



25 August 2015

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

By: e-lodgement (ASX code SBI)

### **ANNUAL REPORT 2015**

Please find attached Sterling Plantations Limited's Annual Report for the year ended 30 June 2015.

Yours sincerely

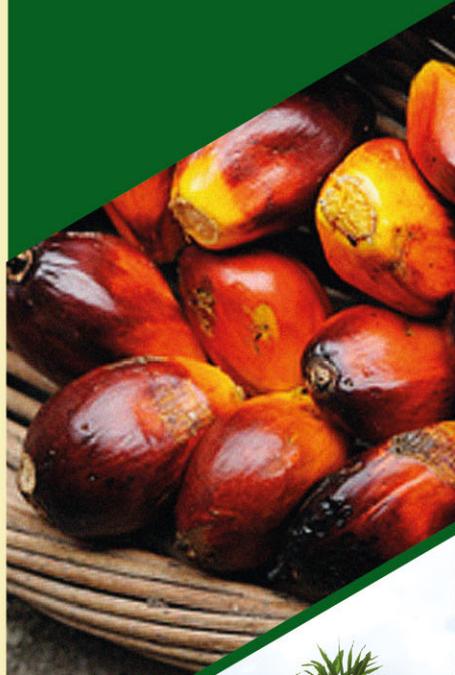
A handwritten signature in black ink, appearing to read "Shaun Menezes", with a stylized flourish at the end.

Shaun Menezes  
Company Secretary



**Sterling Plantations Limited**

ACN 119 880 492



ANNUAL REPORT

**2015**



# CONTENTS

<b>3</b> Letter From Executive Chairman	<b>21</b> Consolidated Statement of Changes in Equity	<b>73</b> Independent Audit Report
<b>5</b> Financial Report	<b>22</b> Consolidated Statement of Cash Flows	<b>75</b> Corporate Governance Statement
<b>6</b> Directors' Report	<b>23</b> Notes to the Consolidated Financial Statements	<b>85</b> Additional Stock Exchange Information
<b>19</b> Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>71</b> Directors' Declaration	
<b>20</b> Consolidated Statement of Financial Position	<b>72</b> Auditor's Independence Declaration	

# CORPORATE INFORMATION AND DIRECTORY

## DIRECTORS

### **DATO' CRS PARAGASH**

*Executive Chairman*

### **ANDREW PHANG**

*Group Executive Director*

### **JACKIE LEONG**

*Director-Non-Executive*

### **ERIC P JOHN**

*Director-Non-Executive*

### **COMPANY SECRETARY**

Shaun Menezes  
Email: cosec@sterlingplantations.com

### **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](http://www.sterlingplantations.com)

### **POSTAL ADDRESS**

PO Box 2138  
Subiaco WA 6904

### **MALAYSIAN OFFICE**

Unit 607 Block C  
Pusat Phileo Damansara 1  
9 Jalan 16/11  
46350 Petaling Jaya  
Selangor Malaysia  
Telephone : (60-3) 7954 5020  
Facsimile : (60-3) 7954 5023

### **HOME EXCHANGE**

Australian Stock Exchange  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

### **ASX CODE**

SBI

### **SHARE REGISTRY**

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

### **AUDITORS**

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

### **BANKERS**

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

# LETTER FROM EXECUTIVE CHAIRMAN



Dear fellow shareholders,

I am pleased to present the annual report of Sterling Plantations Limited for the financial year 1 July 2014 to 30 June 2015.

Each year brings with it continued progress at our plantation development. While we are not profitable as yet, we have now achieved a level of consistency in crop production. Tonnages will increase over the coming months as larger portions of the plantation mature. Our continued focus on upkeep and maintenance of planted areas, together with our fertiliser program, are now beginning to bear fruit as bunch weights steadily improve.

As we get closer towards profitability from our plantation, we remain conscious of the need to manage costs and preserve cash so as to enable us to build on what we have achieved thus far. Our operating costs have been optimised without impacting on critical costs necessary to preserve asset values. We will continue to seek to optimize returns on our cash pending utilisation for our operational needs.

I wish to take this opportunity to thank the management and staff and look forward to seeing you at our annual general meeting this year.

Dato' CRS Paragash  
Executive Chairman  
25 August 2015





# FINANCIAL REPORT

**6**

Directors' Report

**21**

Consolidated Statement  
of Changes in Equity

**71**

Directors' Declaration

**19**

Consolidated Statement  
of Profit or Loss and  
Other Comprehensive  
Income

**22**

Consolidated Statement  
of Cash Flows

**72**

Auditor's Independence  
Declaration

**20**

Consolidated Statement  
of Financial Position

**23**

Notes to the  
Consolidated Financial  
Statements

**73**

Independent Audit  
Report

# DIRECTORS' REPORT

The directors of Sterling Plantations Limited ("SPL") submit the annual report of the Group, consisting of SPL and the entities it controlled for the year ended 30 June 2015.

## DIRECTORS

The names of the directors in office since the date of the last report are:

Dato' CRS Paragash

Andrew Phang

Jackie Leong

Eric P John

Paul Mason (Resigned on 8 May 2015)

Details of directors in office at the date of this report are as follows:

Name and Qualifications	Particulars
<b>Dato' CRS Paragash</b> FCA Executive Chairman	<p>Dato' Paragash joined the board on 25 May 2006. He is a Fellow of the Institute of Chartered Accountants (England &amp; Wales) and a member of the Malaysian Institute of Chartered Accountants. In the past, he has worked with Sime Darby Bhd, an international conglomerate. He has been a successful private equity investor involved in infrastructure and property for over 17 years.</p> <p>During the past three years, Dato' Paragash has not served as a director of any other publicly listed company.</p> <p><b>Interest in SPL shares/options:</b> 32,799,815 shares in SPL held indirectly through Duplex Fame Sdn Bhd.</p>
<b>Andrew Phang</b> FFin LLM LLB Group Executive Director	<p>Mr Phang joined the board on 25 May 2006. Mr Phang is a Fellow of the Financial Services Institute of Australasia. A lawyer by training, he has held senior management posts in the public and private sectors in Malaysia.</p> <p>During the past three years, Mr Phang has not served as a director of any other publicly listed company.</p> <p><b>Interest in SPL shares/options:</b> 32,799,815 shares in SPL held indirectly through Duplex Fame Sdn Bhd.</p>
<b>Jackie Leong</b> Non Executive Director	<p>Ms Leong joined the board on 17 November 2011. Ms Leong is an accountant by training and obtained audit experience with a leading international accounting firm before continuing her career in corporate finance and investment banking. She has extensive experience in advising corporate transactions such as IPOs, capital raising in debt and equity markets as well as mergers and acquisitions.</p> <p>During the past three years, Ms Leong has not served as a director of any other publicly listed company.</p> <p><b>Interest in SPL shares/options:</b> 149,843 shares in SPL held by spouse. Ms. Leong is the chairman of the audit and risk committee.</p>

# DIRECTORS' REPORT

## (cont'd)

### DIRECTORS (cont'd)

Name and Qualifications	Particulars
<b>Eric P John</b> Non Executive Director	<p>Mr John joined the board on 15 November 2013. Mr John holds a Bachelor of Arts from Murdoch University.</p> <p>During the last three years, Mr John has not served as a director of any other publicly listed company.</p> <p><b>Interest in SPL shares/options:</b> NIL.</p>

### COMPANY SECRETARY

Name and Qualifications	Particulars
<b>Shaun Menezes</b>	<p>Mr Menezes was appointed as Company Secretary effective from 8 November 2013.</p> <p>Mr Menezes is a Chartered Accountant with over 15 years' experience working with Australian listed companies in various capacities. He was previously an executive director at a leading international accounting firm following which he held a senior management role within an ASX 200 listed company. He is a Member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce and a Bachelor of Laws from the University of Western Australia.</p>

### 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).

### OPERATIONAL AND FINANCIAL REVIEW

#### Operating Results for the Year

The consolidated loss after income tax for the year ended 30 June 2015 was \$11.115 million (2014: loss after tax of \$5.072 million).

Major components of expenses incurred by the Group are employee benefits expense of \$3.893 million (2014: \$3.951 million), finance costs of \$5.653 million (2014: \$5.404 million) and lease expense of \$0.748 million (2014: \$0.922 million).

# DIRECTORS' REPORT

## (cont'd)

### OPERATIONAL AND FINANCIAL REVIEW (cont'd)

#### Operating Results for the Year (cont'd)

The Group recorded lower Growers Scheme Costs mainly due to reduced sales of Grower Plots in 2015, in line with the Group's strategy to slow down sales of Grower Plots and focus on developing the Group's estate. Finance costs mainly relates to net yield expenses paid to Growers.

Summarised operating results for the year under review are as follows:

	30 June 2015	30 June 2014	
	\$'000	\$'000	Movement
Revenue	954	779	up 22%
(Loss)/profit after tax	(11,115)	(5,072)	up 119%
(Loss)/profit attributable to members	(11,115)	(5,072)	up 119%
Dividends proposed or paid	Nil	Nil	n/a

#### Shareholder Returns

There were no returns to shareholders during the year as the Group's plantation development is still at the planting out stage. The loss per share is 17.10 cents (2014: loss per share of 7.80 cents)

#### Dividends

No dividend was paid or is proposed for the year under review.

#### Review of Operations.

The Group's Growers Scheme, which was launched in August 2010, has raised \$70.599 million (as at 30 June 2015) for the development of the plantation. The cash raised from the Growers Scheme provides funding for the plantation development whilst allowing the Group to retain at least 30% of the economic value of the plantation. As at 30 June 2015, 3,394 hectares of the 4,565 hectare plantation is already under development. Of this area, 2,599 hectares have been planted out with oil palms with various stages of maturity.

In the previous year, the Group completed the sale of its 100,000 tonne biodiesel plant in Malaysia allowing it to exit the biodiesel business with substantial cash resources to meet its future cash requirements. The biodiesel plant was not in operation since inception.

#### Environmental Regulations and Performance

The Group has received relevant approvals from environmental protection authorities in Malaysia with respect to its plantation development. These approvals require the Group to comply with applicable environmental regulations. The directors are not aware of any breaches of such environmental regulations during the period of this report.

#### Review of Financial Position

During the year under review, the Company's share capital remained unchanged at \$32.143 million.

Total assets of the Group decreased to \$55.698 million (2014: \$63.288 million) mainly due to operating expenses for the plantation development during the year but the Group recorded a small increase in the value of the Group's biological assets from \$27.474 million in 2014 to \$28.951 million in 2015. This has also resulted in a non-cash fair-value gain of \$0.347 million (2014: \$2.882 million) in biological assets.

# DIRECTORS' REPORT

## (cont'd)

### OPERATIONAL AND FINANCIAL REVIEW (cont'd)

#### Review of Financial Position (cont'd)

Liabilities have correspondingly increased mainly due to an increase in fair value of Grower fees from Growers. This is shown as Growers' Fees liability, which has increased to \$70.599 million compared to \$67.740 million in 2014.

Net cash flows used in operating expenditure was \$2.385 million in 2015 compared to \$6.372 million in 2014.

Net cash flows used in investing activities increased to \$6.059 million as compared to positive net cash flows of \$5.098 million in the previous year. Positive net cash flow in the previous year was due to proceeds from disposal of a wholly owned Malaysia subsidiary, SPC Biodiesel Sdn Bhd, which owned a 100,000 tonne biodiesel plant.

During the year, \$4.738 million (2014: \$3.394 million) was spent for capital expenditure and planting expenditure. The Group also invested a portion of its funds to purchase investment properties in London in line with its stated objective of optimising returns on its cash resources pending utilisation for operational needs.

Net cash flows from financing activities decreased to \$0.079 million as compared to \$9.080 million in the previous year. This was mainly due to the Group achieving its target in sales of its Grower Plots. As a result of that, the Group ceased selling Grower Plots under the Growers Scheme and intensified its plantation development activities in order to fully develop the estate based on plantation industry's best practices.

The Group continues to record a cash positive position due to funds raised from the Growers Scheme and sale of biodiesel plant in the previous year. Premised on that and the positive cash balance of \$3.269 million as at 30 June 2015, the Directors believe that the consolidated entity will have sufficient funds to meet its obligations as and when they fall due.

#### SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events that occurred during the year under review.

#### MATTERS SUBSEQUENT TO THE REPORTING PERIOD

Except as disclosed in this report or the consolidated financial statements, as at the date of this report, no other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The continued success of the Growers Scheme means that the Group is well placed to complete the development of its oil palm plantation in Malaysia as well as explore expansion opportunities. Pending utilisation of the Group's cash resources, the Group intends to optimise returns by investing in short to medium term investment opportunities.

#### UNQUOTED OPTIONS

As at the reporting date and the date of this report, there were no unquoted options on issue exercisable into ordinary shares.

No shares have been issued during or since the end of the financial year as a result of exercise of an option.

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The following table sets out each director's relevant interest in shares of the Company as at the date of this report.

Directors	Number of fully paid ordinary shares
Dato' CRS Paragash *	32,799,815
A Phang **	32,799,815
J Leong ***	149,843
EP John	-

\* held by spouse indirectly via Duplex Fame Sdn Bhd

\*\* held indirectly via Duplex Fame Sdn Bhd

\*\*\* held by spouse

The current Board of Directors of the Company does not have any options granted to them.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary and all executive officers of the Company and of any subsidiary against a liability incurred as such as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The nature of the liability and the amount of premium paid has not been disclosed due to confidentiality purposes.

The Company has not otherwise, during or since the financial year, except to the amount permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

### REMUNERATION REPORT (Audited)

This Remuneration Report outlines the directors and executives remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

# DIRECTORS' REPORT (cont'd)

## REMUNERATION REPORT (Audited) (cont'd)

### Details of key management personnel

	Position Held
Dato' CRS Paragash	Executive Chairman
A Phang	Group Executive Director
J Leong	Director (Non-Executive)
EP John	Director (Non-Executive)
P Mason	Director (Non-Executive) – Resigned on 8 May 2015

### Executives

T Rajan	Chief Executive - Growers Scheme
---------	----------------------------------

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

During the 2014 AGM the resolution to approve the remuneration report was passed by show of hands by voters. The Board has subsequently reviewed salaries within the remuneration report and found them to be suitable for the level of responsibility required for each position. The Board, through its remuneration committee, will continue to review key management personnel salaries as part of its commitment to corporate governance best practice.

### Remuneration Philosophy

The Board is responsible for reviewing the compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis. The overall objective is the retention of a high quality Board and executive team, to maximize value of shareholders' investment. No remuneration consultants have been used during the year.

### Relationship between the remuneration policy and company performance

In FY 2011, the Board approved a special bonus pool of \$736,000 each to the Executive Chairman and Group Executive Director calculated on 1% of the gross development value of the Growers Scheme. The special bonuses were awarded for the successful development and implementation of a corporate plan that culminated in the launch of the Growers Scheme. The performance conditions were set as it was deemed to be in line with the philosophy of the Company, which is to implement a funding strategy for its on-going projects. Payment of the special bonus to the Executive Chairman and Group Executive Director is subject to fulfillment of the following key parameters - sale of at least 6,000 Grower Plots; repayment of existing liabilities (including the standby facility from the founder shareholder); and sufficient cash flows for on-going operations. In the previous year, the key parameters have been met and therefore a partial payment of \$234,868 was made to the Group Executive Director in the previous year.

In the previous year, T Rajan (Chief Executive - Growers Scheme) had a marketing fee paid based on a percentage of funds raised from the Growers Scheme in the previous year. The performance conditions were set as it was deemed to be in line with the philosophy of the Company which is to implement a funding strategy for its on-going projects.

# DIRECTORS' REPORT (cont'd)

## REMUNERATION REPORT (Audited) (cont'd)

### Relationship between the remuneration policy and company performance (cont'd)

Except as disclosed, no component of director and senior management salary is dependent on company performance and the Company did not have a formal cash incentive or bonus scheme for the years ended 30 June 2014 and 30 June 2015.

The table below sets out summary information about the Group's earnings and movements in shareholders wealth for the period from 30 June 2011 to 30 June 2015.

	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
Revenue	954	779	924	522	122
(Loss)/profit before Tax	(11,332)	(5,564)	8,035	(9,058)	(9,235)
(Loss)/profit after Tax	(11,115)	(5,072)	4,648	(9,058)	(9,235)
Share price at beginning of year	0.04	0.06	0.11	0.04	0.02
Share price at end of year	0.02	0.04	0.06	0.11	0.04
Dividends	-	-	-	-	-
Basic and diluted (loss)/profit per share (cents per share)	(17.10)	(7.80)	7.15	(13.94)	(14.21)

### Non-Executive Directors' Fees

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 31 July 2006 when shareholders approved the aggregate remuneration of \$250,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants, as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

### Executive Salary

The remuneration of executives is reviewed annually with the review taking into consideration the contribution of the individual commensurate with the performance of the Group and comparable employment market conditions. Except as disclosed above, no component of the executive salary is at risk and the Company does not have a formal cash incentive or bonus scheme but awards a bonus from time to time.

### Hedging of equity awards

Executives are prohibited from entering into transactions or arrangements, which limit the economic risk of participating in unvested entitlements.

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (Audited) (cont'd)

#### Contracts for service

The Executive Chairman, Dato' CRS Paragash, is employed under contract. The employment contract, which commenced on 2 March 2015, terminates on 30 June 2018. The annual salary, allowance and bonus of the Executive Chairman is \$521,185. The total remuneration received by the Executive Chairman during the year is disclosed in the relevant tables in this report. Either the Executive Chairman or the Company can terminate the contract by giving 3 months notice.

The Group Executive Director, A Phang, is employed under contract. The employment contract, which commenced on 2 March 2015, terminates on 30 June 2018. The annual salary, allowance and bonus of the Group Executive Director is \$442,361. The total remuneration received by the Group Executive Director during the year is disclosed in the relevant tables in this report. Either the Group Executive Director or the Company can terminate the contract by giving 3 months notice.

The Non-Executive Director, J Leong, was employed under contract. The employment contract, which commenced on 1 July 2012, terminated on 31 December 2013 and was replaced with a consulting contract from 1 January 2014 to 30 June 2014. She remains as a Non-Executive Director of the Company. The total remuneration received by the Non-Executive Director during the year is disclosed in the relevant tables in this report.

The Chief Executive – Growers Scheme, T Rajan, is employed under contract. The employment contract, which commenced on 12 July 2010 terminated on 1 May 2013. T Rajan continues in his position as Chief Executive – Growers Scheme and Director of Golden Palm Growers Berhad (the management company of the Growers Scheme). The total remuneration received by T Rajan during the year is disclosed in the relevant tables in this report. Either the Chief Executive – Growers Scheme or the Company can terminate the contract by giving 3 months notice.

There are no termination benefits for all the contracts for service.

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (Audited) (cont'd)

#### Remuneration of Key Management Personnel ("KMP")

The directors and the following executives received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

#### Remuneration of Key Management Personnel for the year ended 30 June 2015

Name	Short-term			Post employment	Total	Total performance related
	Salary	Fees	Non-monetary benefits <sup>^</sup>	Super annuation		
<b>Non-executive directors</b>						
J Leong	***26,475	22,201	4,846	1,197	54,719	-
EP John	10,959	-	-	1,041	12,000	-
P Mason (Resigned on 8 May 2015)	31,964	-	-	3,036	35,000	-
<b>Sub-total - non-executive directors</b>	69,398	22,201	4,846	5,274	101,719	
<b>Executive directors</b>						
CRS Paragash	*521,185	-	32,224	54,396	607,805	6%
A Phang	**442,361	-	39,413	48,351	530,125	6%
<b>Sub-total - executive directors</b>	963,546	-	71,637	102,747	1,137,930	
<b>Other KMP</b>						
T Rajan	-	30,525	8,615	-	39,140	-
<b>Sub-total - other KMP</b>	-	30,525	8,615	-	39,140	
<b>Total</b>	1,032,944	52,726	85,098	108,021	1,278,789	

<sup>^</sup> Non-monetary benefits include motor vehicle expenses, leave passage, telephone, and recreation club membership.

\* Includes a bonus payment of \$37,414.

\*\* Includes a bonus payment of \$29,643.

\*\*\* Includes a bonus payment of \$13,875.

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (Audited) (cont'd)

Remuneration of Key Management Personnel for the year ended 30 June 2014

Name	Short-term			Post employment	Total	Total performance related
	Salary	Fees	Non-monetary benefits <sup>^</sup>	Super annuation		
<b>Non-executive directors</b>						
P Mason	38,444	-	-	3,556	42,000	-
EP John (Appointed 15 November 2013)	6,499	-	-	601	7,100	-
G Keys (Resigned on 15 November 2013)	17,500	+ 20,875	-	-	38,375	-
<b>Sub-total - non-executive directors</b>	<b>62,443</b>	<b>20,875</b>	<b>-</b>	<b>4,157</b>	<b>87,475</b>	
<b>Executive directors</b>						
CRS Paragash	*665,558	-	50,435	67,729	783,722	11%
A Phang	**835,312	-	21,417	53,685	910,414	41%
J Leong	***234,549	++ 80,526	8,120	18,778	341,973	22%
<b>Sub-total - executive directors</b>	<b>1,735,419</b>	<b>80,526</b>	<b>79,972</b>	<b>140,192</b>	<b>2,036,109</b>	
<b>Other KMP</b>						
T Rajan	-	#756,312	5,731	-	762,043	92%
MP Nathan (Resigned on 4 March 2014)	101,534	-	10,411	12,197	124,142	-
<b>Sub-total - other KMP</b>	<b>101,534</b>	<b>756,312</b>	<b>16,142</b>	<b>12,197</b>	<b>886,185</b>	
<b>Total</b>	<b>1,899,396</b>	<b>857,713</b>	<b>96,114</b>	<b>156,546</b>	<b>3,009,769</b>	

- <sup>^</sup> Non-monetary benefits include motor vehicle expenses, leave passage, telephone, and recreation club membership.
- +
- ++ Consultancy fee paid.
- # Includes marketing fee paid of \$701,018 to a company that he has interest.
- \* Includes a bonus payment of \$82,673.
- \*\* Includes a bonus payment of \$140,920 and a special bonus of \$234,868.
- \*\*\* Includes a bonus payment of \$75,158.

#### Option holdings of Key Management Personnel

As at 30 June 2015, no option has been granted or vested to Key Management Personnel.

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (Audited) (cont'd)

#### Share holdings of key management personnel

30 June 2015	← Fully Paid Ordinary Shares →				
	Held at 1 July 2014	Granted as remuneration	On exercise of options	Net change other	Held at 30 June 2015
<b>Directors</b>					
CRS Paragash	32,799,815	-	-	-	*32,799,815
A Phang	32,799,815	-	-	-	**32,799,815
J Leong	149,843	-	-	-	***149,843
EP John	-	-	-	-	-
P Mason (Resigned 8 May 2015)	-	-	-	-	-

\* held by spouse indirectly via Duplex Fame Sdn Bhd

\*\* held indirectly via Duplex Fame Sdn Bhd

\*\*\* held by spouse

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

#### Other transaction with key management personnel

The details of the transaction with key management personnel are as follows:

	30 June 2015 \$'000	30 June 2014 \$'000
Payments for secretarial and other services to a company (Norvest Corporate Pty Ltd) in which a former director (Mr Graham Keys) has interest in.	-	21
Payments for marketing services to a company (Bimbingan Efektif Sdn Bhd) in which a director (Mr T Rajan) of a controlled entity (Golden Palm Growers Berhad) has interest in.	-	701
	-	701

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (Audited) (cont'd)

#### Other transaction with key management personnel (cont'd)

These transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Details relating to key management personnel are disclosed as below.

#### Compensation of Key Management Personnel

##### Remuneration by category

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Key Management Personnel</i>		
Short-term benefits	1,171	2,853
Post-employment benefits	108	157
Share-based payments	-	-
	<hr/> 1,279	<hr/> 3,010

This is the end of the audited Remuneration Report

# DIRECTORS' REPORT

## (cont'd)

### DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings and committee meetings held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of Directors		Audit and Risk Committee	
	Held	Attended	Held	Attended
Dato' CRS Paragash	4	4	N/A	N/A
A Phang	4	4	N/A	N/A
J Leong	4	4	2	2
EP John	4	4	2	2
P Mason (Resigned 8 May 2015)	3	3	2	2

Unless otherwise indicated, all directors were eligible to attend all board meetings held.

### Committee Membership

As at the date of this report, the Company had an Audit and Risk Committee of the board of directors. Members of this committee during the year were:

J Leong (Committee Chairman)  
A Phang (Appointed 8 May 2015)  
EP John  
P Mason (Resigned 8 May 2015)

The full Board meets as the Nomination Committee and the Remuneration Committee on an as required basis. The Board had for the year one meeting as the Remuneration Committee during the financial year.

### ROUNDING OF AMOUNTS

The Company is an entity to which Australian Securities and Investments Commission Class Order 98/100 applies. Pursuant to this Class Order, amounts reported in this report and the financial statements have been rounded to the nearest thousand dollars, except where not permitted to be rounded under the Corporations Act 2001.

### NON-AUDIT SERVICES

An amount of \$10,000 (2014: \$10,000) is payable to an internationally affiliated practice of the auditor for non-audit services provided during the year. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

### AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 72 of the financial report. Signed in accordance with a resolution of the directors.



**Dato' CRS Paragash**  
Executive Chairman



**Andrew Phang**  
Group Executive Director

Perth, 25 August 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2015

		30 June 2015	30 June 2014
	NOTE	\$'000	\$'000
<b>REVENUE</b>			
Other income	7(a)	954	779
Changes in fair value of biological assets	7(b)	1,666	26
Fair value gain on financial assets at fair value through profit or loss	12	347	2,882
Net gain from sale of biodiesel plant	10	(833)	118
Changes in fair value of growers fees		-	5,945
Raw materials & consumable used		12	(1,650)
Growers Scheme costs	7(c)	(294)	(181)
Employee benefits expense		(4)	(687)
Depreciation expense	7(d)	(3,893)	(3,951)
Finance costs	7(e)	(648)	(683)
Lease expense	7(f)	(5,653)	(5,404)
Travel expense	7(g)	(748)	(922)
Other expenses		(132)	(130)
	7(h)	(2,106)	(1,706)
<b>LOSS BEFORE INCOME TAX</b>		(11,332)	(5,564)
Income tax benefit	8	217	492
<b>LOSS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY</b>		(11,115)	(5,072)
<b>OTHER COMPREHENSIVE (LOSS)/ PROFIT</b>			
<i>Items that may be re-classified to profit or loss</i>			
Foreign currency translation		(755)	407
<b>OTHER COMPREHENSIVE (LOSS)/ PROFIT FOR THE YEAR, NET OF TAX</b>		(755)	407
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(11,870)	(4,665)
<b>LOSS FOR THE YEAR IS ATTRIBUTABLE TO</b>			
Owners of the parent		(11,115)	(5,072)
		(11,115)	(5,072)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Owners of the parent		(11,870)	(4,665)
		(11,870)	(4,665)
<b>LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted loss per share (cents per share)	18	(17.10)	(7.80)

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 30 June 2015

	NOTE	30 June 2015 \$'000	30 June 2014 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19(a)	3,269	11,388
Restricted deposits	20	4,135	3,967
Inventories		71	65
Other current assets	9	4,135	3,062
Financial assets at fair value through profit or loss	10	468	925
<b>TOTAL CURRENT ASSETS</b>		<u>12,078</u>	<u>19,407</u>
<b>NON-CURRENT ASSETS</b>			
Restricted deposits	20	4,931	8,691
Property, plant and equipment	11	9,738	7,716
Biological assets	12	28,951	27,474
<b>TOTAL NON-CURRENT ASSETS</b>		<u>43,620</u>	<u>43,881</u>
<b>TOTAL ASSETS</b>		<u>55,698</u>	<u>63,288</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	7,325	5,916
Borrowings	14	49	20
<b>TOTAL CURRENT LIABILITIES</b>		<u>7,374</u>	<u>5,936</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14	99	25
Deferred tax liability	8(b)	2,945	3,036
Growers Scheme liability	15	70,599	67,740
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>73,643</u>	<u>70,801</u>
<b>TOTAL LIABILITIES</b>		<u>81,017</u>	<u>76,737</u>
<b>NET LIABILITIES</b>		<u>(25,319)</u>	<u>(13,449)</u>
<b>SHAREHOLDERS' DEFICIT</b>			
Equity attributable to equity holders of the parent			
Issued capital	16(a)	32,143	32,143
Accumulated losses		(54,995)	(43,880)
Reserves	17	(2,467)	(1,712)
Parent interests		(25,319)	(13,449)
Non-controlling interests		-	-
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<u>(25,319)</u>	<u>(13,449)</u>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015

<i>CONSOLIDATED</i>	Ordinary Shares \$'000	Accumulated Losses \$'000	Employee Equity Benefits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Equity Reserve \$'000	Total \$'000
<b>At 30 June 2013</b>	32,143	(38,808)	234	(1,536)	(817)	(8,784)
Loss for the year	-	(5,072)	-	-	-	(5,072)
Foreign Currency Translation	-	-	-	407	-	407
<b>Total comprehensive loss for the year</b>	-	(5,072)	-	407	-	(4,665)
<b>At 30 June 2014</b>	32,143	(43,880)	234	(1,129)	(817)	(13,449)
Loss for the year	-	(11,115)	-	-	-	(11,115)
Foreign Currency Translation	-	-	-	(755)	-	(755)
<b>Total comprehensive loss for the year</b>	-	(11,115)	-	(755)	-	(11,870)
<b>At 30 June 2015</b>	32,143	(54,995)	234	(1,884)	(817)	(25,319)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2015

	30 June 2015 \$'000	30 June 2014 \$'000
NOTE		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from trade customers	533	244
Receipts from others	173	26
Payments to suppliers and employees	(3,863)	(6,506)
Interest paid	(5)	(542)
Interest received	777	406
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>19(b) (2,385)</b>	<b>(6,372)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	125
Proceeds from sale of a subsidiary	-	11,056
Purchase of property, plant and equipment	(2,151)	(2,190)
Plantation expenditure	(2,587)	(1,204)
Prepayment for investment in properties	(986)	(1,868)
Investment in shares and others	(335)	(821)
<b>NET CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES</b>	<b>(6,059)</b>	<b>5,098</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funds received under Growers Scheme	80	7,270
Refund of reserve margin	-	5,941
Funds received for payment of net yield	4,167	3,944
Placement of deposits	(22)	(2,439)
Net yield paid	(4,146)	(3,523)
Repayment from employees	-	1
Repayment of borrowings	-	(2,114)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>79</b>	<b>9,080</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,365)</b>	<b>7,806</b>
<b>NET FOREIGN EXCHANGE DIFFERENCES</b>	<b>246</b>	<b>6</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,388</b>	<b>3,576</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>19(a) 3,269</b>	<b>11,388</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The financial report of Sterling Plantations Limited International Limited for the year ended 30 June 2015 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 for profit company limited by shares, incorporated and domiciled 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards applicable to for-profits entities. The financial report has also been prepared on a historical cost basis, except for biological assets and Growers Scheme liability which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ("'\$'000"), unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) New accounting standards and interpretations

##### *Adoption of accounting standards*

All new and amended standards and interpretations, which became applicable on 1 July 2014, have been adopted by the Group. Adoption of these new and amended standards and interpretations had no impact on the financial position or performance of the Group.

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

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ended 30 June 2015. These are outlined below:

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Company
AASB 9 (issued December 2009 and amended December 2010 and June 2014)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>Under AASB 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> <li>- Amortised cost</li> <li>- Fair value through profit or loss</li> <li>- Fair value through other comprehensive income.</li> </ul> <p>AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The company has not yet made an assessment of the impact of these amendments.	1 July 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) New accounting standards and interpretations (cont'd)

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ended 30 June 2015. These are outlined below:

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Company
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) New accounting standards and interpretations (cont'd)

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ended 30 June 2015. These are outlined below:

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Company
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<p>Makes three amendments to AASB 9:</p> <ul style="list-style-type: none"> <li>- Adding the new hedge accounting requirements into AASB 9</li> <li>- Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and</li> <li>- Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option with out early applying the other AASB 9 requirements.</li> </ul> <p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> <li>- The 80-125% highly effective threshold has been removed</li> <li>- Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable</li> <li>- An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure</li> </ul>	1 January 2017	The company does not apply hedge accounting. It is expected that the application of the new amendments will not have an impact on the company's financial statements.	1 July 2017

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) New accounting standards and interpretations (cont'd)

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ended 30 June 2015. These are outlined below:

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Company
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<ul style="list-style-type: none"> <li>- When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OC</li> <li>- When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI</li> <li>- Net foreign exchange cash flow positions can qualify for hedge accounting.</li> </ul>	1 January 2017	The company does not apply hedge accounting. It is expected that the application of the new amendments will not have an impact on the company's financial statements.	1 July 2017

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) New accounting standards and interpretations (cont'd)

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ended 30 June 2015. These are outlined below:

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Company
IFRS 15 (issued June 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Annual reporting periods beginning on or after 1 January 2018	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	1 July 2018
Amendments to IAS 16 and IAS 41 (issued June 2014)	Agriculture: Bearer Plants	Bearer plants are now included within the scope of IAS 16 Property, Plant and Equipment and are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management.	Annual periods beginning on or after 1 January 2016	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	1 January 2016

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sterling Plantations Limited ("SPL") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Sterling Plantations Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive management team (chief operating decision maker).

### (f) Foreign currency translation

Both the functional and presentation currency of SPL is Australian dollar (A\$). The functional currency of the Malaysian subsidiaries are in Malaysian Ringgit (RM).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Foreign currency translation (cont'd)

#### *Transactions*

Foreign currency transactions are translated to the relevant functional currency at the rate of exchange ruling at the date of transaction. At reporting date, all foreign currency monetary items are translated using the exchange rate ruling on that date. Non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Resulting exchange differences are brought to account as exchange gains or losses in the statement of profit or loss and other comprehensive income in the financial year in which the exchange rates change.

#### *Presentation of consolidated accounts*

On consolidation, the assets and liabilities recognised on a functional currency other than Australian dollar are translated into Australian dollar at the exchange rates prevailing at the reporting date. Income and expense items are translated into Australian dollar at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, within other comprehensive income in the statement of profit or loss and other comprehensive income.

### (g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (h) Restricted deposits

Restricted deposits comprise deposits with licensed banks representing a percentage of the growers fees received from growers. These restricted deposits are to be used for the creation of a Reserve Fund Trust Account for purposes of paying guaranteed net yields as well as the setting up of a Reserve Margin Account.

### (i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- *Raw materials*

purchase cost is assigned on the weighted average cost basis.

- *Finished goods and work-in-progress*

cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity but excluding borrowing costs.

- *Net realisable value*

is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings – over 20 years

Plant and equipment – between 5 to 20 years

Other non-plant equipment – 5 years

Land – 50 years

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income in the year the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Property, plant and equipment (cont'd)

#### *Leasehold Improvements*

Costs incurred on land clearing are capitalised as leasehold improvements and is amortised over the economic useful life of the asset.

Costs on the concession land lease with a term of 60 years are charged to the statement of profit or loss and other comprehensive income in the year in which the costs are incurred.

Costs incurred for planting out of plans and on-going maintenance costs are expensed off in the year in which they are incurred.

### (l) Biological assets

Biological assets, which include mature and immature oil palm plantations, are stated at fair value less costs to sell, except when the fair value cannot be measured reliably. In this instance, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Fresh fruit bunches (which are subsequently milled to become palm oil) is the harvested product of a biological asset and is measured at its fair value less estimated point of sale costs at the point of harvest.

Net movement in fair value less estimated point of sale costs of biological assets are included in the statement of profit or loss and other comprehensive income in the year they arise.

### (m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). An assets recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publically traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### (n) Financial instruments - Initial recognition and subsequent measurement

#### (i) Financial assets

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, restricted deposits, trade and other receivables and loans and other receivables.

The subsequent measurement of financial assets depends on their classification as described below:

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Financial instruments - Initial recognition and subsequent measurement (cont'd)

#### (i) Financial assets (cont'd)

##### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs.

##### *Derecognition*

A financial assets (or, where applicable, a part of a financial asset or part of group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the assets have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Financial instruments - Initial recognition and subsequent measurement (cont'd)

#### (i) Financial assets (cont'd)

##### *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospects of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Financial instruments - Initial recognition and subsequent measurement (cont'd)

#### (ii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of AASB 139, are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### *Growers Scheme liability*

Growers fees received from the growers under the Golden Palm Growers Scheme are financial instruments with multiple embedded derivative and are designated as financial liabilities at fair value through profit or loss upon initial recognition and are measured initially at fair value and subsequently at fair value, with any resultant gains or losses recognised in statement of profit or loss and other comprehensive income. Transaction costs are immediately recognised in statement of profit or loss and other comprehensive income on initial recognition.

### (o) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (p) Trade and other payables

Trade and other payables are initially recognised at their fair value subsequently at amortised costs. They represent amounts to be paid in the future for goods and services received, whether or not billed to the Company.

### (q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, and the future sacrifice of economic benefits is probable to settle the obligation, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those flows. When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Employee benefits

Provision is made for benefit accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

#### *Defined Contribution Plan*

Contributions to defined contributions plans are expensed when incurred.

### (s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excludes taxes or duty. The following specific recognition criteria must be met before revenue is recognised:

#### *Sale of Goods*

Revenue is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer and can be measured reliably. Risks and rewards of ownership are considered transferred to the buyer at the time of delivery of the goods to the customer.

#### *Interest revenue*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### (t) Taxation Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current or prior years is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

#### *Deferred Tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Taxation (cont'd)

#### *Deferred Tax (cont'd)*

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income or accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the year*

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (u) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable;
- receivables and payables are stated with the amount of GST included; and
- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are classed as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (v) Research and development costs

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### (w) Borrowings

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the statement of profit or loss and other comprehensive income in the year in which they incurred.

### (x) Net yield expense

Net yield expense is recognised as an expense in the statement of profit or loss and other comprehensive income in the year in which it is incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (y) Share-based payments

The Group provides benefits to its key employees (including directors) in the form of share-based payments, whereby key employees render services in exchange for shares or rights over shares (equity-settled transactions).

Equity settled transactions are measured at fair value at the date of grant. The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees becomes fully entitled to the award (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the year is the cumulative amount as calculated above less the amounts already charged in previous years. There is a corresponding credit to equity. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### (z) Earnings per share Basic earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (aa) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial risk management objectives and policies

The Group's principal financial instruments are cash and short term deposits, finance leases and the Growers Scheme liability. The Group has various other financial liabilities, such as trade payables and interest bearing liabilities, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken apart from short term cash management purposes. The main risks arise from the Group's financial instruments are interest rate risks, liquidity risk and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the plantation development and cultivation of palm products. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of oil palm plantation and in harvesting fresh fruit bunches, and ultimately receiving cash from the sale of palm products to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Risk exposures and responses

##### a) Interest rate risk

At reporting date the Group had the following mix of financial assets and liabilities exposed to Malaysia variable interest rate risk:

	Weighted average interest rate 2015	Weighted average interest rate 2014	30 June 2015 \$'000	30 June 2014 \$'000
<i>Financial assets</i>				
Cash			604	340
Short term deposits	3.00%	2.95%	2,665	11,048
Restricted deposits	3.45%	3.73%	9,066	12,658
			12,335	24,046
<i>Financial liabilities</i>				
Interest bearing liabilities	3.48%	2.55%	49	20
Growers Scheme liability	7.68%	7.68%	70,599	67,740
			70,648	67,760
Net exposure			(58,313)	(43,714)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

#### *Judgments of reasonably possible movements:*

	Post-tax profit higher/(lower)		Equity higher/ (lower)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
<b>Consolidated</b>				
+ve - 1% (100 basis points)	(583)	(437)	-	-
-ve - 1% (100 basis points)	583	437	-	-

The movements in profit and equity are due to higher interest costs in relation to the Growers Scheme. The sensitivity is higher in 2015 than in 2014 due to the increase in Growers Scheme liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### Risk exposures and responses (cont'd)

#### a) Interest rate risk (cont'd)

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on a review of the last 2 year's historical movements and economic forecaster's expectations; and
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed in the next 12 months from reporting date.

The Group does not actively manage interest rate risk.

#### b) Foreign exchange risk

The Group has significant operations in Malaysia. The functional currency of the Malaysian subsidiaries is Malaysian Ringgit ("RM") while the functional currency of the Company is Australian Dollar. The financial instruments of the Group and the Company are therefore not exposed to movements in the RM/AUD exchange rate.

#### c) Credit risk exposures

The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. Credit risk on unrecognised financial instruments refers to the potential financial loss to the consolidated entity that may result from counter parties failing to meet their contractual obligations. The Group manages its counterparty credit risk by limiting its transactions to counter parties of sound credit worthiness and avoiding undue exposure to any single counter party.

The Group did not face any significant credit exposures at reporting date.

#### d) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The pledged deposits held by trustee of Growers Scheme are restricted for the purposes of paying guaranteed net yields and maintaining reserve margin account.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. The table below reflects the contractual outflows and shows the implied risk based on those values.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**Risk exposures and responses (cont'd)**

**d) Liquidity risk (cont'd)**

Management continually reviews the Group liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

Year ended 30 June 2015	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years- 22 years* \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>Financial liabilities</b>						
Growers Scheme liability	-	-	29,652	153,201	182,853	70,599
Trade and other payables	7,325	-	-	-	7,325	7,325
Borrowings	-	49	99	-	148	148

\* This represents the following: -

- i) For 1-5 years, this represents net yield payable at 6% for 1 year plus 4 years of net yield at 9%;
- ii) Net yield of 9% to Growers for years 7-23 (FY2017 - FY2033) under the Growers Scheme. This liability will be off-set against future profits of the plantation; and
- iii) An amount equivalent to the expected net sale proceeds of the concession (assumed to be equivalent to the initial contribution made by the Growers).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Risk exposures and responses (cont'd)

##### d) Liquidity risk (cont'd)

Year ended 30 June 2014	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years- 22 years* \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>Financial liabilities</b>						
Growers Scheme liability	-	-	26,419	153,094	179,513	67,740
Trade and other payables	5,916	-	-	-	5,916	5,916
Borrowings	-	20	25	-	45	45

\* This represents the following: -

- i) For 1-5 years, this represents net yield payable at 6% for 2 years plus 3 years of net yield at 9%;
- ii) Net yield of 9% to Growers for years 7-23 (FY2017 - FY2033) under the Growers Scheme. This liability will be off-set against future profits of the plantation; and
- iii) An amount equivalent to the expected net sale proceeds of the concession (assumed to be equivalent to the initial contribution made by the Growers).

### 4. 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 or 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. 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 2015 as required by AASB 13.93 (a) and (b).

<b>30 June 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Financial assets:				
Investment in shares	468	-	-	468
Non-financial assets				
Biological assets	-	-	28,951	28,951
	<hr/>			
Total financial assets and non-financial assets	468	-	28,951	29,419
Financial liabilities:				
Growers Fees	-	-	70,599	70,599
Total financial liabilities	-	-	70,599	70,599
	<hr/>			
<b>30 June 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Financial assets:				
Investment in shares	925	-	-	925
Non-financial assets				
Biological assets	-	-	27,474	27,474
	<hr/>			
Total financial assets and non-financial assets	925	-	27,474	28,399
Financial liabilities:				
Growers Fees	-	-	67,740	67,740
Total financial liabilities	-	-	67,740	67,740
	<hr/>			

There have been no transfers between levels 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 4. FAIR VALUES (cont'd)

### a) Fair Value Measurement (cont'd)

#### i) Biological Assets

An independent professional valuer, Messrs Raine & Horne International Zaki + Partners Sdn Bhd, conducted a valuation on a subsidiary's 11,280 acre oil palm plantation development as at 30 June 2015. Raine & Horne has valued the plantation at RM179.54 million equivalent to \$61.81 million (2014: RM168.93 million equivalent to \$55.86 million) on the market value basis.

The fair value of biological assets has been determined based on the valuation by Messrs Raine & Horne International Zaki + Partners Sdn Bhd using discounted cash flows analysis (for the mature planted areas) and cost comparison method (for the immature planted areas) of the underlying biological assets, which was valued at \$28,951,000 (equivalent to RM84,090,000). In addition, the valuation of the biological assets has been determined after taking into consideration the respective age profiles of the planted palms.

For the mature planted areas, the expected cash flows from the whole life cycle of the oil palm plantations are determined using the market price and the estimated yield of fresh fruit bunches ('FFB'), net of maintenance and harvesting costs and any costs required to bring the oil palm plantation to maturity. The estimated yield of the oil palm plantation is dependent on the age of the oil palm trees, the location of the plantation, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets.

For the immature planted areas, the value of the biological assets is derived using the comparison method of valuation, by referring to other similar plantation development in the vicinity, adjusted for differences in terms of location, terrain, size, type of seedlings, fertilising etc.

#### ii) 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 a grower. This repurchase obligation is subject to certain provisions as provided in the agreement with a grower (refer [www.sterlingplantations.com](http://www.sterlingplantations.com)) which includes inter-alia requirement for submission of proper repurchase documents, annual repurchase limits, timing of payment, repurchase price etc.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. FAIR VALUES (cont'd)

#### a) Fair Value Measurement (cont'd)

##### ii) Growers Scheme Liability (cont'd)

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 this 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

##### Biological Assets

	30 June 2015 \$'000	30 June 2014 \$'000
Carrying amount at beginning of year	27,474	25,355
Fair value adjustment	347	2,882
Effect of foreign exchange	1,130	(763)
Carrying amount at end of year	28,951	27,474

##### Grower Fee

	30 June 2015 \$'000	30 June 2014 \$'000
Carrying amount at beginning of year	67,740	60,675
Growers fees received	80	7,270
Change in fair value	(12)	1,650
Effects of foreign exchange	2,791	(1,855)
Carrying amount at end of year	70,599	67,740

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. 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>	Discounted cash flows method and cost comparison method.	(a) Discounted rate (9%);	The higher the discount rate, the lower the fair value of the biological assets would be.
Biological assets		(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 AUD185 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.

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)	The higher the net yield interest rate, the higher the fair value of growers fees would be.
		(ii) Net yield of 9% (second phase)	

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### *Impairment of plant and equipment*

Plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- future production levels;
- future commodity prices; and
- future cash costs of production.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

### *Recoverability of potential deferred income tax assets*

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### *Fair value of biological assets*

The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price and the estimated yield of the agricultural produce, being fresh fruit bunches ("FFB"), net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

### *Fair value of Growers Scheme liability*

The Group carries its Growers Scheme liability at fair value, with changes in fair values being recognised in profit or loss. The fair value is updated each reporting period to reflect changes in management estimates and assumptions, prevailing market conditions and economic forecast including crude palm oil price, the discount rate and forecast oil palm yield. The fair value of the Growers Scheme liability has been determined by the directors using discounted cash flows of the underlying Scheme obligations. In accordance with the terms and conditions of the Growers Scheme as described in note 4a(ii), the Group has a net yield payment obligation and an obligation to make termination payment.

## 6. 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 year, the Company completed the sale of its wholly owned Malaysian subsidiary, SPC Biodiesel Sdn Bhd, which owns a 100,000 tonne biodiesel plant for RM33.000 million (\$11.056 million). The biodiesel plant was not in operation since inception.

#### *Oil palm*

Oil palm and Growers Scheme business involve the operation of an oil palm plantation, plantation development and cultivation of fresh fruit bunches (FFB). The oil palm and growers scheme business has been determined as both an operating segment and reportable segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 6. OPERATING SEGMENTS (cont'd)

### 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 2 to the accounts and in the prior period.

### Segment loans payable and loans receivable

Segment loans are initially recognised at the consideration received excluding transaction costs. Inter-segment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

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.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate charges such as head office expenses and interest

The following table presents revenue and loss information for reportable segments for the years ended 30 June 2015 and 30 June 2014:

2015	Biodiesel \$'000	Oil palm \$'000	Unallocated \$'000	Total \$'000
<b>Revenue</b>				
Sales	-	589	-	589
Finance income interest	-	332	33	365
<hr/>				
Total revenue per the statement of profit or loss and other comprehensive income	-	921	33	954
<b>Result</b>				
Segment result	-	(10,847)	-	(10,847)
Unallocated expenses	-	-	(268)	(268)
<hr/>				
Net (loss)/profit before income tax per the statement of profit or loss and other comprehensive income	-	(10,847)	(268)	(11,115)
<b>Segment assets</b>				
Segment assets	-	55,659	-	55,659
Unallocated assets	-	-	39	39
<hr/>				
Total assets per the statement of financial position	-	55,659	39	55,698
Total assets includes:				
Purchase of PPE	-	2,151	-	2,151
<b>Segment liabilities</b>				
Segment liabilities	-	80,995	-	80,995
Unallocated liabilities	-	-	22	22
<hr/>				
Total liabilities per the statement of financial position	-	80,995	22	81,017

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

6. OPERATING SEGMENTS (cont'd)

2014	Biodiesel \$'000	Oil palm \$'000	Unallocated \$'000	Total \$'000
<b>Revenue</b>				
Sales	-	267	-	267
Finance income interest	1	425	86	512
Total revenue per the statement of profit or loss and other comprehensive income				
	1	692	86	779
<b>Result</b>				
Segment result	(546)	(10,137)	-	(10,683)
Unallocated expenses	-	-	5,611	5,611
Net (loss)/profit before income tax per the statement of profit or loss and other comprehensive income				
	(546)	(10,137)	5,611	(5,072)
<b>Segment assets</b>				
Segment assets	-	57,217	-	57,217
Unallocated assets	-	-	6,071	6,071
Total assets per the statement of financial position				
	-	57,217	6,071	63,288
Total assets includes:				
Purchase of PPE	-	2,190	-	2,190
<b>Segment liabilities</b>				
Segment liabilities	-	76,722	-	76,722
Unallocated liabilities	-	-	15	15
Total liabilities per the statement of financial position				
	-	76,722	15	76,737

All non-current assets are held by entities domiciled in Malaysia.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**7. REVENUES AND EXPENSES**

	30 June 2015 \$'000	30 June 2014 \$'000
<b>(a) Revenue</b>		
Sales	589	267
Finance income – interest	365	512
	<u>954</u>	<u>779</u>
<b>(b) Other income</b>		
Management fees	171	-
Transfer fees	2	-
Rebate on annual payments for plantation land	1,493	-
Insurance claim	-	26
	<u>1,666</u>	<u>26</u>
<b>(c) Raw materials and consumable used</b>	<u>294</u>	<u>181</u>
<b>(d) Employee benefits expense</b>		
Wages, salaries and bonus	3,553	3,572
Superannuation	156	218
Other benefits	184	161
	<u>3,893</u>	<u>3,951</u>
<b>(e) Depreciation expense</b>		
Property, plant and equipment	<u>648</u>	<u>683</u>
<b>(f) Finance costs</b>		
Other loans	5	49
Net yield expenses	5,648	5,355
	<u>5,653</u>	<u>5,404</u>
<p>Net yield expenses are contractually fixed at 6%, however in compliance with the standards, an accrual of interest at the rate of 7.68% (Effective Interest Rate) are projected to be the same at the contractual rate of 6%.</p>		
<b>(g) Lease payments included in statement of profit or loss and other comprehensive income</b>		
Minimum lease payments – operating lease	35	113
Amortisation of initial lease payment	713	809
	<u>748</u>	<u>922</u>
<b>(h) Other expenses</b>		
Other expenses mainly comprise:		
Other Growers Scheme costs	19	26
Legal and professional fees	139	202
Motor vehicle running expenses	357	248
Planting expenses	450	107
Cost of sales – FFB	480	407
Utilities and upkeep maintenance	243	233
Insurance	118	160
Others	300	323
	<u>2,106</u>	<u>1,706</u>

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

8. INCOME TAX

	30 June 2015 \$'000	30 June 2014 \$'000
<b>(a) Income tax expense</b>		
Current tax	1	-
Deferred tax	(218)	(492)
	(217)	(492)
Income tax expense is attributable to:		
Loss from continuing operations	1	-
Deferred tax (benefit)/ expense included in income tax expense comprises:		
Decrease deferred tax liabilities	(218)	(492)
A reconciliation of income tax expense to (loss)/profit before income tax at applicable income tax rate of the Group is as follows:		
(Loss)/Profit from continuing operations before income tax	(11,334)	(5,564)
Tax at the Australian tax rate of 30% (2014: 30%)	(3,400)	(1,669)
Effect of expenses not deductible for tax purposes	2,490	2,167
Income not subject to tax	(38)	(726)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	2
(Over)/Under provision of deferred tax liability in prior year	(39)	26
Difference in overseas tax rates	770	(292)
	(217)	(492)

SPL has not formed a tax consolidated group.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**8. INCOME TAX (cont'd)**

**(b) 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 presented after appropriate offsetting:

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	7,138	5,632
Deferred tax liabilities	(10,106)	(9,107)
	<u>(2,968)</u>	<u>(3,475)</u>
Effect of foreign exchange	23	439
	<u>(2,945)</u>	<u>(3,036)</u>

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	(2,813)	(2,239)
Biological assets	(7,293)	(6,868)
Unused tax losses and unabsorbed capital allowances	7,138	5,632
	<u>(2,968)</u>	<u>(3,475)</u>
Effect of foreign exchange	23	439
	<u>(2,945)</u>	<u>(3,036)</u>

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**9. CURRENT ASSETS**

	30 June 2015 \$'000	30 June 2014 \$'000
<b>Other current assets</b>		
Prepayments and deposits	287	505
Deposits for investment in properties*	2,896	1,841
Other receivables**	952	716
	4,135	3,062

\* Deposits for investment in properties are prepayment of 15% 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.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	30 June 2015 \$'000	30 June 2014 \$'000
Carrying amount at beginning of year	925	-
Investment in shares and others	4,886	821
Proceed from investment in shares and others	(4,551)	-
Fair value gain on financial assets at fair value through profit or loss	(833)	118
Effect on foreign exchange	41	(14)
Carrying amount at end of year	468	925

**11. PROPERTY, PLANT AND EQUIPMENT**

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Capital work-in-progress</i>		
At cost	377	591
	377	591
 <i>Buildings</i>		
At cost	1,856	859
Less accumulated depreciation	(388)	(236)
Less impairment	-	-
	1,468	623

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Motor vehicles</i>		
At cost	575	451
Less accumulated depreciation	(307)	(198)
	268	253
<i>Motor vehicles - under finance lease</i>		
At cost	279	95
Less accumulated depreciation	(103)	(54)
	176	41
<i>Office equipment</i>		
At cost	373	322
Less accumulated depreciation	(241)	(172)
	132	150
<b>Plantation property, plant &amp; equipment</b>		
<i>Plantation equipment and machinery</i>		
At cost	1,841	1,373
Less accumulated depreciation	(540)	(353)
	1,301	1,020
<i>Leasehold Improvements</i>		
At cost	6,421	5,314
Less accumulated depreciation	(405)	(276)
	6,016	5,038
Total property, plant and equipment	9,738	7,716

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

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	30 June 2015 \$'000	30 June 2014 \$'000
<b>Movements in property, plant &amp; equipment:</b>		
<i>Capital work-in-progress</i>		
Carrying amount at beginning of year	591	294
Additions	725	399
Transfers	(965)	(89)
Effect of foreign exchange	26	(13)
Carrying amount at end of year	377	591
<i>Buildings</i>		
Carrying amount at beginning of year	623	910
Additions	4	16
Transfers	965	74
Depreciation expense	(143)	(97)
Disposal of subsidiary company	-	(259)
Effect of foreign exchange	19	(21)
Carrying amount at end of year	1,468	623
<i>Motor vehicles</i>		
Carrying amount at beginning of year	253	245
Additions	107	147
Disposal	-	(63)
Transfer	-	20
Depreciation expense	(102)	(88)
Disposal of subsidiary company	-	-
Effect of foreign exchange	10	(8)
Carrying amount at end of year	268	253

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	30 June 2015 \$'000	30 June 2014 \$'000
<b>Property, plant &amp; equipment (cont'd)</b>		
<i>Motor vehicles - under finance lease</i>		
Carrying amount at beginning of year	41	169
Additions	180	-
Disposal	-	(68)
Transfer	-	(20)
Depreciation expense	(46)	(36)
Effect of foreign exchange	1	(4)
Carrying amount at end of year	<u>176</u>	<u>41</u>
<i>Office equipment</i>		
Carrying amount at beginning of year	150	239
Additions	39	65
Disposal	-	(75)
Transfers	-	16
Depreciation expense	(63)	(89)
Disposal of subsidiary company	-	-
Effect of foreign exchange	6	(6)
Carrying amount at end of year	<u>132</u>	<u>150</u>
<b>Plantation property, plant &amp; equipment</b>		
Plantation equipment and machinery		
Carrying amount at beginning of year	1,020	511
Additions	416	669
Disposal	-	(30)
Depreciation expense	(175)	(109)
Effect of foreign exchange	40	(21)
Carrying amount at end of year	<u>1,301</u>	<u>1,020</u>
<i>Leasehold Improvements</i>		
Carrying amount at beginning of year	5,038	4,400
Additions	895	871
Depreciation expense	(119)	(96)
Effect of foreign exchange	202	(137)
Carrying amount at end of year	<u>6,016</u>	<u>5,038</u>

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**12. BIOLOGICAL ASSETS**

	30 June 2015 \$'000	30 June 2014 \$'000
Carrying amount at beginning of year	27,474	25,355
Fair value adjustment	347	2,882
Effect of foreign exchange	1,130	(763)
Carrying amount at end of year	28,951	27,474

Biological assets consist mainly of immature oil palm trees.

The Group grows oil palm trees for trading purposes, as part of its normal operations. The plantation is located in Malaysia. First harvest will be upon maturity of trees.

At the end of the financial year, the Company's total planted area of mature and immature plantations are as follows:

Planted area:	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Acres
- mature	-	-	9,227	9,227	2,127
- immature	-	-	19,724	19,724	4,297
Total	-	-	28,951	28,951	6,424

Refer note 4 for fair value disclosures.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**13. TRADE AND OTHER PAYABLES**

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Current</i>		
Net yield payable *(note 4a(ii))	6,894	5,191
Other payables	431	725
	7,325	5,916

\* the entire net yield payable will be paid from the restricted deposits held by the trustee of the 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.

**14. BORROWINGS**

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Current</i>		
Obligations under hire purchase contracts	49	20
	49	20
<i>Non-current</i>		
Obligations under hire purchase contracts	99	25
	99	25

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**15. GROWERS SCHEME LIABILITY**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial liability at fair value through profit or loss, at reporting date	70,599	67,740

The following sensitivity analysis is provided to illustrate the effect of discount rate on the Growers Scheme liability that exist at the reporting date.

At 30 June 2015, if an alternative discount rate had been used, as illustrated in the tables below, with all other variables held constant, pre-tax profit and liability would have been affected as follows:

	<b>Pre-tax profit higher/ (lower)</b>		<b>Liability higher/(lower)</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Discount rate</i>				
+ 1% (100 basis points)	6,832	6,727	(6,832)	(6,727)
- 1% (100 basis points)	(7,864)	(7,788)	7,864	7,788

Refer note 4 for fair value disclosures.

**16. ISSUED CAPITAL**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	32,143	32,143

	<b>2015</b>		<b>2014</b>	
	<b>Number of Shares</b>	<b>\$'000</b>	<b>Number of Shares</b>	<b>\$'000</b>
<b>(b) Movements in shares on issue</b>				
Beginning of the financial year	65,000,000	32,143	65,000,000	32,143
Shares issued during the year	-	-	-	-
End of the financial year	65,000,000	32,143	65,000,000	32,143

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 16. ISSUED CAPITAL (cont'd)

### c) Terms and conditions

#### *Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

As per the Corporations Act 2001, the Company does not have authorised capital and its ordinary shares do not have a par value.

#### *Options*

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any registered scheme.

### e) Capital management

When managing capital issued and paid up capital, management's objective is to ensure the entity remains as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital to the entity. The Group's capital structure is monitored on an ongoing basis by the executive directors and is periodically reviewed by the Board. The Group has no externally imposed capital requirements.

## 17. RESERVES

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee equity benefits reserve	234	234
Foreign currency translation reserve	(1,884)	(1,129)
Equity reserve	(817)	(817)
	(2,467)	(1,712)

Movements in reserves are set out in the Statement of Changes in Equity.

#### *Employee equity benefits reserve*

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

#### *Foreign currency translation reserve*

This reserve represents the foreign exchange gain/loss on the translation of the subsidiaries from their functional currency (Malaysian Ringgit) to the presentation currency (AUD).

#### *Equity reserve*

This reserve relates to transaction with non-controlling interests.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**18. PROFIT/(LOSS) PER SHARE**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss used in calculating basic loss per share	(11,115)	(5,072)
	<hr/>	<hr/>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares on issue used in the calculation of basic loss per share</i>	65,000,000	65,000,000
	<hr/>	<hr/>

As at 30 June 2015, there has been no option granted or vested to employees or Key Management Personnel. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

**19. STATEMENT OF CASH FLOWS**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Reconciliation of cash and cash equivalents</b>		
Cash balances comprise:		
Cash at bank	604	340
Deposits with licensed banks	2,665	11,048
	<hr/>	<hr/>
	3,269	11,388
	<hr/>	<hr/>

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

19. STATEMENT OF CASH FLOWS (cont'd)

(b) Reconciliation of loss after income tax to the net cash used in operating activities

	30 June 2015 \$'000	30 June 2014 \$'000
(Loss)/Profit after tax	(11,115)	(5,072)
<b>Non-cash items:</b>		
Depreciation	648	683
Fair value adjustment on biological assets	(347)	(2,882)
<b>Changes in assets and liabilities:</b>		
Other current assets	(1,073)	(1,858)
Inventory	(6)	(60)
Trade and other payables	9,508	2,817
Net cash used in operating activities	(2,385)	(6,372)

20. RESTRICTED DEPOSITS

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Current</i>		
Deposits with licensed trustee	4,135	3,967
<i>Non-current</i>		
Deposits with licensed trustee	4,931	8,691

Restricted deposits represent deposits held by the trustee of 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. During the 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 as at 30 June 2015 was 3.45% per annum.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**21. PARENT ENTITY INFORMATION**

	30 June 2015 \$'000	30 June 2014 \$'000
Information relating to SPL:		
Current assets	37	6,071
Total assets	8,130	8,331
Current liabilities	21	15
Total liabilities	21	15
Issued capital	32,143	32,143
Accumulated losses	(24,266)	(24,061)
Equity benefit reserve	234	234
Total shareholders' equity	8,111	8,316
Profit/(Loss) of the parent entity	(206)	2,419
Total comprehensive income of the parent entity	-	-
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	-	-
Details of any contingent liabilities of the parent entity	-	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	-	-

Included in total assets is loan to controlled entity of \$8.093 million (2014: \$2.260 million). The loan to a controlled entity is non-trade related, unsecured, non-interest bearing and has no fixed terms of repayment. The Company has undertaken not to recall this loan in the next 12 months.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**22. INVESTMENT IN CONTROLLED ENTITIES**

CONTROLLED ENTITY	PRINCIPAL ACTIVITY	Place of business	BENEFICIAL % HELD BY THE CONSOLIDATED ENTITY	
			2015 %	2014 %
Sterling Plantations Sdn Bhd	Investment holding	Malaysia	100	100
Golden Palm Growers Berhad	Plantation development and cultivation of palm products	Malaysia	100	100
SPC Palm Mills Sdn Bhd	Milling of palm products	Malaysia	100	100
Golden Palm Marketing Sdn Bhd	Marketing of oil palm plantation plots	Malaysia	100	100

Investment in the controlled entities is in ordinary shares.

**23. EXPENDITURE COMMITMENTS**

	30 June 2015 \$'000	30 June 2014 \$'000
<b>(a) Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at reporting date, but not provided for or payable not later than one year:		
Property, plant and equipment	179	348
Investment in properties	17,834	1,851
	18,013	2,199
Estimated capital expenditure contracted for at reporting date, but not provided for or payable within 2 to 5 years		
Investment in properties	-	14,806
<b>(b) Operating leases (non-cancellable)</b>		
Minimum lease payments		
- not later than one year	83	212
- later than one year but not later than five years	166	253
- later than five years	-	-
	249	465

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

## 23. EXPENDITURE COMMITMENTS (cont'd)

### (c) Finance Leases

The previous year future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments were as follows:

	Minimum Lease Payments		Present Value of Lease Payments	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	\$'000	\$'000	\$'000	\$'000
<i>Consolidated</i>				
Within one year	52	21	49	20
After one year but not more than five years	103	25	99	24
Total minimum lease payments	155	46	148	44
Less: amounts representing future finance charges	(7)	(2)	-	-
Present value of minimum lease payments	148	44	148	44

### (d) Special bonus

In FY 2011, the Board approved a special bonus pool of \$736,000 each to the Executive Chairman and Group Executive Director. The special bonus was calculated on 1% of the gross development value of the Golden Palm Growers Scheme and was awarded for the successful development and implementation of a corporate plan that culminated in the launch of the Growers Scheme. Payment of the special bonus is subject to fulfillment of the following key parameters – sale of at least 6,000 Grower Plots; repayment of existing liabilities (including the standby facility from the founder shareholder); and sufficient cash flows for ongoing operations.

As at the date of this report, the key parameters have been met and therefore a partial payment of AUD\$234,868 was made to the Group Executive Director in the previous year.

### (e) Annual payments for plantation land

The Company has entered into a plantation development agreement for the use of plantation land and is required to make annual payments based on the schedule of payments below:

	\$ (per acre per annum)
Year 1 to 5	76
Year 6 to 25	104
Year 26 to 60	121

The annual payments are subject to the average FFB prices in the future, which may result in a reduction ranging from 35% to 55% or additional payments ranging 7.5% to 15% of the above amounts.

During the financial year, the Company received a rebate on annual payments for plantation land of \$1,492,940 as disclosed in Note 7(b) to the consolidated financial statements.

NOTES TO  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont'd)

**24. RELATED PARTY TRANSACTIONS**

**(a) Compensation of Key Management Personnel**

**Remuneration by category**

	30 June 2015 \$'000	30 June 2014 \$'000
<i>Key Management Personnel</i>		
Short-term benefits	1,171	2,853
Post-employment benefits	108	157
Share-based payments	-	-
	1,279	3,010

**(b) Other transaction with key management personnel**

The details of the transaction with key management personnel are as follows:

	30 June 2015 \$'000	30 June 2014 \$'000
Payments for secretarial and other services to a company (Norvest Corporate Pty Ltd) in which a former director (Mr Graham Keys) has interest in.	-	21
Payments for marketing services to a company (Bimbingan Efektif Sdn Bhd) in which a director (Mr T Rajan) of a controlled entity (Golden Palm Growers Berhad) has interest in.	-	701
	-	722

**25. AUDITORS' REMUNERATION**

	30 June 2015 \$'000	30 June 2014 \$'000
<b>(a) Amounts received or due and receivable to BDO for:</b>		
- an audit or review of the financial report of the entity	37	32
<b>(b) Amounts received or due and receivable by internationally affiliated practices of BDO for:</b>		
- an audit or review of the financial report of the entity	28	31
- independent accountants' report in relation to Growers Scheme	7	7
- review of Growers' records	3	3

The auditors received no other benefit.

**26. MATTERS SUBSEQUENT TO THE REPORTING PERIOD**

Except as disclosed in this report or the consolidated financial statements, as at the date of this report, no other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

# DIRECTORS' DECLARATION

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

- 1) In the opinion of the directors:
  - a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, 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 30 June 2015 and of its performance for the year ended on that date; and
    - ii) complying with Accounting Standards and the Corporations Regulations 2001; and
  - b) the financial statements and notes also comply with Australian Accounting Standards and IFRS as disclosed in note 2; and
- 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 year ended 30 June 2015.

On behalf of the Board:



**Andrew Phang**  
Group Executive Director

Perth, 25 August 2015

# AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 8 6382 4600      38 Station Street  
Fax: +61 8 6382 4601      Subiaco, WA 6008  
[www.bdo.com.au](http://www.bdo.com.au)      PO Box 700 West Perth WA 6872  
Australia

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF STERLING PLANTATIONS LIMITED

As lead auditor of Sterling Plantations Limited for the year ended 30 June 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in dark ink that reads 'J Prue'.

**Jarrad Prue**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 25th August 2015

# INDEPENDENT AUDIT REPORT



Tel: +61 8 6382 4600      38 Station Street  
Fax: +61 8 6382 4601      Subiaco, WA 6008  
[www.bdo.com.au](http://www.bdo.com.au)      PO Box 700 West Perth WA 6872  
Australia

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

### Report on the Financial Report

We have audited the accompanying financial report of Sterling Plantations Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDIT REPORT (cont'd)



## Independence

In conducting our audit, 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 report.

## Opinion

In our opinion:

- (a) the financial report of Sterling Plantations Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Sterling Plantations Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

## BDO Audit (WA) Pty Ltd

**Jarrad Prue**  
Director

Perth, 25 August 2015

# CORPORATE GOVERNANCE STATEMENT

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES

The Board of Directors of Sterling Plantations Limited (“SPL” or “the Company”) is responsible for its corporate governance and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability. A summary of the Group’s corporate governance policies and procedures is included in this Statement.

The Group’s corporate governance policies and procedures are in line with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd Edition) (“the Principles & Recommendations”). The Group has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company’s corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the “if not, why not” exception reporting regime.

Further information about the Group’s corporate governance practices including information on the Company’s charters, code of conduct and other policies and procedures is set out on the Company’s website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Board of Directors

#### *Role of the Board and Management*

The Board is responsible for promoting the success of the Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director (or equivalent) for the day-to-day management of the Group. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Group’s long term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Group’s assets and business and to enable the Group to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Group is properly managed and controlled;
- to identify the Group’s principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management’s performance and the Group’s financial results on a regular basis.

The Board’s role and the Group’s corporate governance practices are periodically reviewed and improved as required.

The role of the senior management of the Company is to progress the strategic direction provided by the Board. The Group’s senior management is responsible for supporting the Executive Directors in implementing the running of the general operations and financial business of the Group in accordance with the delegated authorities for expenditure levels and materiality thresholds in place.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Board of Directors (cont'd)

#### *Role of the Board and Management (cont'd)*

The Company has conducted a performance evaluation of the Board during the financial year which involved an informal discussion between the Chairman and each Board member and a summary of these discussion was provided by the Chairman to the Board. The Non- executive Directors undertook a performance and remuneration review of the Executive Chairman and Group Executive Director during the financial year. The Executive Chairman, Group Executive Director and Executive Director are reviewed against a number of qualitative factors. At this stage of the development of the Company, SPL has only informal procedures in place for performance evaluation of its senior executives against qualitative indicators.

The Company has a formal Induction Program in place for new Directors and encourages Directors to continue their education and maintain the skills required to discharge their duties by attending professional development opportunities as they arise.

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for:

- advising the Board on corporate governance matters;
- managing the company secretarial function;
- attending all Board and Audit committee meetings; and
- taking minutes and communicating with the ASX.

A summary of the Board Charter, a statement of matters reserved for the Board and senior management is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Composition of the Board

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

A matter which triggers the Company's set materiality threshold must be a Material Contract or Material Item (as defined below) and has a value of more than \$1 million or will have an impact on the current year operating result of \$1 million or more.

- A Material Contract is one which is outside the ordinary course of business, includes exceptionally onerous provisions, impacts revenue, is essential to the operations of the Group, contains or triggers change of control provisions or is between related parties.
- A Material Item is one that impacts the Group's reputation, involves a breach or potential breach of legislation, is outside the ordinary course of business or could affect the Group's rights to assets.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Composition of the Board (cont'd)

The current Board includes one independent non-executive director, Eric P John, and two executive directors CRS Paragash and Andrew Phang and one non-executive director Jackie Leong who are not considered to be independent. As such, the Board does not currently have a majority of independent Directors. Eric P John falls within the requirements of an independent Director as stipulated in the Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director.

A minimum of 4 Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who has the qualifications, experience and skills to augment the capabilities of the Board. All directors (except the Managing Director) are required by the Constitution of SPL to submit themselves for re-election at regular intervals and at least every three years. Non-executive directors shall serve a maximum of three terms, unless their tenure is extended by the Board. Tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board. However, it is recognised that they hold the disadvantage of losing the contribution of directors who have developed over time an increasing insight into SPL and its operations. Before a director is nominated for re-election at a shareholders' meeting, the Chairman shall consult with the rest of the Board and review the director's performance before the Board endorses his or her re-nomination.

The Board should comprise directors with a mix of skills and diversity which will assist the Board in fulfilling its responsibilities as well as assisting the Company in achieving growth and delivering value to shareholders. The current Board encompasses accounting, legal and general commercial skills with experience across various industries in Australia and overseas. Prior to the appointment of a new director, the Board undertakes appropriate background checks.

The following table summarises the skills, attributes and experience of the Directors serving on the Board at 30 June 2015:

### *Board Experience, Skills and Attributes Matrix*

Experience, skills and attributes	Board	Audit and Risk
<b><i>Experience</i></b>		
Corporate leadership	√	√
Oil palm industry experience	√	√
Other board level experience	√	√
Capital projects	√	√
<b><i>Knowledge and skills</i></b>		
Strategy	√	√
Governance	√	√
Risk and compliance	√	√
<b><i>Tertiary qualifications</i></b>		
Economics, commerce and/or business		
Law	√	√
Accounting	√	√

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Composition of the Board (cont'd)

The following table summarises the skills, attributes and experience of the Directors serving on the Board at 30 June 2015: (cont'd)

#### *Board Experience, Skills and Attributes Matrix (cont'd)*

Experience, skills and attributes	Board	Audit and Risk
<b>Gender</b>		
Female	√	√
Male	√	√

A summary of the Company's policy for re-election of Directors and selection and appointment of new Directors is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

A profile of each director containing their skills, experience, expertise and period in office is set out in the Directors' Report.

### Statement Concerning Availability of Independent Professional Advice

The Board considers that to assist directors with independent judgment a director may consider it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director. Provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

### Nomination Committee

Given the present size of the Company, the whole Board acts as the Nomination Committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist the Board to fulfill its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. A summary of the Nomination Committee Charter is available on the Company's website [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Remuneration Committee

Given the present size of the Company, the whole Board acts as the Remuneration Committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Remuneration Committee. To assist the Board to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. A summary of the Remuneration Committee Charter and the Remuneration Policy are available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

The Company has a Remuneration Policy adopted by the Board. Remuneration of directors and senior management is determined with regard to payments made by other companies of similar size and industry and in accordance with the skills and experience of the particular person. Details of remuneration of directors and Key Management Personnel are disclosed in the Remuneration Report.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Pursuant to the *Remuneration Policy*, executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Code of Conduct

The Company has adopted a Code of Conduct that outlines how the Company expects its directors and employees of the Group to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices. The objective of the Code is to:

- provide a benchmark for professional behaviour;
- support the Company's business reputation and corporate image; and
- make directors and employees aware of the consequences if they breach the Code.

The Code records the Company's commitment and responsibilities with respect to various stakeholders, in particular, employees, clients, shareholders, governments and surrounding communities.

It sets out the Company's expectations of its directors and employees with respect to a range of issues including compliance with the law, fair dealing, discrimination, financial inducements, occupational health and safety, confidentiality of information, conflicts of interest, use of Company assets and outside employment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

A summary of the Code of Conduct is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the organisation. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

### Conflicts of Interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

### Diversity

The Company has not adopted a formal Diversity Policy. The Board encourages diversity but has only informal procedures in place for staff selection. The Board considers that persons have been selected based on appropriate skills and experience relevant to their positions. However, in compliance with Recommendation 3.4, the Company provides the following information with respect to the representation of women in the organisation. Women represent approximately 24% of the whole organisation and 33% of senior executives (including Directors). The Board consist of 25% women.

### Security Trading Policy

The Securities Trading Policy adopted by the Board prohibits trading in shares of the Company by a director, officer or employee during certain blackout periods (in particular, prior to release of interim or annual results) except in exceptional circumstances and subject to procedures set out in the Policy.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Security Trading Policy (cont'd)

Outside of these blackout periods, a director, officer or employee must first obtain clearance in accordance with the Policy before trading in shares. For example:

- a director must receive clearance from the Chairman before he may buy or sell shares
- if the Chairman wishes to buy or sell shares he must first obtain clearance from the Managing Director (or equivalent)
- other officers and employees must receive clearance from the Managing Director (or equivalent) before they may buy or sell shares

Directors, officers and employees must observe their obligations under the Corporations Act not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

A summary of the Securities Trading Policy is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Continuous Disclosure

The Company is a "disclosing entity for the purposes of Part 1.2A of the Corporations Act. As such, the Company has an Information Policy. The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Group achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Group and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Group has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of SPL's securities and to correct any material mistake or misinformation in the market. SPL discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Group recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of the Corporations Act and ASX listing rules is promptly posted on the Company's website [www.sterlingplantations.com](http://www.sterlingplantations.com).

A summary of the Information Policy is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Audit and Risk Committee

The primary role of the Audit and Risk Committee is to monitor and review, on behalf of the Board, the effectiveness of the control environment of the Group in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting. The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators. The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance of the external auditors.

The Committee is comprised of three members, Jackie Leong (Chairman), Eric P John and Andrew Phang. The Committee is comprised of one non-executive independent member, one non-executive member and one executive member.

The Audit and Risk Committee provides recommendations to the Board in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of SPL.

Proposed external auditors must be able to demonstrate complete independence from the Group and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

The number of meetings held by the Audit and Risk Committee and the individual attendances of the members at those meetings during the year ended 30 June 2015 is set out in the Directors' Report.

A formal Audit and Risk Committee Charter has been adopted, a copy of which is available on the company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

### Communication to Shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting SPL's state of affairs. Information will be communicated to Shareholders through its annual report, annual general meeting, half-yearly results and quarterly activities and cash flow announcements and the SPL website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders is presented in a clear, concise and effective manner.

A summary of the *Shareholder Communications Policy* is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com).

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SUMMARY OF CORPORATE GOVERNANCE POLICIES AND PROCEDURES (cont'd)

### Privacy Policy

The Group is committed to respecting the privacy of any personal information in its possession. To this end, the Group has a Privacy Policy which sets out the Group's personal information management practices. The Privacy Policy covers application of privacy laws, personal information collected, use and disclosure of personal information, accessing and updating of personal information and security of personal information. The Group is bound by the Privacy Act.

### Risk Management

The *Audit and Risk Committee* is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Group Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

A summary of the Company's Risk Management Policy is available on the Company's website at [www.sterlingplantations.com](http://www.sterlingplantations.com). Since adoption of the policy, the Group Managing Director (or equivalent) is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically. The categories of risks reported on in the risk register include operational, environmental, sustainability, human capital, political, ethical conduct, reputation, legal and compliance, financial reporting and market related risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received an assurance from management that the Company's management of its material business risks are effective. The Company does not have any material exposure to economic, environmental or social sustainability risks.

### Integrity of Financial Reporting

The Company's Executive Chairman and Group Executive Director have provided a declaration in writing to the Board for each half and full year financial period that:

- the financial records of the Company and its controlled entities have been properly maintained;
- the consolidated financial statements of the Company and its controlled entities present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Company has requested that the external auditor attend the Company's Annual General Meeting and make themselves available to answer questions relevant to the audit.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### ASX LISTING RULE DISCLOSURE - EXCEPTION REPORTING

As required by ASX Listing Rules, the following table discloses the extent to which Sterling Plantations Limited has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

Principle No.	Best Practice Recommendation	Compliance	Reasons for Non-compliance
1.6	Disclose the process for evaluation of senior executives	The Company has in place informal procedures for evaluating the performance of senior executives.	At this stage of the development of the Company, SPL has only informal procedures in place for performance evaluation of the senior executives against qualitative indicators.
1.5	The Company should establish a diversity policy.	The Board has not adopted a formal diversity policy.	The Board encourages diversity but has only informal procedures in place for staff selection. Given the present size of the Company, the Board believes no efficiencies or other benefits could be gained by establishing a diversity policy. The Board considers that persons have been selected based on appropriate skills and experience relevant to their positions.
2.1	The Board should establish a nomination committee	The Board has not established a separate nomination committee. The role of the nomination committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a nomination committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. However, it is noted the Board has adopted a Nomination Committee Charter.
2.4	A majority of the Board should be independent directors	Currently, SPL has one independent director and three non-independent directors.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
2.5	The Chair should be an independent director	Currently, SPL has a non-independent Chair.	The Board considers that the non-independent Chair possess skills and experience suitable for leading the Board and considers a non-independent Chair to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. The Board will consider the appointment of an independent director as the Chair if deemed appropriate depending on the scope and scale of the Company's operations.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### ASX LISTING RULE DISCLOSURE - EXCEPTION REPORTING (cont'd)

As required by ASX Listing Rules, the following table discloses the extent to which Sterling Plantations Limited has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

Principle No.	Best Practice Recommendation	Compliance	Reasons for Non-compliance
4.1	The audit committee should be structured so that it consists only of non-executive directors.	The Company's Audit and Risk Committee has three members, one of which is an executive director and the remaining two are non-executive directors.	The Company has reviewed the Audit and Risk Committee membership and in line with Recommendation 4.2 has increased the number of committee members to three, the minimum number of members. As all existing non-executive members are already members of the Audit and Risk Committee, the additional member is an executive Director. It is noted that the Committee is chaired by a director, who is not the chair of the Board. The committee has a formal Audit and Risk Committee Charter.
7.3	Disclose internal audit function structure and role.	The Company does not have a separate internal audit function. The role of internal audit is carried out by the Audit and Risk Committee.	Given the present scale of the Company's operations, the Board believes that no efficiencies or benefits could be gained by establishing an internal audit function as the risk management and internal control processes are addressed as part of the risk management oversight performed by the Audit and Risk Committee.
8.1	The Board should establish a remuneration committee.	The Board has not established a separate remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a remuneration committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act requirements, particularly in respect of related party transactions. No director participates in any discussion or decision.

# ADDITIONAL STOCK EXCHANGE INFORMATION

As at 17 August 2015

## ORDINARY SHARE CAPITAL

The issued capital of the Company as at 30 June 2015 is 65,000,000 ordinary shares fully paid. There was no change in the issued capital of the Company as at 17 August 2015.

All ordinary fully paid shares carry one vote per share without restrictions.

## Top 20 holders of FULLY PAID SHARES as at 17 August 2015

Rank	Holder	Number of Ordinary Shares	% of Issued Capital
1.	DUPLEX FAME SDN BHD	32,799,815	50.46
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,560,114	23.94
3.	MR WAI FOONG LIM	1,882,114	2.90
4.	CITICORP NOMINEES PTY LIMITED	1,590,533	2.45
5.	RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	1,551,427	2.39
6.	SEPT PTY LTD <HALL SUPER FUND A/C>	965,000	1.48
7.	MADAM LIM GEK KUAN	620,798	0.96
8.	MR GEOFFREY THOMAS	610,000	0.94
9.	BOND STREET CUSTODIANS LIMITED <AGS - V20865 A/C>	604,200	0.93
10.	MR TY TRUONG + MRS ANH HONG TRUONG	587,959	0.90
11.	COLONIAL STATE PROPERTIES PTY LIMITED <THE T J SMITH A/C>	500,000	0.77
12.	J P MORGAN NOMINEES AUSTRALIA LIMITED	389,574	0.60
13.	MR TY TRUONG + MRS ANH HONG TRUONG	362,174	0.56
14.	K Q R PTY LTD	260,000	0.40
15.	NATIONAL AUSTRALIA MANAGEMENT PTY LTD <TJ SMITH SUPER FUND A/C>	250,620	0.39
16.	MR PUAY JEN KHOO	250,000	0.38
17.	MR SIMON TESSELAAR	222,000	0.34
18.	MR JOHN DESMOND MURPHY + MRS BARBARA MARY MURPHY <J D MURPHY PENSION FUND A/C>	200,000	0.31
19.	MR GIOVANNI BURGIO + MRS AMELIA PERMATASARI BURGIO <YASMINDO S/F A/C>	151,000	0.23
20.	CARINYA INVESTMENT MANAGEMENT PTY LTD	150,000	0.23
<b>Top 20 holders of FULLY PAID SHARES AS AT 17 AUGUST 2015</b>		<b>59,507,328</b>	<b>91.56</b>

## ADDITIONAL STOCK EXCHANGE INFORMATION

### As at 17 August 2015 (cont'd)

#### DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES AS AT 17 AUGUST 2015

Range	Number of Holders	Number of Ordinary Shares
1 - 1,000	18	8,503
1,001 - 5,000	134	442,656
5,001 - 10,000	57	506,425
10,001 - 100,000	110	3,631,745
more than 100,001	27	60,410,671
<b>Total</b>	<b>346</b>	<b>65,000,000</b>

#### SUBSTANTIAL SHAREHOLDERS

Holder	Number of Ordinary Shares	Shares % of Issued Capital
DUPLEX FAME SDN BHD	32,799,815	50.46
HSBC CUSTODY NOMINESS (AUSTRALIA) LIMITED	15,560,114	23.94

#### NUMBER OF SECURITIES SUBJECT TO ESCROW

There are no securities subject to escrow.

#### UNQUOTED OPTIONS

There are no outstanding options on issue as at 17 August 2015.

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

**Malaysia Office**

Unit 607, Block C,  
Pusat Phileo Damansara 1, No. 9,  
Jalan 16/11, 46350 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia

Tel : (60-3) 7954 5020  
Fax : (60-3) 7954 5023

**Registered Office in Australia**

Ground Floor, Suite 1  
437 Roberts Road  
Subiaco 6008 WA  
Tel : (61-8) 6380 2555  
Fax: (61-8) 9381 1122

Postal Address  
PO Box 2138  
Subiaco 6904 WA  
  
ASX Code: SBI