549	(27,905)	n.m.	(77,807)	(19,472)	299.6%
Total comprehensive income for the period	81,511	75,941	7.3%	(50,891)	18,983	n.m.
Total comprehensive income attributable to:						
Owners of the Company	78,208	74,823	4.5%	(48,394)	19,896	n.m.
Non-controlling interests	3,303	1,118	195.4%	(2,497)	(913)	173.5%
	81,511	75,941	7.3%	(50,891)	18,983	n.m.

n.m. – not meaningful

Additional Information

	Group					
	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	US\$'000	US\$'000	(%)	US\$'000	US\$'000	(%)
EBITDA						
Profit from operations	110,427	143,123	(22.8%)	50,408	56,169	(10.3%)
Depreciation and amortisation	15,243	13,667	11.5%	7,851	6,897	13.8%
EBITDA	125,670	156,790	(19.8%)	58,259	63,066	(7.6%)
EBITDA margin	43.3%	53.3%		51.9%	52.7%	

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	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Biological assets	938,800	869,309	-	-
Plasma plantation receivables	43,900	27,757	-	-
Property, plant and equipment	321,865	303,083	9,784	9,972
Land use rights	44,667	43,464	-	-
Investment in subsidiaries	-	-	452,291	452,291
Goodwill	63,394	73,277	-	-
Other intangible assets	29,554	29,067	402	451
Tax recoverable	16,178	7,741	-	-
Deferred tax assets	11,909	14,220	-	-
Loans to subsidiaries	-	-	441,347	438,729
Other non-current assets	2,175	2,110	-	-
Total non-current assets	1,472,442	1,370,028	903,824	901,443
Current assets				
Inventories	65,203	59,211	-	-
Loan to subsidiary	-	-	934	600
Trade receivables	34,178	34,922	1,646	2,499
Other receivables	7,947	6,998	27	987
Derivative financial assets	2,064	3,987	-	-
Advances for purchase of plant, property and equipment	8,962	5,666	-	23
Other advances and prepayments	3,889	3,280	27	103
Prepaid taxes	23,364	24,030	-	-
Restricted cash balances	21,410	32,675	19,799	27,999
Cash and cash equivalents	189,960	239,477	12,833	8,684
Total current assets	356,977	410,246	35,266	40,895
Total assets	1,829,419	1,780,274	939,090	942,338

1(b)(i) A statement of financial position (continued)

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	US\$'000	US\$'000	US\$'000	US\$'000
LIABILITIES				
Current liabilities				
Trade payables	32,924	24,498	108	1
Other payables and accruals	27,881	35,462	8,106	10,159
Advances from customers	3,732	1,360	-	-
Loans and borrowings from financial institutions	2,393	2,608	-	7
Derivative financial liabilities	1,055	1,210	-	-
Provision for tax	13,269	15,312	-	-
Total current liabilities	81,254	80,450	8,214	10,167
Non-current liabilities				
Loans and borrowings from financial institutions	3,292	2,733	-	-
Islamic medium term notes	495,654	484,388	495,654	484,388
Derivative financial liabilities	39,442	48,061	39,442	48,061
Provision for post-employment benefits	12,563	11,623	-	-
Deferred tax liabilities	116,827	112,894	589	402
Total non-current liabilities	667,778	659,699	535,685	532,851
Total liabilities	749,032	740,149	543,899	543,018
Net assets	1,080,387	1,040,125	395,191	399,320
EQUITY				
Share capital	394,913	394,913	394,913	394,913
Differences arising from restructuring transactions involving entities under common control	35,016	35,016	-	-
Other reserves	(341,799)	(348,922)	(9,927)	(7,645)
Retained earnings	942,308	912,472	10,205	12,052
Equity attributable to owners of the Company	1,030,438	993,479	395,191	399,320
Non-controlling interests	49,949	46,646	-	-
Total equity	1,080,387	1,040,125	395,191	399,320

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

- amount repayable in one year or less, or on demand
- amount repayable after one year

	Group					
	As at 30 Jun 2014			As at 31 Dec 2013		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less, or on demand	2,393	-	2,393	2,608	-	2,608
Amount repayable after one year	3,292	495,654	498,946	2,733	484,388	487,121
Total	5,685	495,654	501,339	5,341	484,388	489,729

Details of any collateral

The secured borrowings are collateralised by certain of the Group's property, plant and equipment.

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

	Group			
	6M 2014	6M 2013	2Q 2014	2Q 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before tax	99,873	127,766	41,099	47,073
Adjustments for:				
Depreciation of property, plant and equipment	14,267	12,703	7,341	6,393
Amortisation of land use rights and intangible assets	976	964	510	504
Financial expenses	9,454	12,888	4,746	6,572
Interest income	(2,333)	(1,750)	(1,358)	(1,002)
Losses on derivative financial instruments	1,744	4,326	2,043	2,688
Operating cash flows before changes in working capital	123,981	156,897	54,381	62,228
Changes in working capital:				
Inventories	(5,001)	(7,663)	(7,902)	(15,595)
Trade receivables	951	11,033	(17,231)	12,835
Other receivables	(899)	(8,086)	(2,788)	(6,099)
Advances and prepayments	(562)	10,025	1,053	(1,106)
Prepaid taxes	43	(310)	(2,853)	4,523
Other non-current assets	(27)	(184)	98	(100)
Trade payables	8,173	14,367	(1,922)	2,683
Other payables and accruals	(5,331)	(11,810)	(10,884)	(13,837)
Advances from customers	2,394	(7,200)	3,025	(1,811)
Provision for post-employment benefits	741	934	259	441
Unrealised translation differences	(3,449)	(1,450)	(992)	(327)
Cash flows generated from operations	121,014	156,553	14,244	43,835
Financial expenses paid	(9,156)	(12,689)	(5,445)	(5,790)
Interest income received	2,359	1,762	1,533	1,025
Tax paid	(31,285)	(39,894)	(15,774)	(29,583)
Net cash generated from/(used in) operating activities	82,932	105,732	(5,442)	9,487

1(c) Statement of cash flows (continued)

	Group			
	6M 2014	6M 2013	2Q 2014	2Q 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from investing activities				
Capital expenditure on biological assets	(57,975)	(42,302)	(24,466)	(19,799)
Capital expenditure on property, plant and equipment	(27,255)	(43,173)	(20,960)	(24,873)
(Increase)/decrease in advances for purchase of property, plant and equipment	(3,256)	(142)	1,208	(271)
Increase in plasma plantation receivables	(11,163)	(4,791)	(6,899)	(964)
Acquisition of land use rights	(1,283)	(1,598)	-	(175)
Acquisition of other intangible assets	(133)	(164)	(86)	(137)
Net cash outflow on acquisition of subsidiaries	-	(64,913)	-	(5,552)
Net cash used in investing activities	(101,065)	(157,083)	(51,203)	(51,771)
Cash flows from financing activities				
Proceeds from bank loans	-	5,116	-	4,505
Repayment of bank loans	-	(240,412)	-	(174,606)
Proceeds from issuance of Islamic medium term notes, net	-	197,237	-	197,237
Payment of obligations under finance leases	(1,794)	(1,566)	(918)	(801)
Decrease in restricted cash balances	11,265	2,293	7,406	337
Dividends paid	(41,249)	(35,468)	(41,249)	(35,468)
Net cash used in financing activities	(31,778)	(72,800)	(34,761)	(8,796)
Net decrease in cash and cash equivalents	(49,911)	(124,151)	(91,406)	(51,080)
Effect of exchange rate changes on cash and cash equivalents	394	(951)	(1,005)	(762)
Cash and cash equivalents, at the beginning of the financial period	239,477	391,794	282,371	318,534
Cash and cash equivalents, at the end of the financial period (Note A)	189,960	266,692	189,960	266,692
<u>Note A</u>				
Reconciliation of cash and cash equivalents:				
Cash at banks and on hand	126,945	146,243	126,945	146,243
Time deposits	63,015	120,449	63,015	120,449
Cash and cash equivalents	189,960	266,692	189,960	266,692
Restricted cash balances	21,410	10,651	21,410	10,651
Cash and bank balances	211,370	277,343	211,370	277,343

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	----- Attributable to owners of the Company -----					Non-controlling interests	Total equity
	Share capital	Differences arising from restructuring transactions involving entities under common control	Other reserves	Retained earnings	Equity attributable to owners of the Company		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
At 1 Jan 2014	394,913	35,016	(348,922)	912,472	993,479	46,646	1,040,125
Profit for the period	-	-	-	71,085	71,085	2,877	73,962
<u>Other comprehensive income</u>							
Net change in fair value of cash flow hedges	-	-	(2,282)	-	(2,282)	-	(2,282)
Foreign currency translation	-	-	9,405	-	9,405	426	9,831
Other comprehensive income for the period, net of tax	-	-	7,123	-	7,123	426	7,549
Total comprehensive income for the period	-	-	7,123	71,085	78,208	3,303	81,511
<u>Contributions by and distributions to owners</u>							
Dividends paid	-	-	-	(41,249)	(41,249)	-	(41,249)
At 30 June 2014	394,913	35,016	(341,799)	942,308	1,030,438	49,949	1,080,387
At 1 Jan 2013	394,913	35,016	(47,085)	723,548	1,106,392	51,180	1,157,572
Profit for the period	-	-	-	101,267	101,267	2,579	103,846
<u>Other comprehensive income</u>							
Net change in fair value of cash flow hedges	-	-	4,608	-	4,608	(90)	4,518
Foreign currency translation	-	-	(31,052)	-	(31,052)	(1,371)	(32,423)
Other comprehensive income for the period, net of tax	-	-	(26,444)	-	(26,444)	(1,461)	(27,905)
Total comprehensive income for the period	-	-	(26,444)	101,267	74,823	1,118	75,941
<u>Contributions by and distributions to owners</u>							
Dividends paid	-	-	-	(35,468)	(35,468)	-	(35,468)
At 30 June 2013	394,913	35,016	(73,529)	789,347	1,145,747	52,298	1,198,045

1(d)(i) Statement of changes in equity (continued)

Group	----- Attributable to owners of the Company -----					Non-controlling interests	Total equity
	Share capital	Differences arising from restructuring transactions involving entities under common control	Other reserves	Retained earnings	Equity attributable to owners of the Company		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
At 1 Apr 2014	394,913	35,016	(267,314)	957,466	1,120,081	52,446	1,172,527
Profit for the period	-	-	-	26,091	26,091	825	26,916
<u>Other comprehensive income</u>							
Net change in fair value of cash flow hedges	-	-	(5,016)	-	(5,016)	-	(5,016)
Foreign currency translation	-	-	(69,469)	-	(69,469)	(3,322)	(72,791)
Other comprehensive income for the period, net of tax	-	-	(74,485)	-	(74,485)	(3,322)	(77,807)
Total comprehensive income for the period	-	-	(74,485)	26,091	(48,394)	(2,497)	(50,891)
<u>Contributions by and distributions to owners</u>							
Dividends paid	-	-	-	(41,249)	(41,249)	-	(41,249)
At 30 June 2014	394,913	35,016	(341,799)	942,308	1,030,438	49,949	1,080,387
At 1 Apr 2013	394,913	35,016	(55,726)	787,116	1,161,319	53,211	1,214,530
Profit for the period	-	-	-	37,699	37,699	756	38,455
<u>Other comprehensive income</u>							
Net change in fair value of cash flow hedges	-	-	7,907	-	7,907	(59)	7,848
Foreign currency translation	-	-	(25,710)	-	(25,710)	(1,610)	(27,320)
Other comprehensive income for the period, net of tax	-	-	(17,803)	-	(17,803)	(1,669)	(19,472)
Total comprehensive income for the period	-	-	(17,803)	37,699	19,896	(913)	18,983
<u>Contributions by and distributions to owners</u>							
Dividends paid	-	-	-	(35,468)	(35,468)	-	(35,468)
At 30 June 2013	394,913	35,016	(73,529)	789,347	1,145,747	52,298	1,198,045

1(d)(i) Statement of changes in equity (continued)

Company	Share capital	Other reserves	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 Jan 2014	394,913	(7,645)	12,052	399,320
Profit for the period	-	-	39,402	39,402
<u>Other comprehensive income</u>				
Net change in fair value of cash flow hedges	-	(2,282)	-	(2,282)
Total comprehensive income for the period	-	(2,282)	39,402	37,120
<u>Contributions by and distributions to owners</u>				
Dividends paid	-	-	(41,249)	(41,249)
At 30 Jun 2014	394,913	(9,927)	10,205	395,191
At 1 Jan 2013	394,913	2,150	5,248	402,311
Profit for the period	-	-	55,242	55,242
<u>Other comprehensive income</u>				
Net change in fair value of cash flow hedges	-	12,665	-	12,665
Total comprehensive income for the period	-	12,665	55,242	67,907
<u>Contributions by and distributions to owners</u>				
Dividends paid	-	-	(35,468)	(35,468)
At 30 Jun 2013	394,913	14,815	25,022	434,750
At 1 Apr 2014	394,913	(4,911)	12,295	402,297
Profit for the period	-	-	39,159	39,159
<u>Other comprehensive income</u>				
Net change in fair value of cash flow hedges	-	(5,016)	-	(5,016)
Total comprehensive income for the period	-	(5,016)	39,159	34,143
<u>Contributions by and distributions to owners</u>				
Dividends paid	-	-	(41,249)	(41,249)
At 30 Jun 2014	394,913	(9,927)	10,205	395,191
At 1 Apr 2013	394,913	1,853	3,028	399,794
Profit for the period	-	-	57,462	57,462
<u>Other comprehensive income</u>				
Net change in fair value of cash flow hedges	-	12,962	-	12,962
Total comprehensive income for the period	-	12,962	57,462	70,424
<u>Contributions by and distributions to owners</u>				
Dividends paid	-	-	(35,468)	(35,468)
At 30 Jun 2013	394,913	14,815	25,022	434,750

1(d)(i) Statement of changes in equity (continued)

Other Reserves

	Group			Company		
	As at			As at		
	30 Jun 2014	31 Dec 2013	30 Jun 2013	30 Jun 2014	31 Dec 2013	30 Jun 2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capital reserve	(29,096)	(29,096)	(29,096)	-	-	-
Revaluation reserve	279	279	279	-	-	-
Gain on sale of treasury shares	10,322	10,322	10,322	10,322	10,322	10,322
Hedging reserve	(20,642)	(18,360)	10,920	(20,642)	(18,360)	4,100
Foreign translation reserve	(302,662)	(312,067)	(65,954)	393	393	393
Total other reserves	(341,799)	(348,922)	(73,529)	(9,927)	(7,645)	14,815

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

There were no changes to the Company's issued and paid up share capital in the three months ended 30 June 2014.

	Company	
	30 Jun 2014	30 Jun 2013
Number of issued shares excluding treasury shares	1,584,072,969	1,584,072,969

The Company did not hold any treasury shares and there were no shares that may be issued upon conversion of any outstanding convertibles as at 30 June 2014 and 30 June 2013.

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

The Company's total number of issued shares excluding treasury shares as at 30 June 2014 and 31 December 2013 were 1,584,072,969.

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 presented above have not been audited or reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 Group has applied the same accounting policies and methods of computation in the preparation of the financial statements as at 31 December 2013 except for the new and revised standards that are effective for annual periods beginning as of 1 January 2014. The adoption of these standards has no significant impact to the Group.

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

Please refer to item 4 above.

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

	Group			
	6M 2014	6M 2013	2Q 2014	2Q 2013
Weighted average number of shares applicable to basic EPS computation	1,584,072,969	1,584,072,969	1,584,072,969	1,584,072,969
Weighted average number of shares based on fully diluted basis	1,584,072,969	1,584,072,969	1,584,072,969	1,584,072,969
EPS - basic (US cents)	4.49	6.39	1.65	2.38
EPS - diluted (US cents)	4.49	6.39	1.65	2.38

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	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	US\$	US\$	US\$	US\$
Net asset value per ordinary share	0.65	0.63	0.25	0.25

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 GROUP FINANCIAL PERFORMANCE BY BUSINESS SEGMENT

SALES VOLUME

	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	Tonne	Tonne	%	Tonne	Tonne	%
Plantations and Palm Oil Mills						
- Crude palm oil	297,288	269,133	10.5%	132,417	124,109	6.7%
- Palm kernel	61,494	57,040	7.8%	27,663	27,471	0.7%
Refinery and Processing	226,814	93,015	143.8%	98,444	38,183	157.8%

Note: Sales volume include inter-segment sales

SALES

	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Plantations and Palm Oil Mills						
- Crude palm oil	215,043	247,787	(13.2%)	92,902	113,126	(17.9%)
- Palm kernel	27,284	17,887	52.5%	13,689	8,940	53.1%
- Fresh fruit bunches	2,192	-	n.m.	2,192	-	n.m.
	244,519	265,674	(8.0%)	108,783	122,066	(10.9%)
Refinery and Processing	174,379	84,449	106.5%	74,212	33,107	124.2%
Inter-segment elimination	(128,809)	(55,803)	130.8%	(70,809)	(35,495)	99.5%
Total Sales	290,089	294,320	(1.4%)	112,186	119,678	(6.3%)

n.m. – not meaningful

EBITDA

	6M 2014	6M 2013	Change	2Q 2014	2Q 2013	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Plantations and Palm Oil Mills	108,803	138,925	(21.7%)	44,424	62,831	(29.3%)
Refinery and Processing	18,401	11,175	64.7%	15,506	2,111	634.5%
Inter-segment elimination	(1,534)	6,690	n.m.	(1,671)	(1,876)	(10.9%)
Total EBITDA	125,670	156,790	(19.8%)	58,259	63,066	(7.6%)

n.m. – not meaningful

8. Review of Group Performance (continued)

REVIEW OF INCOME STATEMENT

Overview

The Group recorded a net profit of US\$71.1 million in 6M2014, down 29.8% against 6M2013 and a 22.8% decrease in profit from operations to US\$110.4 million. For 2Q2014, net profit decreased by 30.8% to US\$26.1 million while profit from operations decreased by 10.3% to US\$50.4 million. The declines in profit from operations were mainly due to the lower average selling prices of crude palm oil and its refined products. This was partially offset by higher sales volumes from the Refinery and Processing segment, which was driven by the expansion of the Group's processing capacity.

Sales

Sales decreased by 1.4% to US\$290.1 million in 6M2014 and 6.3% to US\$112.2 million in 2Q2014. These were mainly due to the lower average selling prices, partially offset by higher sale volumes from the Refinery and Processing segment.

Cost of Sales

Cost of sales comprises mainly harvesting costs, plantation maintenance costs, plantation general expenses and processing costs, as well as fresh fruit bunches and other palm oil products purchased from plasma farmers or third parties. The Group's cost of sales increased by 31.2% to US\$154.4 million in 6M2014 and 6.4% to US\$51.2 million in 2Q2014. These increases were mainly driven by the higher production and sales volumes, as well as the higher costs from the ramping up of operations at the Group's biodiesel, refinery and kernel crushing plants. For 6M2014, the higher cost of sales was also contributed by the increase in purchases of palm oil products from third parties.

Gross Profit

Gross profit decreased by 23.2% to US\$135.7 million in 6M2014 and 14.8% to US\$60.9 million in 2Q2014, mainly due to the lower average selling prices.

Gross profit margin came in at 46.8% in 6M2014 as compared to 60.0% in the corresponding period last year, mainly due to the lower average selling prices as well as the increase in purchases of palm oil products from third parties. For 2Q2014, gross profit margin was at 54.3% as compared to 59.8% in 2Q2013, mainly due to the lower average selling prices.

Selling and Distribution costs

Selling and distribution expenses, comprising mainly export taxes and freight charges, totaled US\$12.7 million in 6M2014 (6M2013: US\$18.1 million) and US\$5.9 million in 2Q2014 (2Q2013: US\$8.0 million). These decreases were mainly due to the lower export taxes paid in 2014, driven by a higher proportion of the Group's export sales being made in the form of refined palm oil products, which generally attracts lower export tax rates as compared to crude palm oil.

General and Administrative expenses

General and administrative expenses declined to US\$11.8 million in 6M2014 (6M2013: US\$14.6 million) and US\$4.2 million in 2Q2014 (2Q2013: US\$6.9 million), mainly due to lower accruals for employee related expenses.

EBITDA

The Group's EBITDA came in at US\$125.7 million in 6M2014, a decrease of 19.8% as compared to the corresponding period last year. In 2Q2014, EBITDA fell by 7.6% to US\$58.3 million as compared to 2Q2013. The declines in EBITDA were mainly due to the lower average selling prices of crude palm oil and its refined products, partially offset by the higher sales volumes generated by the Refinery and Processing segment.

8. Review of Group Performance (continued)

REVIEW OF INCOME STATEMENT (continued)

Depreciation and Amortisation

Depreciation and amortisation increased by 11.5% to US\$15.2 million in 6M2014 and 13.8% to US\$7.9 million in 2Q2014. The increases were largely due to the higher depreciation from the Group's new processing facilities and other property, plant and equipment.

(Losses)/Gains on Foreign Exchange

The Group recorded losses on foreign exchange of US\$0.6 million in 6M2014 and US\$1.6 million in 2Q2014, as compared to gains of US\$0.7 million in 6M2013 and losses of US\$0.6 million in 2Q2013. The (losses)/gains on foreign exchange arose mainly from the impact of foreign currency movements on monetary assets and liabilities of the subsidiaries.

Losses on Derivative Financial Instruments

The Group recorded losses on derivative financial instruments of US\$1.7 million in 6M2014 and US\$2.0 million in 2Q2014, as compared to losses of US\$4.3 million in 6M2013 and US\$2.7 million in 2Q2013. These arose primarily from financial instruments entered into by the Group to hedge its exposure to foreign exchange and commodity price movements during the course of its business.

Net Financial Expenses

Net financial expenses comprise interest expenses after deducting interest income and other financial gains/losses. Part of the interest expenses are capitalised to immature plantations.

Net financial expenses totaled US\$7.1 million in 6M2014, down 36.1% as compared to the corresponding period last year. In 2Q2014, net financial expenses amounted to US\$3.4 million, a decline of 39.2% from 2Q2013. The lower financial expenses were mainly due to the Group's lower effective cost of borrowings through the issuances of the Islamic medium term notes.

The following table reflects the computation of net financial expenses:

	6M 2014	6M 2013	2Q 2014	2Q 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Interest expenses and amortisation on loans and borrowings from financial institutions	93	6,627	40	3,202
Profit distribution and amortisation on Islamic medium term notes	9,361	6,326	4,706	3,411
	9,454	12,953	4,746	6,613
Less: Capitalised to biological assets	-	(65)	-	(41)
	9,454	12,888	4,746	6,572
Interest income	(2,333)	(1,750)	(1,358)	(1,002)
Net financial expenses	7,121	11,138	3,388	5,570

Tax Expense and Net profit

Tax expenses came in at US\$25.9 million in 6M2014 (6M2013: US\$23.9 million) and US\$14.2 million in 2Q2014 (2Q2013: US\$8.6 million), with the Group's higher effective tax rates mainly due to increased income contributions from subsidiaries in higher tax jurisdictions.

As a result of the foregoing, profit attributable to owners of the Company decreased by 29.8% to US\$71.1 million in 6M2014 and 30.8% to US\$26.1 million in 2Q2014.

8. Review of Group Performance (continued)

REVIEW OF BALANCE SHEET

Total assets of the Group increased from US\$1,780.3 million as at 31 December 2013 to US\$1,829.4 million as at 30 June 2014. Non-current assets increased by US\$102.4 million to US\$1,472.4 million, mainly due to the Group's capital expenditure on biological assets and property, plant and equipment. The Group's current assets decreased by US\$53.3 million to US\$357.0 million, mainly due to the lower cash and bank balances as a result of the FY2013 final dividend paid out in 2Q2014.

Total liabilities of the Group increased marginally by 1.2% from US\$740.1 million as at 31 December 2013 to US\$749.0 million as at 30 June 2014.

Gross borrowings increased marginally by 2.4% to US\$501.3 million as at 30 June 2014 (31 December 2013: US\$489.7 million). Taking into consideration the reduction in cash and bank balances during the period, net borrowings increased from US\$217.6 million as at 31 December 2013 to US\$290.0 million as at 30 June 2014. However, net gearing remains at a healthy level of 0.27x (31 December 2013: 0.21x).

REVIEW OF CASH FLOW STATEMENT

The Group generated net cash of US\$82.9 million from its operating activities in 6M2014 as compared to US\$105.7 million in 6M2013. In 2Q2014, net cash used in operating activities amounted to US\$5.4 million as compared to net cash generated from operating activities of US\$9.5 million in 2Q2013. These were mainly due to the lower average selling prices of crude palm oil and its refined products.

Net cash used in investing activities amounted to US\$101.1 million in 6M2014 (6M2013: US\$157.1 million) and US\$51.2 million in 2Q2014 (2Q2013: US\$51.8 million), primarily relating to the Group's continued capital expenditure on oil palm plantations, palm oil mills and other property, plant and equipment. In addition, the higher cash used in investing activities in 6M2013 also included US\$64.9 million for the acquisition of Lynhurst Investment Pte. Ltd. and its subsidiary.

Net cash used in financing activities in 6M2014 amounted to US\$31.8 million as compared to US\$72.8 million in 6M2013. The higher cash used in financing activities in 6M2013 included repayment of bank loans of US\$240.4 million, partially offset by US\$197.2 million of net proceeds received from the third issuance of Islamic medium term notes. For 2Q2014, net cash used in financing activities amounted to US\$34.8 million as compared to US\$8.8 million in 2Q2013. The lower cash used in financing activities in 2Q2013 was mainly due to the US\$197.2 million of net proceeds received from the third issuance of Islamic medium term notes, partially offset by repayment of bank loans of US\$174.6 million.

Overall, the Group registered a decrease in cash and cash equivalents of US\$49.9 million in 6M2014, bringing the Group's cash and bank balances to US\$211.4 million as at 30 June 2014.

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

Palm oil prices have remained weak due to slower growth in demand and price pressures from other competing edible oils. With Indonesia's mandatory biodiesel policy and long-term demand growth from emerging markets, the Group remains positive on the long-term fundamentals of the palm oil industry.

Barring any weather shock, with the favourable age profile of our plantations, the Group expects year-on-year volume growth to continue in the third and fourth quarters of this year.

11. Dividends

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Yes.

Name of Dividend	Interim dividend
Dividend Type	Cash
Dividend Amount per Share	1.25 Singapore cents
Tax Rate	1-tier tax-exempt

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Dividend	Interim dividend
Dividend Type	Cash
Dividend Amount per Share	1.25 Singapore cents
Tax Rate	1-tier tax-exempt

(c) Date payable

18 September 2014.

(d) Books closure date

Notice is hereby given that the Register of Members and Register of Transfers of the Company will be closed on 3 September 2014 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 2 September 2014 will be registered to determine shareholders' entitlements to the interim dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 2 September 2014 will be entitled to the interim dividend.

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

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

14. Negative Confirmation by the Board Pursuant to Rule 705(5)

We, Lim Ming Seong and Ciliandra Fangiono, being two directors of First Resources Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial statements for the second quarter ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Ming Seong
Chairman

Ciliandra Fangiono
Director and Chief Executive Officer

BY ORDER OF THE BOARD

Ciliandra Fangiono
Director and Chief Executive Officer
13 August 2014