



24 February 2015

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 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read "S Menezes", with a stylized flourish at the end.

Shaun Menezes
Company Secretary

Appendix 4D

Half yearly report

Name of entity

Sterling Plantations Limited

ABN or equivalent company
reference

Half year ended
(current period)

Half year ended
(‘previous period’)

ACN 119 880 492

31 December 2014

31 December 2013

Results for announcement to the market

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

\$A'000

Revenues	up	79%	T	376
Loss after tax attributable to members	down	14%	T	(4,381)
Net loss for the period attributable to members	down	14%	T	(4,381)
			o	
			o	
			o	
			o	
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend declared		Nil		Nil
Previous corresponding period		Nil		Nil

⁺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 loss after income tax for the half-year ended 31 December 2014 was \$4,381,760 (half-year ended 31 December 2013: loss of \$3,834,447).

The loss mainly reflects the fact that the plantation has yet to reach commercial maturity and, thus, continues to incur on-going plantation costs. The loss was off-set slightly by a net gain recognised arising from changes in the fair value of the Group’s biological assets.

As at 31 December 2014, the Group had a net cash balance of \$13,574,732 (half-year ended 31 December 2013: \$20,440,686). Of this total, an amount of \$9,186,640 (half-year ended 31 December 2013: \$12,965,656) is held as restricted deposits by the trustee of the Growers Scheme.

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

NTA backing

	Current period	Previous corresponding Period
Net tangible (liabilities)/asset backing per +ordinary security	\$(0.29)	\$(0.21)

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:

Date: 24 February 2015

Group Executive Director

Print name: Andrew Phang

+ See chapter 19 for defined terms.



Sterling Plantations Limited
ACN 119 880 492

Half-Year Report
31 December 2014



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Corporate Directory

DIRECTORS

Dato' CRS Paragash (Executive Chairman)
Andrew Phang (Group Executive Director)
Jackie Leong (Non-Executive Director)
Paul Mason (Non-Executive Director)
Eric P John (Non-Executive Director)

SHARE REGISTRY

Computershare Investor Services Pty Ltd
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Perth WA 6000

COMPANY SECRETARY

Shaun Menezes
Email: cosec@sterlingplantations.com

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West Perth WA 6005

REGISTERED OFFICE IN AUSTRALIA

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Telephone: (61-8) 6380 2555
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Website: 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

Directors' Report

The Directors present their report on the consolidated entity consisting Sterling Plantations Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

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	(Non-Executive Director)
Paul Mason	(Non-Executive Director)
Eric P John	(Non-Executive Director)

Principal Activities

The Group is principally involved in oil palm plantation development and the sale and marketing of grower plots (being interests under the Golden Palm Growers Scheme).

Review and Results of Operations

The consolidated loss after income tax for the half-year ended 31 December 2014 was \$4,381,760 (half-year ended 31 December 2013: loss of \$3,834,447).

The loss mainly reflects the fact that the plantation has yet to reach commercial maturity and, thus, continues to incur on-going plantation costs. The loss was off-set slightly by a net gain recognised arising from changes in the fair value of the Group's biological assets.

As at 31 December 2014, the Group had a net cash balance of \$13,574,732 (half-year ended 31 December 2013: \$20,440,686). Of this total, an amount of \$9,186,640 (half-year ended 31 December 2013: \$12,965,656) is held as restricted deposits by the trustee of the Growers Scheme.

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.



Andrew Phang
Group Executive Director
Perth 24 February 2015

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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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, 24 February 2015



Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half Year Ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
REVENUE		376,711	210,539
Other income	2	1,646,473	149,110
Changes in fair value of biological assets		990,914	2,196,065
Fair value loss on financial assets at fair value through profit or loss		(419,473)	-
Changes in fair value of growers fees		12,063	-
Raw materials & consumable used		(176,500)	(72,649)
Growers Scheme costs		(3,916)	(710,293)
Employee benefits expense		(1,884,145)	(1,617,810)
Depreciation expense		(290,915)	(311,654)
Finance costs		(2,780,332)	(2,131,060)
Lease expense		(359,873)	(483,984)
Travel expense		(85,875)	(61,812)
Other expenses		(1,123,450)	(784,331)
LOSS BEFORE INCOME TAX		(4,098,318)	(3,617,879)
Income tax expense		(283,442)	(216,568)
LOSS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY		(4,381,760)	(3,834,447)
OTHER COMPREHENSIVE LOSS			
<i>Items that may be re-classified to profit or loss</i>			
Foreign currency translation		(1,103,071)	(57,649)
OTHER COMPREHENSIVE LOSS FOR THE HALF-YEAR, NET OF TAX		(1,103,071)	(57,649)
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR		(5,484,831)	(3,892,096)
LOSS FOR THE HALF-YEAR IS ATTRIBUTABLE TO			
Owners of the parent		(4,381,760)	(3,834,447)
		(4,381,760)	(3,834,447)
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR IS ATTRIBUTABLE TO:			
Owners of the parent		(5,484,531)	(3,892,096)
		(5,484,531)	(3,892,096)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted loss per share (cents per share)		(6.74)	(5.90)

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 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	4,388,092	11,388,127
Restricted deposits	4	4,189,915	3,966,864
Inventories		26,152	65,415
Other current assets	5	4,741,321	3,062,033
Financial assets at fair value through profit or loss	6	3,052,397	925,834
TOTAL CURRENT ASSETS		16,397,877	19,408,273
NON-CURRENT ASSETS			
Restricted deposits	4	4,996,725	8,690,849
Property, plant and equipment	7	9,398,057	7,715,742
Biological assets	8	29,993,721	27,474,126
TOTAL NON-CURRENT ASSETS		44,388,503	43,880,717
TOTAL ASSETS		60,786,380	63,288,990
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	4,430,215	5,916,195
Borrowings	11	105,968	19,981
TOTAL CURRENT LIABILITIES		4,536,183	5,936,176
NON-CURRENT LIABILITIES			
Borrowings	11	156,605	24,519
Deferred tax liability	10	3,491,817	3,036,400
Grower Scheme liability	12	71,535,372	67,740,661
TOTAL NON-CURRENT LIABILITIES		75,183,794	70,801,580
TOTAL LIABILITIES		79,719,977	76,737,756
NET LIABILITIES		(18,933,597)	(13,448,766)
SHAREHOLDERS' DEFICIT			
Equity attributable to equity holders of the parent			
Issued capital		32,143,181	32,143,181
Accumulated losses		(48,261,904)	(43,880,144)
Reserves		(2,814,874)	(1,711,803)
Parent interests		(18,933,597)	(13,448,766)
TOTAL SHAREHOLDERS' DEFICIT		(18,933,597)	(13,448,766)

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



Consolidated Statement of Changes in Equity

	Ordinary Shares \$	Accumulated Losses \$	Employee Equity Benefits Reserve \$	Foreign Currency Translation Reserve \$	Equity Reserve \$	Total Equity \$
At 1 July 2013	32,143,181	(38,574,663)	233,917	(1,770,305)	(816,705)	(8,784,575)
Loss for the period	-	(3,834,447)	-	-	-	(3,834,447)
Other comprehensive loss	-	-	-	(57,649)	-	(57,649)
Total comprehensive loss for the half-year	-	(3,834,447)	-	(57,649)	-	(3,892,096)
At 31 December 2013	32,143,181	(42,409,110)	233,917	(1,827,954)	(816,705)	(12,676,671)
At 1 July 2014	32,143,181	(43,880,144)	233,917	(1,129,015)	(816,705)	(13,448,766)
Loss for the period	-	(4,381,760)	-	-	-	(4,381,760)
Other comprehensive loss	-	-	-	(1,103,071)	-	(1,103,071)
Total comprehensive loss for the half-year	-	(4,381,760)	-	(1,103,071)	-	(5,484,831)
At 31 December 2014	32,143,181	(48,261,904)	233,917	(2,232,086)	(816,705)	(18,933,597)

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



Consolidated Statement of Cash Flows For The Half Year Ended 31 December 2014

	31 December 2014 \$	31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from trade customers	223,185	60,622
Other Income	170,783	-
Payments to suppliers and employees	(1,972,561)	(3,349,030)
Interest paid	(2,062)	(536,677)
Interest received	371,909	178,498
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,208,746)	(3,646,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	28,193
Purchase of property, plant and equipment	(1,360,669)	(1,122,952)
Plantation expenditure	(1,248,605)	(330,894)
Payments for deposit on investment in properties	(975,091)	-
Payments for shares & others	(2,496,530)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6,080,895)	(1,425,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received from Growers Scheme	78,999	7,035,453
Refund of reserve margin	-	5,954,336
Fund received for payment of net yield	4,118,030	3,953,212
Placement of restricted deposits	(21,922)	(2,373,759)
Net yield paid	(4,099,051)	(3,531,156)
Repayments from /(advance to) employees	-	505
Repayments of borrowings	-	(2,118,809)
NET CASH FLOWS FROM FINANCING ACTIVITIES	76,056	8,919,782
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(7,213,585)	3,847,542
NET FOREIGN EXCHANGE DIFFERENCES	213,550	51,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,388,127	3,576,331
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,388,092	7,475,030

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



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 2014 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 2014 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 2014 and considered together with any public announcements made by Sterling Plantations Limited during the half-year ended 31 December 2014 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 2014.

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 2014.

New and amended accounting standards and interpretations

Since 1 July 2014, the Group has adopted all accounting standards and interpretations, mandatory for financial reporting periods beginning on or after 1 July 2014. 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.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.



2. OTHER INCOME

	31 December 2014	31 December 2013
	\$	\$
Rebate on annual payments for plantation land	1,475,690	-
Other income	170,783	149,110
	<u>1,646,473</u>	<u>149,110</u>

During the financial period an updated assessment of the Group's plantation land area under lease was undertaken. As a result of the assessment process the Group has received a one-off non-cash rebate to utilise against future lease payments.

3. CASH AND CASH EQUIVALENTS

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

	31 December 2014	30 June 2014
	\$	\$
Cash at bank	151,478	339,727
Deposits with licensed banks	4,236,614	11,048,400
Cash and cash equivalents	<u>4,388,092</u>	<u>11,388,127</u>

4. RESTRICTED DEPOSITS

	31 December 2014	30 June 2014
	\$	\$
Current		
Deposits with licensed trustee	4,189,915	3,966,864
Non-current		
Deposits with licensed trustee	<u>4,996,725</u>	<u>8,690,849</u>

Restricted deposits represent deposits held by the trustee of the Growers Scheme, Amtrustee Berhad, a licensed trustee in Malaysia. They represent a percentage of the growers fees received from growers and to be used for creation of a Reserve Fund Trust Account for purposes of paying guaranteed net yields as well as the setting up of a Reserve Margin Account. In the previous financial year, a portion of the Reserve Margin Account was returned to the Company for purposes of funding the plantation development activities.

The deposits are made for varying periods between one month to sixty months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The weighted average interest rate at 31 December 2014 was 3.83% per annum.



5. CURRENT ASSETS

	31 December 2014	30 June 2014
	\$	\$
Other current assets		
Prepayments and deposits	1,277,298	504,417
Deposits for investment in properties *	2,934,660	1,841,300
Other receivables **	529,363	716,316
	<u>4,741,321</u>	<u>3,062,033</u>

* Deposits for investment in properties are a prepayment of 16% of the purchase price of investment properties in London.

** Other receivables are non-interest bearing and are generally receivable upon request on half yearly basis.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014	30 June 2014
	\$	\$
Investment in shares	<u>3,052,397</u>	<u>925,834</u>

7. PROPERTY, PLANT AND EQUIPMENT

	31 December 2014	30 June 2014
	\$	\$
<i>Capital work-in-progress</i>		
At cost	<u>242,504</u>	<u>591,309</u>
	<u>242,504</u>	<u>591,309</u>
<i>Buildings</i>		
At cost	1,685,448	858,887
Less: accumulated depreciation	<u>(303,634)</u>	<u>(236,247)</u>
	<u>1,381,814</u>	<u>622,640</u>
<i>Motor vehicles</i>		
At cost	549,505	450,803
Less: accumulated depreciation	<u>(256,822)</u>	<u>(197,677)</u>
	<u>292,683</u>	<u>253,126</u>
<i>Motor vehicles - under finance lease</i>		
At cost	282,565	95,890
Less: accumulated depreciation	<u>(76,281)</u>	<u>(54,338)</u>
	<u>206,284</u>	<u>41,552</u>
Office equipment		
At cost	370,120	321,460
Less: accumulated depreciation	<u>(212,081)</u>	<u>(171,789)</u>
	<u>158,039</u>	<u>149,671</u>



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

	31 December 2014	30 June 2014
	\$	\$
Plantation property, plant & equipment		
<i>Plantation equipment and machinery</i>		
At cost	1,756,988	1,372,275
Less: accumulated depreciation	(457,466)	(352,711)
	<u>1,299,522</u>	<u>1,019,564</u>
<i>Leasehold Improvements</i>		
At cost	6,166,188	5,313,521
Less: accumulated depreciation	(348,977)	(275,641)
	<u>5,817,211</u>	<u>5,037,880</u>
Total property, plant and equipment	<u>9,398,057</u>	<u>7,715,742</u>

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

8. BIOLOGICAL ASSETS

	31 December 2014	30 June 2014
	\$	\$
Carrying amount at beginning	27,474,126	25,354,797
Fair value adjustment	990,914	2,882,163
Effect of foreign exchange	1,528,681	(762,834)
Carrying amount at end	<u>29,993,721</u>	<u>27,474,126</u>

9. TRADE AND OTHER PAYABLES

	31 December 2014	30 June 2014
	\$	\$
<i>Current</i>		
Net yield payable *	4,132,386	5,190,608
Other payables	297,829	725,587
	<u>4,430,215</u>	<u>5,916,195</u>

* The entire net yield payable will be paid from the restricted deposits held by trustee of Growers Scheme

Current trade and other payables are non-interest bearing and are normally settled on 30 day terms. Non-current payables are unsecured and have no fixed terms of repayment.



10. DEFERRED TAX LIABILITY

Deferred tax expense is 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 represented after appropriate offsetting:

	31 December 2014	30 June 2014
	\$	\$
Deferred tax assets	6,912,030	5,631,640
Deferred tax liabilities	(10,403,847)	(9,107,355)
	<u>(3,491,817)</u>	<u>(3,475,715)</u>
Effect of foreign exchange	-	439,315
	<u>(3,491,817)</u>	<u>(3,036,400)</u>

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

	31 December 2014	30 June 2014
	\$	\$
Property, plant and equipment	(2,905,417)	(2,238,996)
Biological assets	(7,498,431)	(6,868,359)
Unused tax losses and unabsorbed capital allowances	6,912,031	5,631,640
	<u>(3,491,817)</u>	<u>(3,475,715)</u>
Effect of foreign exchange	-	439,315
	<u>(3,491,817)</u>	<u>(3,036,400)</u>

11. BORROWINGS

	31 December 2014	30 June 2014
	\$	\$
Current		
Finance lease liabilities	105,968	19,981
	<u>105,968</u>	<u>19,981</u>
Non-current		
Finance lease liabilities	156,605	24,519
	<u>156,605</u>	<u>24,519</u>

12. GROWERS FEES

	31 December 2014	30 June 2014
	\$	\$
Financial liability at fair value through profit or loss, at reporting date	71,535,372	67,740,661
	<u>71,535,372</u>	<u>67,740,661</u>



13. FAIR VALUES

The methods for estimating fair value are outlined below. The fair value of other financial assets and liabilities approximate their carrying values as disclosed in the financial statements.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

a) *Fair Value Measurement*

The following table sets out the group's assets and liabilities that are measured and recognised at fair value at 30 June 2014 as required by AASB 13.93 (a) and (b).

31 December 2014	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Investment in shares	3,052,397	-	-	3,052,397
Total Financial assets and non-financial assets	3,052,397	-	-	3,052,397
Financial liabilities:				
Growers Fees	-	-	71,535,372	71,535,372
Total financial liabilities	-	-	71,535,372	71,535,372
30 June 2014	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Investment in shares	925,834	-	-	925,834
Total Financial assets and non-financial assets	925,834	-	-	925,834
Financial liabilities:				
Growers Fees	-	-	67,640,661	67,640,661
Total financial liabilities	-	-	67,640,661	67,640,661

There have been no transfers between Level 1 and Level 2 recurring fair value measurements during the year.

The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.



13. FAIR VALUES (CONT'D)

a) Fair Value Measurement (cont'd)

Valuation processes applied by the Group for Level 3 fair values

(i) Growers Scheme Liability

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.

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) which includes inter-alia requirement for submission of proper repurchase documents, annual repurchase limits, timing of payment, repurchase price etc.

At the closure or expiry of the Scheme, the subsidiary is required to refund a grower its proportionate share of the net sale proceeds of the concession 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.

b) Reconciliation: Level 3 recurring fair value measurements

Grower Fee

	31 December	30 June
	2014	2014
	\$'000	\$'000
Carrying amount at beginning of year	67,740,661	60,674,900
Growers fees received	78,999	7,270,407
Change in fair value	12,063	1,650,215
Effect of foreign exchange	3,703,649	(1,854,861)
Carrying amount at end of year	<u>71,535,372</u>	<u>67,740,661</u>

The Group recorded gains and losses in the statement of profit and loss and other comprehensive income with respect to Level 3 financial instruments.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.



13. FAIR VALUES (CONT'D)

c) Valuation techniques

Financial instrument	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Non-Financial assets</u> Biological assets	Discounted cash flows method and cost comparison method.	(a) Discount rate (9%); (b) Average FFB production ranges from a minimum yield of 6 metric tonnes per hectare to a maximum of 28 metric tonnes per hectare; (c) Average price of FFB at AUD190 per metric tonne;	The higher the discount rate, the lower the fair value of the biological assets would be. The higher the palm oil yield, the higher the fair value. The higher the market price, the higher the fair value.

In addition, the following underlying assumptions were used to measure the Company's biological assets:

- (i) No new replanting or replanting activities are assumed; and
- (ii) Oil palm trees have an average life of 25 years.

Financial instrument	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Financial liabilities</u> Growers fees	Discounted cash flows method	(i) Net yield of 6% (first phase) (ii) Net yield of 9% (second phase)	The higher the net yield interest rate, the higher the fair value of growers fees would be.

In addition, the following underlying assumption was used to determine the fair value of the growers fees:

- (i) Net sales proceeds at the end of the Scheme amounts to the initial contribution made by the growers.



14. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2014 (2013: nil).

15. 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. In the previous financial year, the Company completed the sale of its wholly owned Malaysian subsidiary, SPC Biodiesel Sdn Bhd, which owns a 100,000 tonne biodiesel plant to GP Overseas Limited for RM33.000 million (\$11.056 million).

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:



15. OPERATING SEGMENTS (CONT'D)

The following table presents revenue and loss information regarding reportable segments for the half years ended 31 December 2013 and 31 December 2014:

	Biodiesel	Oil palm & Growers Scheme	Unallocated	Total
	\$	\$	\$	\$
Half year ended 31 December 2014				
Revenue				
Sales	-	200,323	-	200,323
Finance income – interest	-	143,876	32,512	176,388
Total revenue per the statement of comprehensive income	-	344,199	32,512	376,711
Result				
Segment result	-	(3,958,836)	-	(3,958,836)
Unallocated result	-	-	(139,482)	(139,482)
Net loss before income tax per the statement of profit or loss and other comprehensive income	-	(3,958,836)	(139,482)	(4,098,318)
Assets and liabilities				
Segment assets	-	54,777,452	-	54,777,452
Unallocated assets	-	-	6,008,928	6,008,928
Total assets per the statement of financial position	-	54,777,452	6,008,928	60,786,380
Total assets includes:				
Purchase of PPE	-	1,360,669	-	1,360,669
Segment liabilities	-	79,699,466	-	79,699,466
Unallocated liabilities	-	-	20,511	20,511
Total liabilities per the statement of financial position	-	79,699,466	20,511	79,719,977



15. OPERATING SEGMENTS (CONT'D)

	Biodiesel \$	Oil palm & Growers Scheme \$	Unallocated \$	Total \$
Half year ended 31 December 2013				
Revenue				
Sales	-	65,237	-	65,237
Finance income – interest	456	144,846	-	145,302
Total revenue per the statement of comprehensive income	456	210,083	-	210,539
Result				
Segment result	(496,008)	(2,944,728)	-	(3,440,736)
Unallocated result	-	-	(177,143)	(177,143)
Net loss before income tax per the statement of comprehensive income	(496,008)	(2,944,728)	(177,143)	(3,617,879)
Assets and liabilities				
Segment assets	5,331,567	56,436,702	-	61,768,269
Unallocated assets	-	-	66,086	66,086
Total assets per the statement of financial position	5,331,567	56,436,702	66,086	61,834,355
Total assets includes:				
Purchase of PPE	-	1,122,952	-	1,122,952
Segment liabilities	15,683	74,439,631	-	74,455,314
Unallocated liabilities	-	-	55,712	55,712
Total liabilities per the statement of financial position	15,683	74,439,631	55,712	74,511,026

16. COMMITMENTS AND CONTINGENCIES

There have been no other material changes to or additional commitments or contingencies to those disclosed in the 30 June 2014 annual report.

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report, no other matter or circumstance has arisen since 31 December 2014 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.



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 2014 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 2014.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be the initials "AP" or a stylized "P" and "S" combined.

Andrew Phang
Group Executive Director
Perth 24 February 2015

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 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 company 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 2014 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 2014 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

A handwritten signature in black ink, appearing to read 'BDO' above 'BMcV' with a large, sweeping flourish extending to the right.

Brad McVeigh
Director

Perth, 24 February 2015