



26 February 2013

The Manager  
Company Announcements Office  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

By: e-lodgement (ASX code SBI)

#### APPENDIX 4D AND HALF YEAR REPORT

Please find attached Sterling Plantations Limited's Appendix 4D and Half Year Financial Report for the half year ended 31 December 2012.

Yours sincerely

A handwritten signature in cursive script that reads "Alicia Mitton".

Alicia Mitton  
Company Secretary  
Sterling Plantations Limited

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# Appendix 4D

## Half yearly report

Name of entity

Sterling Plantations Limited (formerly Sterling Biofuels International Limited)

ABN or equivalent company  
reference

Half year ended  
(current period)

Half year ended  
(‘previous period’)

ACN 119 880 492

31 December 2012

31 December 2011

### Results for announcement to the market

*Extracts from this report for announcement to the market (see note 1).*

\$A'000

Revenues	up	122%	T	431
Profit after tax attributable to members	up	230%	T	6,835
Net profit for the period attributable to members	up	230%	T	6,835
			o	
			o	
			o	
<b>Dividends (distributions)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Interim dividend declared		Nil		Nil
Previous corresponding period		Nil		Nil

<sup>+</sup>Record date for determining entitlements to the dividend, Not applicable

Brief explanation of any of the figures reported above to enable figures to be understood:

The consolidated profit after income tax for the half-year ended 31 December 2012 was \$6,835,079 (half-year ended 31 December 2011: loss of \$5,269,096).

The profit arose primarily as a result of a net gain arising from changes in the fair value of biological assets of \$15,491,510 (half-year ended 31 December 2011: \$487,471).

On 9 November 2012, the name of the Company was changed to Sterling Plantations Limited. This was to reflect its focus on the plantation development which continues to progress satisfactorily.

The outlook for the biodiesel industry has not improved and the Group’s biodiesel plant remains dormant.

As at 31 December 2012, the Group had a net cash balance of \$6,280,999 (half-year ended 31 December 2011: \$3,697,955).

**This half yearly report is to be read in conjunction with the most recent annual financial report.**

<b>NTA backing</b>	Current period	Previous corresponding Period
Net tangible (liabilities)/asset backing per +ordinary security	\$(0.09)	\$(0.19)

Details of entities over which control has been gained or lost during the period. Not Applicable

Details of individual and total dividends or distributions and dividend or distribution payments. Not Applicable

Details of any dividend or distribution reinvestment plans in operation. Not Applicable

Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities. Not Applicable

This report is based on the +accounts have been subject to review



Sign here: .....  
Group Executive Director

Date: 26 February 2013

Print name: Andrew Phang

+ See chapter 19 for defined terms.

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**Sterling Plantations Limited**  
**(formerly Sterling Biofuels International Limited)**  
ACN 119 880 492

**Half-Year Report**  
**31 December 2012**



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## Corporate Directory

### DIRECTORS

Dato' CRS Paragash (Executive Chairman)  
Andrew Phang (Group Executive Director)  
Jackie Leong (Executive Director)  
Paul Mason (Non-Executive Director)  
Graham Keys (Non-Executive Director)

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000

### COMPANY SECRETARY

Alicia Mitton  
Email: [mittona@norvest.com.au](mailto:mittona@norvest.com.au)

### BANKERS

Westpac Banking Corporation  
1257-1261 Hay Street  
West Perth WA 6005

### REGISTERED OFFICE IN AUSTRALIA

57 Havelock Street  
West Perth WA 6005  
Australia

Telephone: (618) 9324 8555  
Facsimile: (618) 9324 8560

Website: [www.sterlingplantations.com](http://www.sterlingplantations.com)

### AUDITORS

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### HOME EXCHANGE

Australian Stock Exchange  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

### ASX Code

SBI

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## **Directors' Report**

The Directors present their report on the consolidated entity consisting Sterling Plantations Limited (formerly Sterling Biofuels International Limited) and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

### **Directors**

The names of the Directors in office during the half-year period and until the date of this report are as below. All Directors were in office for this entire period.

Dato' CRS Paragash	(Executive Chairman)
Andrew Phang	(Group Executive Director)
Jackie Leong	(Executive Director)
Paul Mason	(Non-Executive Director)
Graham Keys	(Non-Executive Director)

### **Principal Activities**

The Group is principally involved in oil palm plantation development and the marketing and sale of grower plots under the Growers Scheme(s). It is also involved in the manufacture of biodiesel from palm oil.

### **Review and Results of Operations**

The consolidated profit after income tax for the half-year ended 31 December 2012 was \$6,835,079 (half-year ended 31 December 2011: loss of \$5,269,096).

The profit arose primarily as a result of a net gain arising from changes in the fair value of biological assets of \$15,491,510 (half-year ended 31 December 2011: \$487,471).

On 9 November 2012, the name of the Company was changed to Sterling Plantations Limited. This was to reflect its focus on the plantation development which continues to progress satisfactorily.

The outlook for the biodiesel industry has not improved and the Group's biodiesel plant remains dormant.

As at 31 December 2012, the Group had a net cash balance of \$6,280,999 (half-year ended 31 December 2011: \$3,697,955).

### **Auditor's Independence Declaration**

We have obtained the auditor's independence declaration from BDO Audit (WA) Pty Ltd, which is set out on page 3.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be "A Phang".

**Andrew Phang**  
**Group Executive Director**  
**Perth 26 February 2013**

26 February 2013

The Board of Directors  
Sterling Plantations Limited  
57 Havelock Street  
West Perth, WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF  
STERLING PLANTATIONS LIMITED**

As lead auditor for the review of Sterling Plantations Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sterling Plantations Limited and the entities it controlled during the period.



**Brad McVeigh**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half Year Ended 31 December 2012

	Consolidated	
Note	31 December 2012 \$	31 December 2011 \$ (Restated)
<b>Continuing operations</b>		
<b>Revenue</b>		
Sales	10,743	-
Finance income – interest	420,027	193,763
	430,770	193,763
Other income	108,160	-
Net gain arising from changes in fair value of biological assets	15,491,510	487,471
Raw materials and consumable used	(81,869)	-
Growers scheme marketing costs	(1,316,415)	(1,354,944)
Employee benefits expense	(1,486,954)	(2,295,932)
Depreciation and amortisation	(698,016)	(298,809)
Finance costs	(1,659,133)	(986,520)
Other expenses	(888,025)	(1,014,125)
<b>Profit/(Loss) before income tax</b>	<b>9,900,028</b>	<b>(5,269,096)</b>
Income tax expense	(3,064,949)	-
<b>Net profit/(loss) for the period</b>	<b>6,835,079</b>	<b>(5,269,096)</b>
<b>Other comprehensive income</b>		
Foreign currency translation	(154,881)	(525,943)
<b>Other comprehensive income for the period, net of tax</b>	<b>(154,881)</b>	<b>(525,943)</b>
<b>Total comprehensive profit/(loss) for the period</b>	<b>6,680,198</b>	<b>(5,795,039)</b>
<b>Profit/(Loss) for the period is attributable to:</b>		
Non-controlling interest	-	-
Owners of the parent	6,835,079	(5,269,096)
	<b>6,835,079</b>	<b>(5,269,096)</b>
<b>Total comprehensive profit/(loss) for the period is attributable to:</b>		
Non-controlling interest	-	-
Owners of the parent	6,680,198	(5,795,039)
	<b>6,680,198</b>	<b>(5,795,039)</b>
<b>Profit/(Loss) per share for loss attributable to the ordinary equity holders of the parent</b>		
- basic earning/(loss) per share (cents per share)	10.51	(8.11)
- diluted earning/(loss) per share (cents per share)	10.51	(8.11)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



## Consolidated Statement of Financial Position As at 31 December 2012

	Note	31 December 2012 \$	Consolidated 30 June 2012 \$ (Restated)	1 July 2011 \$ (Restated)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	6,280,999	3,759,652	461,331
Restricted deposits	4	1,642,587	2,453,755	692,391
Inventories		107,849	-	-
Other current assets		822,978	806,468	433,603
<b>Total current assets</b>		<b>8,854,413</b>	<b>7,019,875</b>	<b>1,587,325</b>
<b>NON-CURRENT ASSETS</b>				
Restricted deposits	4	17,132,023	13,823,784	6,747,362
Property, plant and equipment	5	10,514,655	9,469,383	8,368,032
Biological assets	6	20,399,811	4,664,254	1,389,091
<b>Total non-current assets</b>		<b>48,046,489</b>	<b>27,957,421</b>	<b>16,504,485</b>
<b>TOTAL ASSETS</b>		<b>56,900,902</b>	<b>34,977,296</b>	<b>18,091,810</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		2,069,226	3,798,161	2,003,097
Deferred tax liabilities	2	3,096,790	-	-
Interest bearing loans and borrowings	7	2,712,719	2,659,854	2,468,061
<b>Total current liabilities</b>		<b>7,878,735</b>	<b>6,458,015</b>	<b>4,471,158</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest bearing loans and borrowings	7	118,506	152,802	7,301
Growers fees	8	54,752,898	40,895,914	16,494,155
<b>Total non-current liabilities</b>		<b>54,871,404</b>	<b>41,048,716</b>	<b>16,501,456</b>
<b>TOTAL LIABILITIES</b>		<b>62,750,139</b>	<b>47,506,731</b>	<b>20,972,614</b>
<b>NET LIABILITIES</b>		<b>(5,849,237)</b>	<b>(12,529,435)</b>	<b>(2,880,804)</b>
<b>SHAREHOLDERS' DEFICIT</b>				
Equity attributable to equity holders of the parent				
Contributed equity		32,143,181	32,143,181	32,143,181
Accumulated losses		(36,621,880)	(43,456,959)	(34,398,200)
Reserves		(1,370,538)	(1,215,657)	(625,785)
Parent interests		(5,849,237)	(12,529,435)	(2,880,804)
Non-controlling interests		-	-	-
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<b>(5,849,237)</b>	<b>(12,529,435)</b>	<b>(2,880,804)</b>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



## Statement of Changes in Equity

Consolidated	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Foreign Currency Translation Reserve \$ (Restated)	Accumulated Losses \$ (Restated)	Equity Reserve \$	Owners of the Parent \$ (Restated)	Non-controlling Interest \$	Total \$ (Restated)
<b>At 1 July 2012</b>	<b>32,143,181</b>	<b>233,917</b>	<b>(632,869)</b>	<b>(43,456,959)</b>	<b>(816,705)</b>	<b>(12,529,435)</b>	-	<b>(12,529,435)</b>
Profit for the period	-	-	-	6,835,079	-	6,835,079	-	6,835,079
Other comprehensive income	-	-	(154,881)	-	-	(154,881)	-	(154,881)
<b>Total comprehensive loss for the half-year</b>	-	-	(154,881)	6,835,079	-	6,680,198	-	6,680,198
<b>At 31 December 2012</b>	<b>32,143,181</b>	<b>233,917</b>	<b>(787,750)</b>	<b>(36,621,880)</b>	<b>(816,705)</b>	<b>(5,849,237)</b>	-	<b>(5,849,237)</b>
<b>At 1 July 2011</b>	<b>32,143,181</b>	<b>233,917</b>	<b>(174,931)</b>	<b>(34,393,164)</b>	<b>(684,771)</b>	<b>(2,875,768)</b>	<b>(5,036)</b>	<b>(2,880,804)</b>
Loss for the period	-	-	-	(5,269,096)	-	(5,269,096)	-	(5,269,096)
Other comprehensive income	-	-	(525,943)	-	-	(525,943)	-	(525,943)
<b>Total comprehensive loss for the half-year</b>	-	-	(525,943)	(5,269,096)	-	(5,795,039)	-	(5,795,039)
Acquisition of minority interest	-	-	-	-	(131,947)	(131,947)	-	(131,947)
<b>At 31 December 2011</b>	<b>32,143,181</b>	<b>233,917</b>	<b>(700,874)</b>	<b>(39,662,260)</b>	<b>(816,718)</b>	<b>(8,802,754)</b>	<b>(5,036)</b>	<b>(8,807,790)</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## Consolidated Cash Flow Statement For The Half Year Ended 31 December 2012

	Consolidated	
	31 December 2012 \$	31 December 2011 \$
<b>Cash flows from operating activities</b>		
Receipts from trade customers	116,390	-
Interest received	300,509	24,355
Interest paid	(6,546)	(1,036)
Payments to suppliers and employees	(4,517,785)	(5,701,566)
<b>Net cash flows used in operating activities</b>	<b>(4,107,432)</b>	<b>(5,678,247)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of property, plant and equipment	9,347	503
Purchase of property, plant and equipment	(365,312)	(221,797)
Payments for plantation development costs	(1,048,347)	(957,176)
Acquisition of non-controlling interests	-	(131,947)
<b>Net cash flows used in investing activities</b>	<b>(1,404,312)</b>	<b>(1,310,417)</b>
<b>Cash flows from financing activities</b>		
Funds received from growers scheme	12,993,301	16,984,077
Net yield paid	(2,780,595)	(754,701)
Advance to employees	(22,209)	(43,552)
Repayments of borrowings	(62,315)	-
Placement of deposits pledged	(2,184,340)	(5,911,529)
<b>Net cash flows from financing activities</b>	<b>7,943,842</b>	<b>10,274,295</b>
<b>Net increase in cash held</b>	<b>2,432,098</b>	<b>3,285,631</b>
Cash and cash equivalents at beginning of period	3,759,652	461,331
Net foreign exchange differences	89,249	(49,007)
<b>Cash and cash equivalents at end of period</b>	<b>6,280,999</b>	<b>3,697,955</b>



## **Notes to the Consolidated Financial Statements**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Corporate information**

The financial report of Sterling Plantations Limited for the period ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on the date of approval of the Directors' Report.

Sterling Plantations Limited is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

#### **Basis of preparation**

This interim condensed financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of Sterling Plantations Limited as at 30 June 2012 and considered together with any public announcements made by Sterling Plantations Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report the significant judgments made by management in applying the Group's accounting policies and the sources of estimation and uncertainty were the same as those that applied to the consolidated financial report as at the year ended 30 June 2012.

The accounting policies applied by the economic entity in this consolidated financial report are the same as those applied by the economic entity in its consolidated financial report as at and for the year ended 30 June 2012.

#### **New and amended accounting standards and interpretations**

Since 1 July 2012, the Group has adopted all accounting standards and interpretations, mandatory for financial reporting periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

#### **Going concern**

During the half-year ended 31 December 2012, the consolidated entity reported net profit after income tax of \$6.835 million (2011: net loss of \$5.269 million) and a net cash outflow from operations of \$4.107 million (2011: \$5.678 million).



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

However, the cash inflows under the growers scheme of \$12.993 million (2011: \$16.984 million) more than compensates for the net cash outflow from operations.

The condensed half-year financial report has been prepared on the basis that the consolidated entity will continue to meet its commitments and can therefore continue normal business activities.

In arriving at the position, the directors have considered the following:

- Continued available funds from the Growers Scheme  
The Growers Scheme was successfully launched on 20 August 2010. The Scheme involves the offer of 30,800 grower plots to the Malaysian public. During the term of the Scheme, investors participate in the net yield of the plantation to the extent of their participating interest. The Scheme also provides for guaranteed yield payments and termination payments. As at 8 February 2013, \$55 million has been raised and the Scheme is ultimately expected to raise gross funds of \$78 million. A portion of proceeds raised from the Growers Scheme is set aside as restricted deposits to guarantee net yield payable to growers under the Growers Scheme. The Group further believes that the net proceeds from the Growers Scheme will be sufficient to fund plantation development commitments.  
The Group will continue to retain at least 30% of the economic value of the plantation development.
- Continued availability of short term funding from the founder shareholder  
As at 31 December 2012, the Group has drawn down \$2.284 million of the \$3.148 million standby credit line made available by the founder shareholder. With the launch of the Growers' Scheme, the Group will be less reliant on funding from the founder shareholder and expects to begin reducing the outstanding amount under this credit line over time. The founder shareholder has confirmed that it will not require repayment of the loan in the next 12 months unless the Group has sufficient funds.

The directors believe that at the date of signing the financial report, there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will have sufficient funds to meet its obligations as and when they fall due.



**2. INCOME TAX**

Income tax represents deferred taxation expenses in respect of property, plant and equipment as well as fair value gains arising from valuation of the biological assets.

The deferred tax liabilities are presented after appropriate offsetting:

	<b>Consolidated</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets	3,371,316	-
Deferred tax liabilities	(6,436,265)	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(3,064,949)	-
Effect of foreign exchange	(31,841)	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(3,096,790)	-

The components of deferred tax liabilities and assets prior to offsetting are as follows:

	<b>Consolidated</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment	(1,388,750)	-
Biological assets	(5,047,515)	-
Unused tax losses and unabsorbed capital allowances	3,371,316	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(3,064,949)	-
Effect of foreign exchange	(31,841)	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(3,096,790)	-

SPC Biodiesel, a subsidiary of Sterling Plantations Ltd, has been granted pioneer tax status in Malaysia which will exempt 100% of its operating income from taxation in Malaysia for a period of 5 years commencing from the date of its Pioneer Status Certificate, which is the date of commercial production. As SPC Biodiesel has not commenced commercial production, it has applied and has been granted an extension of time up to August 2013 to submit its Pioneer Status Certificate.

Dividends received by Sterling Plantations Ltd from SPC Biodiesel will be exempted from Australian income tax.

**3. CASH AND CASH EQUIVALENTS**

For the purpose of the half-year consolidated cash flow statement, cash and cash equivalents comprise the following:

	<b>Consolidated</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	348,015	302,205
Deposits with licensed banks	5,932,984	3,457,447
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Cash and cash equivalents	6,280,999	3,759,652

Includes deposits of \$8,224 pledge as security for banking facilities (30 June 2012: \$7,732).

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**4. RESTRICTED DEPOSITS**

	<b>Consolidated</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Deposits with licensed bank	1,642,587	2,453,755
<b>Non-current</b>		
Deposits with licensed bank	17,132,023	13,823,784

Restricted deposits represent deposits held by trustee of Growers Scheme, Amtrustee Berhad, a licensed trustee in Malaysia. They represent 34% of the growers fees received from growers. These restricted deposits are to be used for the creation of a Reserve Fund Trust Account for purposes of paying guaranteed net yields (24%) as well as the setting up of a Reserve Margin Account (10%).

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Consolidated</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>\$</b>	<b>\$</b>
		<b>(Restated)</b>
<b>Biodiesel property, plant and equipment</b>		
Biodiesel plant and equipment		
At cost	13,573,863	13,336,233
Less: accumulated depreciation	(3,255,184)	(3,082,599)
Less: impairment charge	(6,852,813)	(6,732,844)
	<u>3,465,866</u>	<u>3,520,790</u>
<b>Buildings</b>		
At cost	1,432,330	1,128,535
Less: accumulated depreciation	(255,072)	(219,417)
Less: impairment charge	(394,594)	(387,687)
	<u>782,664</u>	<u>521,431</u>
<b>Motor vehicles</b>		
At cost	563,208	547,843
Less: accumulated depreciation	(302,029)	(258,727)
	<u>261,179</u>	<u>289,116</u>
<b>Motor vehicles – under finance lease</b>		
At cost	229,309	225,295
Less: accumulated depreciation	(50,235)	(26,826)
	<u>179,074</u>	<u>198,469</u>

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5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Consolidated	
	31 December 2012 \$	30 June 2012 \$ (Restated)
Office equipment		
At cost	512,118	474,151
Less: accumulated depreciation	(269,874)	(223,000)
	242,244	251,151
Prepaid land lease		
At cost	1,645,585	1,616,776
Less: accumulated depreciation	(195,551)	(175,959)
	1,450,034	1,440,817
<b>Plantation property, plant and equipment</b>		
Plantation equipment and machinery		
At cost	677,674	623,006
Less: accumulated depreciation	(237,914)	(214,860)
	439,760	408,146
Leasehold Improvements		
At cost	3,665,602	2,811,985
Less: accumulated depreciation	(133,488)	(98,410)
	3,532,114	2,713,575
Capital work-in-progress		
At cost	161,720	125,888
	161,720	125,888
<b>Total property, plant and equipment</b>	<b>10,514,655</b>	<b>9,469,383</b>

The movements in property, plant and equipment during the period include the effect of foreign exchange.

6. BIOLOGICAL ASSETS

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
Carrying amount at beginning	4,664,254	1,389,091
Fair value adjustment	15,491,510	2,910,675
Effect of foreign exchange	244,047	364,488
Carrying amount at end	20,399,811	4,664,254



**6. BIOLOGICAL ASSETS (CONT'D)**

As at 31 December 2012, the total planted area of mature and immature plantations are as follows:

Planted area:	Acres	\$
- mature	627	2,801,826
- immature	4,725	17,597,985
	<u>5,352</u>	<u>20,399,811</u>

**7. INTEREST BEARING LOANS AND BORROWINGS**

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
<b>Current</b>		
Obligations under the hire purchase contracts	40,153	44,310
Shareholder advances	2,672,566	2,615,544
	<u>2,712,719</u>	<u>2,659,854</u>
<b>Non-current</b>		
Obligations under the hire purchase contracts	118,506	152,802
	<u>118,506</u>	<u>152,802</u>

The unsecured loan from a shareholder, during the period, is a standby credit line of up to RM10 million equivalent \$3.148 million (30 June 2012: RM10 million equivalent \$3.093 million). The loan is repayable on demand and may be drawn down from time to time for working capital purposes. Interest is payable at the base lending rate of a leading Malaysian financial institution. There are no conversion rights attached to the loan.

**8. GROWERS FEES**

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Financial liability at fair value through profit or loss, at balance date	54,752,898	40,895,914
	<u>54,752,898</u>	<u>40,895,914</u>

- (a) The liability represents the amount received from growers under the Golden Palm Growers Scheme ("the Scheme") for which a subsidiary is obligated to pay an annual net yield over the duration of the Scheme. During the First Phase (being the first 6 years), the guaranteed yield is 6% per annum. During the Second Phase (years 7 - 23), the yield will be the higher of plantation profit attributable to a quarter acre of the plantation and a specified amount (maximum 9% of the grower's fee) calculated with reference to the crude palm oil price.
- (b) The subsidiary has certain obligations to repurchase grower plots at the request of the grower. This repurchase obligation is subject to certain provisions as provided in the agreement with a grower (refer [www.sterlingplantations.com](http://www.sterlingplantations.com)) which includes inter-alia requirement for submission of proper repurchase documents, annual repurchase limits, timing of payment, repurchase price etc.

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## **8. GROWERS FEES (CONT'D)**

- (c) At the closure or expiry of the Scheme, the subsidiary is required to refund a grower its proportionate share of the net sale proceeds in accordance with terms as stated in the relevant agreement with growers.

These terms include amongst others, minimum notice period to growers, conditions for voluntary closure of the scheme, timing and procedures for the sale as well as timing of payment of net proceeds received from sale.

In the event of the refund to a grower of its proportionate share of net sale proceeds of the concession, the subsidiary will not be required to repay the growers fees.

## **9. DIVIDENDS PAID AND PROPOSED**

The Company did not declare a dividend during the half-year ended 31 December 2012 (2011: nil).

## **10. OPERATING SEGMENTS**

### **Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the business, product to be produced and type of land development. Discrete financial information about each of these operating businesses is reported to management.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

### **Types of products and services**

#### *Biodiesel*

The biodiesel business is a producer and supplier of blended biodiesel for export markets. The biodiesel business has been determined as both an operating segment and reportable segment.

#### *Oil palm*

Oil palm business is a producer and supplier of fresh fruit bunches (FFB) for palm oil industrial markets. The oil palm business has been determined as both an operating segment and reportable segment.

### **Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to the segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Corporate charges such as head office expenses and interest are not allocated to operating segments as they are not considered part of the core operations of any segment:



**10. OPERATING SEGMENTS (CONT'D)**

The following table presents revenue and loss information regarding reportable segments for the half years ended 31 December 2012 and 31 December 2011:

	<b>Biodiesel</b>	<b>Oil palm &amp; Growers Scheme</b>	<b>Unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Half year ended 31 December 2012</b>				
<b>Revenue</b>				
Sales	-	-	-	-
Finance income – interest	1,606	429,162	2	430,770
Total revenue per the statement of comprehensive income	1,606	429,162	2	430,770
<b>Result</b>				
Segment result	(675,818)	7,751,947	-	7,076,129
Unallocated result	-	-	(241,050)	(241,050)
Net profit/(loss) before income tax per the statement of comprehensive income	(675,818)	7,751,947	(241,050)	6,835,079
<b>Assets and liabilities</b>				
Segment assets	5,537,467	51,318,712	-	56,856,179
Unallocated assets	-	-	44,723	44,723
Total assets per the statement of financial position	5,537,467	51,318,712	44,723	56,900,902
Segment liabilities	2,751,518	59,961,848	-	62,713,366
Unallocated liabilities	-	-	36,773	36,773
Total liabilities per the statement of financial position	2,751,518	59,961,848	36,773	62,750,139
<b>Half year ended 31 December 2011</b>				
<b>Revenue</b>				
Sales	-	-	-	-
Finance income – interest	778	192,972	13	193,763
Total revenue per the statement of comprehensive income	778	192,972	13	193,763
<b>Result</b>				
Segment result	(1,151,012)	(3,878,607)	-	(5,029,619)
Unallocated result	-	-	(239,477)	(239,477)
Net loss before income tax per the statement of comprehensive income	(1,151,012)	(3,878,607)	(239,477)	(5,269,096)

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**10. OPERATING SEGMENTS (CONT'D)**

	<b>Biodiesel</b> \$	<b>Oil palm &amp; Growers Scheme</b> \$ (Restated)	<b>Unallocated</b> \$	<b>Total</b> \$ (Restated)
<b>Year ended 30 June 2012</b>				
<b>Assets and liabilities</b>				
Segment assets	5,599,055	29,343,479	-	34,942,534
Unallocated assets	-	-	34,762	34,762
<b>Total assets per the statement of financial position</b>	<b>5,599,055</b>	<b>29,343,479</b>	<b>34,762</b>	<b>34,977,296</b>
Segment liabilities	2,768,561	44,684,684	-	47,453,245
Unallocated liabilities	-	-	53,486	53,486
<b>Total liabilities per the statement of financial position</b>	<b>2,768,561</b>	<b>44,684,684</b>	<b>53,486</b>	<b>47,506,731</b>

**11. EVENTS AFTER THE BALANCE SHEET DATE**

As at the date of this report, no other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect, the operations of Sterling Plantations Limited and its controlled entities, the results of those operations or the state of affairs of Sterling Plantations Limited and its controlled entities in subsequent years.

**12. COMMITMENTS AND CONTINGENCIES**

There have been no other material changes to or additional commitments or contingencies to those disclosed in the 30 June 2012 annual report.

**13. COMPARATIVES**

A subsidiary company in Malaysia is a transitioning entity as defined by the Malaysian Accounting Standard Board, and has early adopted the Malaysian FRS Framework during the financial period ended 31 December 2012. As a result of that, certain costs that have been initially capitalised for the Plantation were required to be expensed resulting in a prior year adjustment in line with IFRS 116.

The Group has adjusted amounts previously reported and its impact on the Group's financial position and financial performance is set out as follows:

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13. COMPARATIVES (CONT'D)

As at 1 July 2011	Consolidated		
	Previously reported \$	Effects \$	Restated \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	461,331	-	461,331
Restricted deposits	692,391	-	692,391
Inventories	-	-	-
Other current assets	433,603	-	433,603
<b>Total current assets</b>	<b>1,587,325</b>	<b>-</b>	<b>1,587,325</b>
<b>NON-CURRENT ASSETS</b>			
Restricted deposits	6,747,362	-	6,747,362
Property, plant and equipment	9,493,931	(1,125,899)	8,368,032
Biological assets	1,389,091	-	1,389,091
<b>Total non-current assets</b>	<b>17,630,384</b>	<b>(1,125,899)</b>	<b>16,504,485</b>
<b>TOTAL ASSETS</b>	<b>19,217,709</b>	<b>(1,125,899)</b>	<b>18,091,810</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2,003,097	-	2,003,097
Deferred tax liabilities	-	-	-
Interest bearing loans and borrowings	2,468,061	-	2,468,061
<b>Total current liabilities</b>	<b>4,471,158</b>	<b>-</b>	<b>4,471,158</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings	7,301	-	7,301
Growers fees	16,494,155	-	16,494,155
<b>Total non-current liabilities</b>	<b>16,501,456</b>	<b>-</b>	<b>16,501,456</b>
<b>TOTAL LIABILITIES</b>	<b>20,972,614</b>	<b>-</b>	<b>20,972,614</b>
<b>NET LIABILITIES</b>	<b>(1,754,905)</b>	<b>(1,125,899)</b>	<b>(2,880,804)</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Equity attributable to equity holders of the parent			
Contributed equity	32,143,181	-	32,143,181
Accumulated losses	(32,489,505)	(1,903,659)	(34,393,164)
Reserves	(1,403,545)	777,760	(625,785)
Parent interests	(1,749,869)	(1,125,899)	(2,875,768)
Non-controlling interests	(5,036)	-	(5,036)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(1,754,905)</b>	<b>(1,125,899)</b>	<b>(2,880,804)</b>

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13. COMPARATIVES (CONT'D)

As at 30 June 2012	Consolidated		
	Previously reported \$	Effects \$	Restated \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3,759,652	-	3,759,652
Restricted deposits	2,453,755	-	2,453,755
Inventories	-	-	-
Other current assets	806,468	-	806,468
<b>Total current assets</b>	<b>7,019,875</b>	<b>-</b>	<b>7,019,875</b>
<b>NON-CURRENT ASSETS</b>			
Restricted deposits	13,823,784	-	13,823,784
Property, plant and equipment	11,465,243	(1,995,860)	9,469,383
Biological assets	4,664,254	-	4,664,254
<b>Total non-current assets</b>	<b>29,953,281</b>	<b>(1,995,860)</b>	<b>27,957,421</b>
<b>TOTAL ASSETS</b>	<b>36,973,156</b>	<b>(1,995,860)</b>	<b>34,977,296</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	3,798,161	-	3,798,161
Deferred tax liabilities	-	-	-
Interest bearing loans and borrowings	2,659,854	-	2,659,854
<b>Total current liabilities</b>	<b>6,458,015</b>	<b>-</b>	<b>6,458,015</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings	152,802	-	152,802
Growers fees	40,895,914	-	40,895,914
<b>Total non-current liabilities</b>	<b>41,048,716</b>	<b>-</b>	<b>41,048,716</b>
<b>TOTAL LIABILITIES</b>	<b>47,506,731</b>	<b>-</b>	<b>47,506,731</b>
<b>NET LIABILITIES</b>	<b>(10,533,575)</b>	<b>(1,995,860)</b>	<b>(12,529,435)</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Equity attributable to equity holders of the parent			
Contributed equity	32,143,181	-	32,143,181
Accumulated losses	(41,275,394)	(2,181,565)	(43,456,959)
Reserves	(1,401,362)	185,705	(1,215,657)
Parent interests	(10,533,575)	(1,995,860)	(12,529,435)
Non-controlling interests	-	-	-
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(10,533,575)</b>	<b>(1,995,860)</b>	<b>(12,529,435)</b>



**13. COMPARATIVES (CONT'D)**

Half Year Ended 31 December 2011	Consolidated		
	Previously Reported \$	Effects \$	Restated \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Sales	-	-	-
Finance income – interest	193,763	-	193,763
	<hr/>		<hr/>
	193,763	-	193,763
Other income	-	-	-
Net gain arising from changes in fair value of biological assets	487,471	-	487,471
Raw materials and consumable used	-	-	-
Growers scheme marketing costs	(1,354,944)	-	(1,354,944)
Employee benefits expense	(2,197,909)	(98,023)	(2,295,932)
Depreciation and amortisation	(211,014)	(87,795)	(298,809)
Finance costs	(986,520)	-	(986,520)
Other expenses	(1,452,805)	438,680	(1,014,125)
	<hr/>		<hr/>
<b>Profit/(Loss) before income tax</b>	<b>(5,521,958)</b>	<b>252,862</b>	<b>(5,269,096)</b>
Income tax expense	-	-	-
	<hr/>		<hr/>
<b>Net profit/(loss) for the period</b>	<b>(5,521,958)</b>	<b>252,862</b>	<b>(5,269,096)</b>

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## **Directors' Declaration**

In accordance with a resolution of the Board of Directors of Sterling Plantations Limited, I state that:

- 1) In the opinion of the Directors:
  - (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act, 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
    - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2012.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be the name "Andrew Phang".

**Andrew Phang**  
**Group Executive Director**  
**Perth 26 February 2013**

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF STERLING PLANTATIONS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sterling Plantations Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sterling Plantations Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sterling Plantations Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sterling Plantations Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  
BMV

**Brad McVeigh**  
Director

Perth, Western Australia  
Dated this 26<sup>th</sup> day of February 2013

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