



27 February 2017

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 2016.

Yours sincerely

A handwritten signature in black ink, appearing to read "S Menezes".

Shaun Menezes
Company Secretary

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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 2016

31 December 2015

Results for announcement to the market

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

\$A'000

Revenues	up	87%	T	492
Loss after tax attributable to members	up	17%	T	(1,085)
Net loss for the period attributable to members	up	17%	T	(1,085)
			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 2016 was \$7.335 million (half-year ended 31 December 2015: loss of \$6.250 million).

The loss mainly reflects the fact that the plantation has yet to reach commercial maturity and, thus, continues to incur on-going plantation costs.

As at 31 December 2016, the Group had a net cash balance of \$0.549 million as compared \$4.611 million at 30 June 2016.

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	\$(0.55)	\$(0.45)

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: 27 February 2017

Print name: Andrew Phang

+ See chapter 19 for defined terms.

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Sterling Plantations Limited
ACN 119 880 492

Half-Year Report
31 December 2016



Table of Contents

Page No

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Directors' Declaration	20
Auditor's Review Report	21

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Corporate Directory

DIRECTORS

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

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

COMPANY SECRETARY

Shaun Menezes
Email: cosec@sterlingplantations.com

BANKERS

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

REGISTERED OFFICE IN AUSTRALIA

Ground Floor, Suite 1,
473 Roberts Road,
Subiaco WA 6008,
Australia

Telephone: (61-8) 6380 2555
Facsimile: (61-8) 9381 1122

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 2016.

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)
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 2016 was \$7.335 million (half-year ended 31 December 2015: loss of \$6.250 million).

The loss mainly reflects the fact that the plantation has yet to reach commercial maturity and, thus, continues to incur on-going plantation costs.

As at 31 December 2016, the Group had a net cash balance of \$0.549 million as compared to \$4.611 million as at 30 June 2016.

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 27 February 2017

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF STERLING
PLANTATIONS LIMITED

As lead auditor for the review of Sterling Plantations Limited for the half-year ended 31 December 2016, 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.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 27 February 2017

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half Year Ended 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 (restated) \$'000
REVENUE		1,055	563
Other income		200	182
Changes in fair value of biological assets	6	2	(2)
Impairment of bearer plants expense		-	(1,786)
Fair value gain on financial assets at fair value through profit or loss		-	104
Changes in fair value of growers fees	9	(4,207)	1
Raw materials & consumable used		(85)	(158)
Growers Scheme costs		(337)	-
Employee benefits expense		(1,162)	(1,513)
Depreciation expense		(1,129)	(356)
Finance costs		(2,373)	(2,745)
Lease expense		(350)	(368)
Travel expense		(33)	(55)
Other expenses		(755)	(949)
LOSS BEFORE INCOME TAX		(9,174)	(7,082)
Income tax benefit		1,839	832
LOSS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY		(7,335)	(6,250)
OTHER COMPREHENSIVE LOSS			
<i>Items that may be re-classified to profit or loss</i>			
Foreign currency translation		2,790	2,099
OTHER COMPREHENSIVE LOSS FOR THE HALF-YEAR, NET OF TAX		2,790	2,099
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR		(4,545)	(4,151)
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF STERLING PLANTATIONS LIMITED		(4,545)	(4,151)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted loss per share (cents per share)		(11.28)	(9.62)

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 2016

	Note	31 December 2016	30 June 2016	1 July 2015
		\$'000	\$'000	\$'000
			(restated)	(restated)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		549	595	3,269
Restricted deposits	2	-	4,016	4,135
Inventories		86	60	71
Biological assets	6	33	34	8
Other current assets	3	3,786	4,125	4,135
Financial assets at fair value through profit or loss		-	-	468
TOTAL CURRENT ASSETS		4,454	8,830	12,086
NON-CURRENT ASSETS				
Restricted deposits	2	-	-	4,931
Property, plant and equipment	4	8,800	9,624	9,738
Bearer plants	5	27,979	29,099	28,951
TOTAL NON-CURRENT ASSETS		36,779	38,723	43,620
TOTAL ASSETS		41,233	47,553	55,706
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	7	8,064	8,826	7,325
Borrowings	8	1,510	1,180	49
Growers Scheme liability	9	6,163	6,694	-
TOTAL CURRENT LIABILITIES		15,737	16,700	7,374
NON-CURRENT LIABILITIES				
Borrowings		-	-	99
Deferred tax liability		466	1,941	2,945
Growers Scheme liability	9	61,065	61,877	70,599
TOTAL NON-CURRENT LIABILITIES		61,531	63,818	73,643
TOTAL LIABILITIES		77,268	80,518	81,017
NET LIABILITIES		(36,035)	(32,965)	(25,311)
SHAREHOLDERS' DEFICIT				
Issued capital		32,143	32,143	32,143
Accumulated losses		(71,230)	(63,895)	(54,987)
Reserves		3,052	(1,213)	(2,467)
TOTAL SHAREHOLDERS' DEFICIT		(36,035)	(32,965)	(25,311)

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



Consolidated Statement of Changes in Equity For The Half Year Ended 31 December 2016

	Issued Capital	Accumulated Losses	Employee Equity Benefits & Equity Reserve	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015 (restated)	32,143	(54,987)	(583)	(1,884)	-	(25,311)
Loss for the period	-	(6,250)	-	-	-	(6,250)
Other comprehensive loss	-	-	-	2,099	-	2,099
Total comprehensive loss for the half-year	-	(6,250)	-	2,099	-	(4,151)
At 31 December 2015	32,143	(61,237)	(583)	215	-	(29,462)
At 1 July 2016	32,143	(63,895)	-	(1,213)	-	(32,965)
Loss for the period	-	(7,335)	-	-	-	(7,335)
Other comprehensive loss	-	-	-	2,790	-	2,790
Asset revaluation reserve	-	-	-	-	1,475	1,475
Total comprehensive loss for the half-year	-	(7,335)	-	2,790	1,475	(3,070)
At 31 December 2016	32,143	(71,230)	-	1,577	1,475	(36,035)

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 2016

	31 December 2016 \$'000	31 December 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from trade customers	1,091	488
Receipt from others	199	182
Payments to suppliers and employees	(1,790)	(1,861)
Interest paid	-	(2)
Interest received	48	314
Plantation expenditure	(934)	(1,030)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,386)	(1,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	314
Purchase of property, plant and equipment	(238)	(648)
Payments for deposit on investment in properties	-	(1,020)
Proceeds from shares & others	-	432
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(238)	(922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from Sale of Growers Scheme	6,348	-
Repurchase of Growers Scheme	(5,125)	-
Refund of reserve margin	-	768
Funds received for payment of net yield	3,805	3,988
Loan from shareholders	412	-
Net yield paid	(3,813)	(3,988)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,627	768
NET DECREASE IN CASH AND CASH EQUIVALENTS	3	(2,063)
NET FOREIGN EXCHANGE DIFFERENCES	(49)	(159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	595	3,269
CASH AND CASH EQUIVALENTS AT END OF PERIOD	549	1,047

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 2016 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 2016 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 2016 and considered together with any public announcements made by Sterling Plantations Limited during the half-year ended 31 December 2016 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 2016.

The accounting policies applied by the economic consolidated entity in this consolidated financial report are the same as those applied by the economic consolidated entity in its consolidated financial report as at and for the year ended 30 June 2016.

New and amended accounting standards and interpretations

Since 1 July 2016, the Group has adopted all accounting standards and interpretations, mandatory for financial reporting periods beginning on or after 1 July 2016. Refer below for details of the adoption of AASB116 and AASB141. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

The Company has changed its accounting policy to adopt the Amendments to AASB116 Property, Plant and Equipment and AASB141 Agriculture. This has resulted in the Palm Fruit entry recognised separately from the Palm Tree.

Change in Accounting policy – Biological assets.

The biological assets of the Company comprises fresh fruit bunches ("FFB") prior to harvest. The changes in fair value of the biological assets are now recognised in profit or loss during the financial year.



New and amended accounting standards and interpretations (Cont'd)

Change in Accounting policy – Bearer plants.

The Group has elected to record Bearer plants under valuation model, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Bearer plants are revalued annually to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax, if any, and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

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.

	Prior half-year restatement		
Restated Consolidated Statement of Profit and Loss and Other Comprehensive Income	31 December 2015 (Previously stated) \$'000	Profit Increase / (Decrease) \$'000	31 December 2015 (restated) \$'000
Impairment of bearer plants expense		(2)	(2)
LOSS BEFORE INCOME TAX	(7,080)	(2)	(7,082)
LOSS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY	<u>(6,248)</u>	(2)	<u>(6,250)</u>
OTHER COMPREHENSIVE LOSS			
<i>Items that may be re-classified to profit or loss</i>			
Foreign currency translation	2,100	(1)	2,099
OTHER COMPREHENSIVE LOSS FOR THE HALF-YEAR, NET OF TAX	<u>2,100</u>		<u>2,099</u>
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR	<u>(4,148)</u>	(3)	<u>(4,151)</u>
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF TERLING PLANTATIONS LIMITED	<u>(4,148)</u>	(3)	<u>(4,151)</u>
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted loss per share (cents per share)	(9.61)	(0.01)	(9.62)

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New and amended accounting standards and interpretations (Cont'd)

Restated Consolidated Statement of Financial Position

	30 June 2016 \$'000	Increase / (Decrease)	30 June 2016 \$'000 (restated)	1 July 2015 \$'000	Increase / (Decrease)	1 July 2015 \$'000 (restated)
ASSETS						
CURRENT ASSETS						
Biological assets	0	34	34		8	8
TOTAL CURRENT ASSETS	8,796	34	8,830	12,078	8	12,086
TOTAL ASSETS	47,519	34	47,553	55,698	8	55,706
LIABILITIES						
NET LIABILITIES	-32,999	34	-32,965	-25,319	8	-25,311
SHAREHOLDERS' DEFICIT						
Accumulated losses	-63,928	33	-63,895	-54,995	8	-54,987
Reserves	-1,214	1	-1,213	-2,467		-2,467
TOTAL SHAREHOLDERS' DEFICIT	-32,999	34	-32,965	-25,319	8	-25,311

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

Going Concern

For the half year ended 31 December 2016, the Group incurred a consolidated loss after income tax of \$7.335 million and a net cash outflow from operations of \$1.386 million, and as of that date, the Group had a net current liability position of \$11.283 million and had cash on hand of \$0.549 million. The Group has drawn down \$1.510 million of the \$1.540 million working capital facility provided by a related party.

The ability of the entity to continue as a going concern is dependent on securing additional funding to continue to fund its operational and marketing activities. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis the Group will continue to meet their commitments and can therefore continue normal business activities and realise assets and settle of liabilities in the ordinary course of business.

In arriving at this position, the directors are reviewing various funding alternatives including:

- selling of Grower Plots under the Growers Scheme
- drawing down further funds from the working capital facility
- debt raising; and
- sale of selected non-core assets

In addition a substantial shareholder confirmed it will continue to provide financial support to the Group to meet their obligations as and when they fall due through the standby credit line facility disclosed in Note 8. The shareholder has undertaken not to recall any part of the facility outstanding within the next twelve (12) months unless the Group has the funds to repay the facility without prejudicing going concern.

The directors believe that at the date of signing the financial report these are reasonable grounds to believe that having regard to matters set out above, the Group will be able to raise sufficient funds to meet its obligations as and when they fall due. As such the financial statements are prepared on a going concern basis.

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Going Concern (Cont'd)

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

2. RESTRICTED DEPOSITS

	31 December 2016	30 June 2016
	\$'000	\$'000
Current		
Deposits with licensed trustee	-	4,016

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.

3. CURRENT ASSETS

	31 December 2016	30 June 2016
	\$'000	\$'000
Other current assets		
Prepayments and deposits	188	209
Deposits for investment in properties *	3,368	3,656
Other receivables **	230	260
	<u>3,786</u>	<u>4,125</u>

* Deposits for investment in properties are a prepayment of 20% of the purchase price of investment properties in London. The next instalment will take place within 10 working days after the completion date.

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

4. PROPERTY, PLANT AND EQUIPMENT

	31 December 2016	30 June 2016
	\$'000	\$'000
<i>Capital work-in-progress</i>		
At cost	7	75
	<u>7</u>	<u>75</u>

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

	31 December 2016	30 June 2016
	\$'000	\$'000
<i>Buildings</i>		
At cost	2,237	2,316
Less: accumulated depreciation	(632)	(564)
	<u>1,605</u>	<u>1,752</u>
<i>Motor vehicles</i>		
At cost	467	507
Less: accumulated depreciation	(381)	(381)
	<u>86</u>	<u>126</u>
<i>Motor vehicles - under finance lease</i>		
At cost	126	176
Less: accumulated depreciation	(111)	(149)
	<u>15</u>	<u>27</u>
Office equipment		
At cost	346	374
Less: accumulated depreciation	(280)	(285)
	<u>66</u>	<u>89</u>
<i>Plantation equipment and machinery</i>		
At cost	1,844	1,975
Less: accumulated depreciation	(751)	(716)
	<u>1,093</u>	<u>1,259</u>
<i>Leasehold Improvements</i>		
At cost	6,472	6,817
Less: accumulated depreciation	(544)	(521)
	<u>5,928</u>	<u>6,296</u>
Total property, plant and equipment	<u>8,800</u>	<u>9,624</u>

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

5. BEARER PLANTS

	31 December 2016	30 June 2016
	\$'000	\$'000
		(restated)
Carrying amount at beginning	29,099	28,951
Fair value adjustment	1,941	973
Depreciation	(794)	-
Effect of foreign exchange	(2,267)	(825)
Carrying amount at end	<u>27,979</u>	<u>29,099</u>

The bearer plants of the Company are stated at fair value less point-of-sale costs.

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6. BIOLOGICAL ASSETS

	31 December 2016	30 June 2016
	\$'000	\$'000
		(restated)
Carrying amount at beginning	34	8
Fair value adjustment	2	26
Effect of foreign exchange	(3)	-
Carrying amount at end	<u>33</u>	<u>34</u>

The biological assets of the Company comprises fresh fruit bunches ("FFB") prior to harvest.

7. TRADE AND OTHER PAYABLES

	31 December 2016	30 June 2016
	\$'000	\$'000
<i>Current</i>		
Net yield payable	6,155	8,234
Other payables	1,909	592
	<u>8,064</u>	<u>8,826</u>

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.

8. BORROWINGS

	31 December 2016	30 June 2016
	\$'000	\$'000
Current		
Obligations under hire purchase contracts	-	4
Shareholder advances	1,510	1,176
	<u>1,510</u>	<u>1,180</u>

The unsecured loan from a founder shareholder is a standby credit line up to RM5million equivalent to \$1.540 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 of 4.45% per annum. There are no conversion rights attached to the loan. The shareholder is undertaken not to recall this loan in the next 12 months unless the Group has the funds to repay the facility.

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9. GROWERS SCHEME LIABILITY

	31 December 2016	30 June 2016
	\$'000	\$'000
Current		
Financial liability at fair value through profit or loss, at reporting date	6,163	6,694
Non-current		
Financial liability at fair value through profit or loss, at reporting date	61,065	61,877

Reconciliation: Level 3 recurring fair value movements –financial instruments.

<i>Growers Scheme Liability</i>	31 December	30 June
	2016	2016
	\$'000	\$'000
Carrying amount at beginning of year	68,571	70,599
Growers fees received	6,174	-
Growers Repurchase	(6,217)	-
Change in fair value	4,207	(1)
Effect of foreign exchange	(5,507)	(2,027)
Carrying amount at end of year	<u>67,228</u>	<u>68,571</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.

10. 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.

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10. FAIR VALUES (CONT'D)

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 2016 as required by AASB 13.93 (a) and (b).

31 December 2016 (restated)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Non-financial assets:				
Biological assets	-	-	33	33
Bearer Plants	-	-	27,979	27,979
Total Financial assets and non-financial assets	-	-	28,012	28,012
Financial liabilities:				
Growers Fees	-	-	67,228	67,228
Total financial liabilities	-	-	67,228	67,228
30 June 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Investment in shares and others	-	-	-	-
Non-financial assets:				
Biological assets	-	-	34	34
Bearer Plants	-	-	29,099	29,099
Total Financial assets and non-financial assets	-	-	29,133	29,133
Financial liabilities:				
Growers Fees	-	-	68,571	68,571
Total financial liabilities	-	-	68,571	68,571

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.



10. 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) Valuation techniques

Financial instrument	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Non-Financial assets</u> Bearer plants	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 AUD183 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.

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10. FAIR VALUES (CONT'D)

b) Valuation techniques (cont'd)

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.

15. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2016 (2015: nil).

16. 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.

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17. OPERATING SEGMENTS (CONT'D)

Types of products and services

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:

The following table presents revenue and loss information regarding reportable segments for the half years ended 31 December 2016 and 31 December 2015:

	Oil Palm	Unallocated	Total
	\$'000	\$'000	\$'000
Half year ended 31 December 2016			
Revenue			
Sales	1,023	-	1,023
Finance income – interest	32	-	32
Total revenue per the statement of	1,055	-	1,055
Result			
Segment result	(9,074)	-	(9,074)
Unallocated result	-	(100)	(100)
Net loss before income tax per the statement of profit or loss and other comprehensive income	(9,074)	(100)	(9,174)
Assets and liabilities			
Segment assets	37,849	-	37,849
Unallocated assets	-	3,384	3,384
Total assets per the statement of financial position	37,849	3,384	41,233
Total assets includes:			
Purchase of PPE	238	-	238
Segment liabilities	75,735	-	75,735
Unallocated liabilities	-	1,533	1,533
Total liabilities per the statement of financial position	75,735	1,533	77,268

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17. OPERATING SEGMENTS (CONT'D)

	Oil Palm	Unallocated	Total
	\$'000	\$'000	\$'000
Half year ended 31 December 2015			
(restated)			
Revenue			
Sales	455	-	455
Finance income – interest	108	-	108
Total revenue per the statement of comprehensive income	563	-	563
Result			
Segment result	(7,071)	-	(7,071)
Unallocated result	-	(11)	(11)
Net loss before income tax per the statement of profit or loss and other comprehensive income	(7,071)	(11)	(7,082)
Assets and liabilities			
Segment assets	40,007	-	40,007
Unallocated assets	-	3,501	3,501
Total assets per the statement of financial position	40,007	3,501	43,508
Total assets includes:			
Purchase of PPE	648	-	648
Segment liabilities	72,948	-	72,948
Unallocated liabilities	-	22	22
Total liabilities per the statement of financial position	72,948	22	72,970

18. COMMITMENTS AND CONTINGENCIES

There have been no other material changes to or additional commitments or contingencies to those disclosed in the 30 June 2016 annual report.

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report, no other matter or circumstance has arisen since 31 December 2016 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.

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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 2016 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) subject to matters set out in note 1 "going concern", 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 2016.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be the initials "AP" or a similar stylized name.

Andrew Phang
Group Executive Director
Perth 27 February 2017

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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 2016, 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 2016 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.

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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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 27 February 2017

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