



28 February 2018

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 2017.

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 2017

31 December 2016

Results for announcement to the market

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

\$A'000

| | | | | |
|---|------|---------------------|---|-----------------------------|
| Revenues | down | 8% | T | 967 |
| | | | o | |
| Gain after tax attributable to members | up | 152% | T | 3,835 |
| | | | o | |
| Net Profit for the period attributable to members | up | 152% | T | 3,835 |
| | | | 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 profit after income tax for the half-year ended 31 December 2017 was \$3.835 million (half-year ended 31 December 2016: loss of \$7.335 million).

The profit was mainly due to gain from accounting of the grower fee liability and net yield payable from fair value to the actual cost due to the closure of the Grower Scheme. Golden Palm Growers Berhad ("GPGB"), a subsidiary took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and the proceeds of the sale will be used to fully settle the Grower Fee Liability.

As at 31 December 2017, the Group had a net cash balance of \$0.745 million as compared to \$1.890 million as at 30 June 2017.

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 | \$(0.66) | \$(0.55) |

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: 28 February 2018

Executive Chairman

Print name: **Dato' CRS Paragash**

+ See chapter 19 for defined terms.



Sterling Plantations Limited
ACN 119 880 492

Half-Year Report
31 December 2017



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Corporate Directory

DIRECTORS

Dato' CRS Paragash (Executive Chairman)
Dhanesh Gunaratnam (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
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West Perth WA 6005

REGISTERED OFFICE IN AUSTRALIA

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

Telephone: (61-8) 6380 2555
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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 2017.

Directors

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

| | |
|--------------------|--|
| Dato' CRS Paragash | (Executive Chairman) |
| Dhanesh Gunaratnam | (Executive Director) (Appointed – 19 th September 2017) |
| Jackie Leong | (Non-Executive Director) |
| Eric P John | (Non-Executive Director) |
| Andrew Phang | (Group Executive Director) (Resigned – 30 th August 2017) |

Principal Activities

The Group is principally involved in oil palm plantation development and the sale and marketing of grower plots till August 2017.

Golden Palm Growers Berhad ("GPGB"), a subsidiary took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and the proceeds of the sale will be used to fully settle the Grower Fee Liability.

Review and Results of Operations

The consolidated profit after income tax for the half-year ended 31 December 2017 was \$3.835 million (half-year ended 31 December 2016: loss of \$7.335 million).

The profit was mainly due to gain from accounting of the grower fee liability and net yield payable from fair value to the actual cost due to the closure of the Growers Scheme.

As at 31 December 2017, the Group had a net cash balance of \$0.745 million as compared to \$1.890 million as at 30 June 2017.

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.



Dato' CRS Paragash
Executive Chairman
Perth 28 February 2018

DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF STERLING
PLANTATIONS LIMITED

As lead auditor for the review of Sterling Plantations Limited for the half-year ended 31 December 2017, 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.



Matthew Cutt

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2018



Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half Year Ended 31 December 2017

| | Note | 31 December 2017 \$'000 | 31 December 2016 \$'000 |
|---|------|-------------------------------|-------------------------------|
| REVENUE | | 967 | 1,055 |
| Other income | | 1 | 200 |
| Changes in fair value of biological assets | 5 | (34) | 2 |
| Changes in fair value of growers scheme liability | | 5,832 | (4,207) |
| Changes in fair value of bearer plants | | 216 | - |
| Raw materials & consumable used | | (106) | (85) |
| Growers Scheme costs | | (102) | (337) |
| Employee benefits expense | | (1,055) | (1,162) |
| Depreciation expense | | (372) | (1,129) |
| Finance costs | | (27) | (2,373) |
| Lease expense | | (336) | (350) |
| Travel expense | | (19) | (33) |
| Other expenses | | (1,130) | (755) |
| PROFIT/ (LOSS) BEFORE INCOME TAX | | 3,835 | (9,174) |
| Income tax benefit | | - | 1,839 |
| PROFIT/ (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY | | 3,835 | (7,335) |
| OTHER COMPREHENSIVE PROFIT/ (LOSS) | | | |
| <i>Items that may be re-classified to profit or loss</i> | | | |
| Foreign currency translation | | (1,797) | 2,790 |
| OTHER COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR, NET OF TAX | | (1,797) | 2,790 |
| TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR | | 2,038 | (4,545) |
| PROFIT / (LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF STERLING PLANTATIONS LIMITED | | 3,835 | (7,335) |
| TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF STERLING PLANTATIONS LIMITED | | 2,038 | (4,545) |
| PROFIT/ (LOSS) PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted earning / (loss) per share (cents per share) | | 5.90 | (11.28) |

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 2017

| | Note | 31 December 2017 | 30 June 2017 |
|---|------|------------------|-----------------|
| | | \$'000 | \$'000 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2 | 745 | 1,890 |
| Inventories | | 35 | 39 |
| Biological assets | 5 | 9 | 43 |
| Other current assets | 3 | 464 | 504 |
| Non-current assets held for sale | 4 | 32,310 | - |
| TOTAL CURRENT ASSETS | | 33,563 | 2,476 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4.a) | - | 8,406 |
| Bearer Plants | 4.b) | - | 22,583 |
| TOTAL NON-CURRENT ASSETS | | - | 30,989 |
| TOTAL ASSETS | | 33,563 | 33,465 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 6 | 478 | 716 |
| Borrowings | 7 | 1,198 | 1,271 |
| Growers Scheme liability | 8 | 74,794 | 15,368 |
| TOTAL CURRENT LIABILITIES | | 76,470 | 17,355 |
| NON-CURRENT LIABILITIES | | | |
| Growers Scheme liability | 8 | - | 61,055 |
| TOTAL NON-CURRENT LIABILITIES | | - | 61,055 |
| TOTAL LIABILITIES | | - | 78,410 |
| NET LIABILITIES | | (42,907) | (44,945) |
| SHAREHOLDERS' DEFICIT | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | | 32,143 | 32,143 |
| Accumulated losses | | (75,624) | (79,459) |
| Reserves | | 574 | 2,371 |
| TOTAL SHAREHOLDERS' DEFICIT | | (42,907) | (44,945) |

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 2017

| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Asset Revaluation Reserve | Total |
|---|--------------------|-----------------------|---|---------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2016 | 32,143 | (63,895) | (1,213) | - | (32,965) |
| Loss for the period | - | (7,335) | - | - | (7,335) |
| Transactions with owner in their capacity as owner | | | | | |
| Foreign Currency Translation | - | - | 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) |
| At 1 July 2017 | 32,143 | (79,459) | 2,371 | - | (44,945) |
| Profit for the period | - | 3,835 | - | - | 3,835 |
| Transactions with owner in their capacity as owner | | | | | |
| Foreign Currency Translation | - | - | (1,797) | - | (1,797) |
| Asset Revaluation Reserve | - | - | - | - | - |
| Total comprehensive loss for the half-year | - | 3,835 | (1,797) | - | 2,038 |
| At 31 December 2017 | 32,143 | (75,624) | 574 | - | (42,907) |

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 2017

| | 31 December 2017 \$'000 | 31 December 2016 \$'000 |
|---|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from trade customers | 1,018 | 1,091 |
| Receipt from others | 6 | 199 |
| Payments to suppliers and employees | (2,047) | (1,790) |
| Interest paid | - | - |
| Interest received | 16 | 48 |
| Plantation expenditure | (917) | (934) |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (1,924) | (1,386) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investment in properties | - | - |
| Purchase of property, plant and equipment | (176) | (238) |
| Prepayment for investment in properties | - | - |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (176) | (238) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Funds received under Growers Scheme | 1,069 | 1,223 |
| Funds received for payment of net yield | - | 3,805 |
| Net yield paid | - | (3,813) |
| (Repayment)/ loan to shareholders | (150) | 412 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 919 | 1,627 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (1,181) | 3 |
| NET FOREIGN EXCHANGE DIFFERENCES | 36 | (49) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF HALF-YEAR | 1,890 | 595 |
| CASH AND CASH EQUIVALENTS AT END OF HALF-YEAR | 745 | 549 |

The Consolidated Statement of Financial Position 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 2017 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 2017 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 2017 and considered together with any public announcements made by Sterling Plantations Limited during the half-year ended 31 December 2017 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 2017.

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 2017.

A reclassification has been made to prior period's financial statements for the half-year ended 31 December 2017 in order to conform to the current year's presentation. Specifically, a total of \$8,858 million related to net yield payable which was included in Trade and Other Payables had been reclassified to be included in Growers Scheme Liability. The reclassification had no impact on results of operations previously reported.

New and amended accounting standards and interpretations

Since 1 July 2017, the Group has adopted all accounting standards and interpretations, mandatory for financial reporting periods beginning on or after 1 July 2017. 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.



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

Going Concern

For the half-year ended 31 December 2017, the Group incurred a consolidated profit after income tax of \$3,835 million and a net cash outflow from operations of \$1,924 million, and as of that date, the Group had a net current liability position of \$42,907 million (which includes asset held for sale of \$32.31 million and growers scheme liability of \$74.794 million) and had cash on hand of \$0.745 million.

GPGB, a subsidiary took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and proceeds from the sale will be used to repay the Growers Scheme liability. The Growers Scheme liability is capped to the amount of net proceeds from the sale of the plantation less cost to sell.

The Group will continue to operate the plantation until the completion of the sale. The ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the successful sale of the plantation and the repayment of the growers scheme liability, securing additional funding through existing shareholder finance facility or raising of debt or equity, and successfully securing new business opportunities to generate future positive cash flows.

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, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that the group will continue as going concern and be able to pay its debts as and when they fall due for the following reasons:

- Management have been in discussion relating to the sale and are confident that they will be able to sell the asset within 12 months from 2 October 2017;
- Drawing down further funds from the working capital facility from a major shareholder;
- Continued financial support from its major shareholder;
- Successfully securing new business opportunities to generate future positive cash flows; and
- The Growers Scheme liability is capped to the net proceeds from the sale of the plantation less cost to sell.

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 assets amounts or business that might be necessary should the entity not continue as a going concern.

2. CASH AND CASH EQUIVALENTS

| | 31 December 2017 | 30 June 2017 |
|-----------------------------|-------------------------|---------------------|
| | \$'000 | \$'000 |
| Cash at bank | 82 | 770 |
| Deposits with licensed bank | 663 | 1,120 |
| | 745 | 1,890 |



3. CURRENT ASSETS

| | 31 December 2017 | 30 June 2017 |
|-----------------------------|-------------------------|---------------------|
| | \$'000 | \$'000 |
| Other current assets | | |
| Prepayments and deposits | 279 | 209 |
| Other receivables * | 185 | 295 |
| | 464 | 504 |

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

4. NON-CURRENT ASSETS HELD FOR SALE

| | | 31 December 2017 | 30 June 2017 |
|------------------------------|-----|-------------------------|---------------------|
| | | \$'000 | \$'000 |
| Property Plant And Equipment | (a) | 8,750 | - |
| Bearer Plants | (b) | 23,560 | - |
| | | 32,310 | - |

Non-current assets are classified as held for sale, if their carrying amount will be recovered principally through sale transaction rather than through continuing use as the sale is considered to be highly probable. The carrying amount of non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell. Non-current assets are not depreciated while they are classified as held for sale.

In October 2017, following the decision by the Group to close the Growers Scheme (see below for further details) the Group has been actively looking for buyers to sell the plantation (which includes the Property, Plant and Equipment and Bearer Plant). Management is confident that the sale will eventuate in the next 12 months. As part of this process, an independent valuer Messrs Raine & Horne International Zaki + Partners Sdn Bhd was engaged to complete a valuation report which results in a market value of the plantation cash generating unit significantly exceeding the carrying amount above (\$32.3mil). The excess between the carrying amount and the market value as calculated per the valuation report, includes the embedded value of the access rights to the land attached to the plantation which is not brought to account in the statement of financial position of the Group.

Key judgement

The Plantation Land Development Agreement between Perbadanan Pembangunan Ladang Rakyat Negeri Kelantan (PPLRNK) and Golden Palm Growers Berhad (GPGB), a subsidiary of Sterling plantation ltd dated 12 September 2007 states that GPGB must obtain written confirmation from PPLRNK if it wishes to transfer the access rights to the land attached to the plantation to a third party. At the date of this report management believe that they will be able to obtain written consent to transfer the access right to the potential acquirer of the asset.



a) PROPERTY PLANT AND EQUIPMENT

| | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
|--|----------------------------|------------------------|
| <i>Capital work-in-progress</i> | | |
| At cost | 8 | 7 |
| | <u>8</u> | <u>7</u> |
| <i>Buildings</i> | | |
| At cost | 2,293 | 2,198 |
| Less: accumulated depreciation | (815) | (727) |
| | <u>1,478</u> | <u>1,471</u> |
| <i>Motor vehicles</i> | | |
| At cost | 647 | 583 |
| Less: accumulated depreciation | (547) | (512) |
| | <u>100</u> | <u>71</u> |
| <i>Office equipment</i> | | |
| At cost | 385 | 367 |
| Less: accumulated depreciation | (315) | (293) |
| | <u>70</u> | <u>74</u> |
| <i>Plantation equipment and machinery</i> | | |
| At cost | 1,909 | 1,830 |
| Less: accumulated depreciation | (914) | (830) |
| | <u>995</u> | <u>1,000</u> |
| <i>Leasehold Improvement</i> | | |
| At cost | 6,756 | 6,380 |
| Less: accumulated depreciation | (657) | (597) |
| | <u>6,099</u> | <u>5,783</u> |
| Total property, plant and equipment | <u>8,750</u> | <u>8,406</u> |

b) BEARER PLANTS

| | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
|--|----------------------------|------------------------|
| Carrying amount at beginning of year | 22,583 | 29,099 |
| Depreciation | (216) | (764) |
| Changes in fair value of Bearer Plants | 216 | (3,163) |
| Effect of foreign exchange | 977 | (2,589) |
| Carrying amount at end of year | <u>23,560</u> | <u>22,583</u> |

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

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

Both PPE and Bearer Plants has been reclassified to non-current assets held for sale as its Subsidiary, GPGB, took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and the proceeds of the sale will be used to fully settle Grower Fee Liability.



5. BIOLOGICAL ASSETS

| | 31 December 2017 | 30 June 2017 |
|------------------------------|-------------------------|---------------------|
| | \$'000 | \$'000 |
| Carrying amount at beginning | 43 | 34 |
| Fair value adjustment | (34) | 2 |
| Effect of foreign exchange | - | 7 |
| Carrying amount at end | <u>9</u> | <u>43</u> |

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

6. TRADE AND OTHER PAYABLES

| | 31 December 2017 | 30 June 2017 |
|--------------------------|-------------------------|---------------------|
| | \$'000 | \$'000 |
| <i>Current</i> | | |
| Trade and Other payables | 478 | 716 |
| | <u>478</u> | <u>716</u> |

Current trade and other payables are non-interest bearing and are normally settled on 30 day terms.

7. BORROWINGS

| | 31 December 2017 | 30 June 2017 |
|----------------------|-------------------------|---------------------|
| | \$'000 | \$'000 |
| Current | | |
| Shareholder advances | 1,198 | 1,271 |
| | <u>1,198</u> | <u>1,271</u> |

The unsecured loan from a founder shareholder is a standby credit line up to RM5 million equivalents 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.



8. GROWERS SCHEME LIABILITY

| | 31 December 2017 | 30 June 2017 |
|--|-------------------------|---------------------|
| | \$'000 | \$'000 |
| Current | | |
| Financial liability at cost and fair value through profit or loss, at reporting date | 74,794 | 15,368 |
| Non-current | | |
| Financial liability at fair value through profit or loss, at reporting date | - | 61,055 |
| TOTAL | 74,794 | 76,423 |

Growers Scheme Liability movement

| | 31 December | 30 June |
|---------------------------------------|--------------------|----------------|
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| Carrying amount at beginning of year | 76,423 | 76,805 |
| Growers fees received | 1,075 | 10,808 |
| Growers repurchase | - | (6,317) |
| Change in fair value | (5,832) | 1,009 |
| Net yield payable (net of payment) | - | 1,402 |
| Effect of foreign exchange | 3,128 | (7,284) |
| Carrying amount at end of year | 74,794 | 76,423 |

The financial value of Growers Fees are calculated at cost which is the amount due to the growers for the initial investment that was paid to the scheme plus accrual of FY17 9% net yield for financial period as at 31 December 2017 due to the closure of the Growers Scheme. Whilst the financial value of Growers Fees are calculated at fair value for financial period as at 30 June 2017. The liability as at 31 December 2017 however will be capped to the amount of net proceeds from the sale of the plantation less cost to sell when the sale eventuates in the next 12 months.

Due to the closure of Growers Scheme, the net yield is accrued and calculated on the basis of 9% of the total Growers Fee liability.



9. 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 31 December 2017 as required by AASB 13.93 (a) and (b).

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Recurring fair value measurements | | | | |
| Non-financial assets: | | | | |
| Bearer Plants | - | - | 23,560 | 23,560 |
| Total Financial assets and non-financial assets | - | - | 23,560 | 23,560 |
| Financial liabilities: | | | | |
| Growers Fees (i) | - | - | - | - |
| Total financial liabilities | - | - | - | - |
| 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Non-financial assets: | | | | |
| Bearer Plants | - | - | 22,583 | 22,583 |
| Total Financial assets and non-financial assets | - | - | 22,583 | 22,583 |
| Financial liabilities: | | | | |
| Growers Fees (i) | - | - | 76,423 | 76,423 |
| Total financial liabilities | - | - | 76,423 | 76,423 |



a) *Fair Value Measurement (CONT'D)*

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.

Valuation processes applied by the Group for Level 3 fair values

(i) *Growers Scheme Liability*

The Grower Fee Liability as at 31 December 2017 is at cost representing AUD74,794 million rather than fair value due as its Subsidiary, GPGB, took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and the proceeds of the sale will be used to repay the Growers.

a) *Valuation techniques*

| Financial instrument | Valuation technique used | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value |
|-----------------------------|--|---|---|
| <u>Non-Financial assets</u> | Discounted cash flows method and cost comparison method. | (a) Discount rate (9%); | The higher the discount rate, the lower the fair value of the biological assets would be. |
| Bearer plants | | (b) Average FFB production ranges from a minimum yield of 6 metric tonnes per hectare to a maximum of 28 metric tonnes per hectare; | The higher the palm oil yield, the higher the fair value. |
| | | (c) Average price of FFB at AUD186 per metric tonne; | 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.

10. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2017 (2016: nil).



11. 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

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-year ended 31 December 2017 and 31 December 2016:

| | Oil Palm | Unallocated | Total |
|---|-----------------|--------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Half year ended 31 December 2017 | | | |
| Revenue | | | |
| Sales | 950 | - | 950 |
| Finance income – interest | 17 | - | 17 |
| Total revenue per the statement of | 967 | - | 967 |
| Result | | | |
| Segment result | 3,890 | - | 3,890 |
| Unallocated result | - | (55) | (55) |
| Net loss before income tax per the statement of profit or loss and other comprehensive income | 3,890 | (55) | 3,835 |



11. OPERATING SEGMENTS (CONT'D)

Assets and liabilities

| | | | |
|---|--------|-------|--------|
| Segment assets | 33,531 | - | 33,531 |
| Unallocated assets | - | 32 | 32 |
| Total assets per the statement of financial position | 33,531 | 32 | 33,563 |
| Total assets includes: | | | |
| Purchase of PPE | 176 | - | 176 |
| Segment liabilities | 75,250 | - | 75,250 |
| Unallocated liabilities | - | 1,220 | 1,220 |
| Total liabilities per the statement of financial position | 75,250 | 1,220 | 76,470 |

| | Oil Palm \$'000 | Unallocated \$'000 | Total \$'000 |
|--|----------------------------|-------------------------------|-------------------------|
|--|----------------------------|-------------------------------|-------------------------|

Half year ended 31 December 2016

Revenue

| | | | |
|---|-------|---|-------|
| Sales | 1,023 | - | 1,023 |
| Finance income – interest | 32 | - | 32 |
| Total revenue per the statement of comprehensive income | 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 |



12. COMMITMENTS AND CONTINGENCIES

There have been no other material changes to or additional commitments or contingencies to those disclosed in the 30 June 2017 annual report.

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report, no other matter or circumstance has arisen since 31 December 2017 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 2017 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 2017.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to be "Dato' CRS Paragash".

Dato' CRS Paragash
Executive Chairman
Perth 28 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sterling Plantations Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sterling Plantations Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial 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 events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group 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.

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

Handwritten signature in blue ink, consisting of the letters 'BDO' above the name 'M Cutt'.

Matthew Cutt

Director

Perth, 28 February 2018