



28 February 2019

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

By: e-lodgement (ASX code SBI)

APPENDIX 4D AND HALF YEAR REPORT

Please find attached Sterling Plantations Limited's Appendix 4D and Half Year Financial Report for the half year ended 31 December 2018.

Yours sincerely

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

Shaun Menezes
Company Secretary

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

NTA backing

	Current period	Previous corresponding Period
Net tangible (liabilities)/asset backing per +ordinary security	\$(0.80)	\$(0.66)

Details of entities over which control has been gained or lost during the period.

Not Applicable

Details of individual and total dividends or distributions and dividend or distribution payments.

Not Applicable

Details of any dividend or distribution reinvestment plans in operation.

Not Applicable

Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities.

Not Applicable

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



Sign here:

Date: 28 February 2019

Executive Chairman

Print name: **Dato' CRS Paragash**



Sterling Plantations Limited
ACN 119 880 492

Half-Year Report
31 December 2018



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Corporate Directory

DIRECTORS

Dato' CRS Paragash (Executive Chairman)
Dhanesh Gunaratnam (Executive Director)
Jackie Leong (Non-Executive Director)
Eric P John (Non-Executive Director)

SHARE REGISTRY

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

COMPANY SECRETARY

Shaun Menezes
Email: cosec@sterlingplantations.com

BANKERS

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

REGISTERED OFFICE IN AUSTRALIA

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

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

Website: www.sterlingplantations.com

AUDITORS

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

HOME EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code

SBI

Directors' Report

The Directors present their report on the consolidated entity consisting Sterling Plantations Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Dato' CRS Paragash	(Executive Chairman)
Dhanesh Gunaratnam	(Executive Director)
Jackie Leong	(Non-Executive Director)
Eric P John	(Non-Executive Director)

Principal Activities

The Group is principally involved in oil palm plantation development. The plantation development was financed through a Growers scheme. The Growers scheme was closed on 2 October 2017 and the Plantation has been put-up for sale.

In the last 15 months, the Management together with the Growers Action Committee (who were appointed by the Growers at the last General Meeting) have been exploring various sale options. However, viable proposals for an outright cash sale has not been forthcoming due to the current climate and circumstances, including the current Crude Palm Oil ("CPO") prices, the global economic uncertainty, the local political and economic situation and the location of our Plantation in Kelantan.

As such the Management and the Growers Action Committee is proposing a scheme whereby the plantation will continue operation and may include new finance from potential investor.

Review and Results of Operations

The consolidated loss after income tax for the half-year ended 31 December 2018 was \$3.312 million (half-year ended 31 December 2017: profit of \$3.835 million).

At the previous year, the profit was mainly due to gain from accounting of the grower fee liability and net yield payable from fair value to the actual cost due to the closure of the Growers Scheme. This is not recurring in the current financial period and as such incurred loss for the period which mainly reflects the fact that the plantation has yet to reach commercial maturity and, thus, continues to incur on-going plantation costs and also due to the impairment of Bearer Plant.

As at 31 December 2018, the Group had a net cash balance of \$0.103 million as compared to \$0.205 million as at 30 June 2018.

Auditor's Independence Declaration

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

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



Dato' CRS Paragash
Executive Chairman
Perth 28 February 2019

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF STERLING PLANTATIONS LIMITED

As lead auditor for the review of Sterling Plantations Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half-Year Ended 31 December 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
REVENUE		749	967
Other income		3	1
Changes in fair value of biological assets	5	(2)	(34)
Changes in fair value of growers scheme liability		-	5,832
Changes in fair value of bearer plants		(2,365)	216
Raw materials & consumable used		(84)	(106)
Growers Scheme costs		-	(102)
Employee benefits expense		(514)	(1,055)
Depreciation expense		(10)	(372)
Finance costs		(43)	(27)
Lease expense		(406)	(336)
Travel expense		(4)	(19)
Other expenses		(636)	(1,130)
PROFIT/ (LOSS) BEFORE INCOME TAX		(3,312)	3,835
Income tax benefit		-	-
PROFIT/ (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE ENTITY		(3,312)	3,835
OTHER COMPREHENSIVE PROFIT/ (LOSS)			
<i>Items that may be re-classified to profit or loss</i>			
Foreign currency translation		(1,096)	(1,797)
OTHER COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR, NET OF TAX		(1,096)	(1,797)
TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR		(4,408)	2,038
PROFIT / (LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF STERLING PLANTATIONS LIMITED		(3,312)	3,835
TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF STERLING PLANTATIONS LIMITED		(4,408)	2,038
PROFIT/ (LOSS) PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earning / (loss) per share (cents per share)		(5.09)	5.90

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

Consolidated Statement of Financial Position As at 31 December 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	103	205
Inventories		18	21
Other current assets	3	278	264
Assets held for sale	4	-	33,338
Biological assets	5	12	-
TOTAL CURRENT ASSETS		411	33,828
NON-CURRENT ASSETS			
Property, plant and equipment	6	9,508	-
Bearer Plants	7	22,113	-
TOTAL NON-CURRENT ASSETS		31,621	-
TOTAL ASSETS		32,032	33,828
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	887	555
Borrowings	9	2,055	1,471
Growers Scheme liability	10	81,059	79,363
TOTAL CURRENT LIABILITIES		84,001	81,389
NON-CURRENT LIABILITIES			
Tax liability		23	23
TOTAL NON-CURRENT LIABILITIES		23	23
TOTAL LIABILITIES		84,024	81,412
NET LIABILITIES		(51,992)	(47,584)
SHAREHOLDERS' DEFICIT			
Equity attributable to equity holders of the parent			
Issued capital		32,143	32,143
Accumulated losses		(80,727)	(77,415)
Reserves		(3,408)	(2,312)
TOTAL SHAREHOLDERS' DEFICIT		(51,992)	(47,584)

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



Consolidated Statement of Changes in Equity For The Half-Year Ended 31 December 2018

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	32,143	(79,459)	2,371	(44,945)
Profit for the period	-	3,835	-	3,835
Transactions with owner in their capacity as owner				
Foreign Currency Translation	-	-	(1,797)	(1,797)
Total comprehensive profit/ (loss) for the half-year	-	3,835	(1,797)	2,038
At 31 December 2017	32,143	(75,624)	574	(42,907)
At 1 July 2018	32,143	(77,415)	(2,312)	(47,584)
Loss for the period	-	(3,312)	-	(3,312)
Transactions with owner in their capacity as owner				
Foreign Currency Translation	-	-	(1,096)	(1,096)
Total comprehensive loss for the half-year	-	(3,312)	(1,096)	(4,408)
At 31 December 2018	32,143	(80,727)	(3,408)	(51,992)

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



Consolidated Statement of Cash Flows For The Half-Year Ended 31 December 2018

	31 December 2018 \$'000	31 December 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from trade customers	718	1,018
Receipt from others	3	6
Payments to suppliers and employees	(661)	(2,047)
Interest received	1	16
Plantation expenditure	(655)	(917)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(594)	(1,924)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6)	(176)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6)	(176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received under Growers Scheme	-	1,069
Loan from /(Repayment) to shareholders	391	(150)
NET CASH FLOWS FROM FINANCING ACTIVITIES	391	919
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(209)	(1,181)
NET FOREIGN EXCHANGE DIFFERENCES	107	36
CASH AND CASH EQUIVALENTS AT BEGINNING OF HALF-YEAR	205	1,890
CASH AND CASH EQUIVALENTS AT END OF HALF-YEAR	103	745

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



Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The financial report of Sterling Plantations Limited for the period ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on the date of approval of the Directors' Report.

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

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

Basis of preparation

This interim condensed financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of Sterling Plantations Limited as at 30 June 2018 and considered together with any public announcements made by Sterling Plantations Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

In preparing this consolidated interim financial report the significant judgments made by management in applying the Group's accounting policies and the sources of estimation and uncertainty were the same as those that applied to the consolidated financial report as at the year ended 30 June 2018.

The accounting policies applied by the economic consolidated entity in this consolidated financial report are the same as those applied by the economic consolidated entity in its consolidated financial report as at and for the year ended 30 June 2018, except for the adoption of new and amended standards as set out below.

Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

- (i) AASB 15 Revenue from Contracts with Customers; and
- (ii) AASB 9 Financial Instruments

Impact of standards issued but not yet applied by the entity

AASB 16 *Leases* is effective for the reporting period commencing 1 July 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group is still in the process of fully assessing the impact on the Group's financial results and position when it is first adopted for the year ending 30 June 2020.

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

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 with a date of initial application of 1 July 2018. The Group has applied AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118 *Revenue*. As a result of adoption of AASB 15, the Group has changed its accounting policy for revenue recognition as detailed below.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a good to a customer.

Group revenues consists of sales of goods, being fresh fruit bunches (FFB) from its plantation operation. Revenue is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Based on the contracts with customers, the control is transferred upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer.

The Group has applied AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements at the reporting date or on transition to the standard effective from 1 July 2018. Comparatives have not been restated to apply AASB 15, had the prior year revenue recognition accounting policy been adopted for the half-year ended 31 December 2018, there would be no adjustment to sales revenue recognised in the current financial period.

AASB 9 Financial Instruments – Impact of Adoption

The Group has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Group has changed its accounting policy for financial instruments as detailed below.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

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

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has determined that the application of AASB 9's requirements at transition 1 July 2018 did not result in a material adjustment.

Going Concern

For the half-year ended 31 December 2018, the Group incurred a consolidated loss after income tax of \$3.312 million and a net cash outflow from operations of \$0.594 million, and as of that date, the Group had a net current liability position of \$83.590 million (which includes a growers scheme liability of \$81.059 million, annual concession fees of \$0.426 million and amount due to founder shareholder of \$2.055 million) and had cash on hand of \$0.103 million.

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

In the last 15 months, the Management together with the Growers Action Committee (who were appointed by the Growers at the last General Meeting) have been exploring various sale options. However, viable proposals for an outright cash sale has not been forthcoming due to the current climate and circumstances, including the current CPO prices, the global economic uncertainty, the local political and economic situation and the location of our Plantation in Gua Musang, Kelantan.

As such the Management and the Growers Action Committee is proposing a scheme whereby the plantation will continue operations and may include new finance from a potential investor. This proposal is to be presented for approval by the Growers at a general meeting to be convened.

The Group is now in discussion with their professional advisors on the different model(s) to be presented to the Growers, so as to continue with the operations of the plantation. As at this date this has not been finalised yet. The model will also include a "white knight" to support the funding arrangements for the plantation and the restructuring of the Growers Scheme liability, which will require Growers approval in a General Meeting. In addition, the Group is also in discussion with the state agency for the settlement of the outstanding concession fees and different proposals are in hand.



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

Going Concern (Cont'd)

As the above scheme is the sole business operation of the Group, the ability of the Group to continue as a going concern is dependent on the successful implementation of the restructuring of the growers scheme liability, the successful securing additional funding for the plantation, the settlement of the outstanding concession fees and the continued financial support of its founder shareholder. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- the ongoing discussions regarding the implementation of the proposed model for the restructuring of the Growers Scheme;
- the ability to secure additional funding for the plantation;
- the ongoing discussions with state agency in settling the outstanding concession fees; and
- the continued financial support from the founder shareholder, by way drawing further funds from the working capital facility for a period of at least 12 months from the date of this report.

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

2. CASH AND CASH EQUIVALENTS

	31 December 2018	30 June 2018
	\$'000	\$'000
Cash at bank	103	71
Deposits with licensed bank	-	134
	103	205

3. OTHER CURRENT ASSETS

	31 December 2018	30 June 2018
	\$'000	\$'000
Other current assets		
Prepayments and deposits	116	136
Other receivables *	162	128
	278	264

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



4. NON-CURRENT ASSETS HELD FOR SALE

	Note	31 December 2018	30 June 2018
		\$'000	\$'000
Biological Assets	5	-	15
Property Plant And Equipment	6	-	9,299
Bearer Plants	7	-	24,024
		-	33,338

For the year ended 30 June 2018, non-current assets are classified as held for sale, if their carrying amount will be recovered principally through sale transaction rather than through continuing use as the sale is considered to be highly probable. The carrying amount of non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell. Non-current assets are not depreciated while they are classified as held for sale.

In October 2017, following the decision by the Group to close the Growers Scheme (see below for further details) the Group has been actively looking for buyers to sell the plantation (which includes the Property, Plant and Equipment and Bearer Plants).

However, viable proposals for an outright cash sale has not been forthcoming due to the current climate and circumstances, including the current CPO prices, the global economic uncertainty, the local political and economic situation and the location of our Plantation in Kelantan. As such the Management and the Growers Action Committee is proposing a scheme whereby the plantation will continue operation and may include new finance from potential investor. The Management and the Growers Action Committee decided to sustain the plantation within affordability for now, until a meaningful exit strategy can be finalised. The non-current assets held for sale is now reclassified back to its original classification.

5. BIOLOGICAL ASSETS

	31 December 2018	30 June 2018
	\$'000	\$'000
Carrying amount at beginning	-	43
Fair value adjustment	(2)	(31)
Effect of foreign exchange	(1)	3
Transfer from/(to) non-current asset held for sale (note 4)	15	(15)
Carrying amount at end	12	-

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



6. PROPERTY PLANT AND EQUIPMENT

	31 December 2018 \$'000	30 June 2018 \$'000
<i>Capital work-in-progress</i>		
At cost	8	8
	<u>8</u>	<u>8</u>
<i>Buildings</i>		
At cost	2,485	2,433
Less: accumulated depreciation	(884)	(865)
	<u>1,601</u>	<u>1,568</u>
<i>Motor vehicles</i>		
At cost	427	426
Less: accumulated depreciation	(336)	(331)
	<u>91</u>	<u>95</u>
<i>Office Equipment</i>		
At cost	259	253
Less: accumulated depreciation	(198)	(190)
	<u>61</u>	<u>63</u>
Plantation property, plant & equipment		
<i>Plantation equipment and machinery</i>		
At cost	2,069	2,026
Less: accumulated depreciation	(990)	(970)
	<u>1,079</u>	<u>1,056</u>
<i>Leasehold Improvement</i>		
At cost	7,379	7,206
Less: accumulated depreciation	(711)	(697)
	<u>6,668</u>	<u>6,509</u>
Transfer to non-current asset held for sale (note 4)	-	(9,299)
Total property, plant and equipment	9,508	-

7. BEARER PLANTS

	31 December 2018 \$'000	30 June 2018 \$'000
Carrying amount at beginning of period	-	22,583
Changes in fair value of Bearer Plants	(2,365)	(920)
Effect of foreign exchange	454	2,361
Transfer from/(to) non-current asset held for sale (note 4)	24,024	(24,024)
Carrying amount at end of period	22,113	-

The Bearer Plants of the Company are stated at fair value less point-of-sale costs.

The movements in Bearer plants during the period include the effect of foreign exchange and the decline of FFB price.



7. BEARER PLANTS (Cont'd)

For the year ended 30 June 2018 both PPE and Bearer Plants was reclassified to non-current assets held for sale as its Subsidiary, GPGB, took the decision to close the Growers Scheme and at a Growers meeting which was held on 2 October 2017 agreed to close the Growers Scheme and GPGB will within 12 months from 2 October 2017 structure an optimal realisation proposal to sell the plantation and the proceeds of the sale will be used to fully settle Grower Fee Liability.

However, viable proposals for an outright cash sale has not been forthcoming due to the current climate and circumstances, including the current CPO prices, the global economic uncertainty, the local political and economic situation and the location of our Plantation in Kelantan.

As such the Management and the Growers Action Committee is proposing a scheme whereby the plantation will continue operation and may include new finance from potential investor.

An independent valuer Messrs Ian Scott International was engaged to conduct an independent valuation for the carrying value of the Bearer Plants. Refer to note 11 for the key inputs in the valuation.

8. TRADE AND OTHER PAYABLES

	31 December 2018	30 June 2018
	\$'000	\$'000
<i>Current</i>		
Trade and Other payables	887	555
	887	555

Current trade and other payables are non-interest bearing and are normally settled on 30 day terms except for the amount owing to state agency. The Group is in discussion with the state agency for the settlement of the outstanding concession fees and different proposals are in hand.

9. BORROWINGS

	31 December 2018	30 June 2018
	\$'000	\$'000
Current		
Shareholder advances	2,055	1,471
	2,055	1,471

The unsecured loan from a founder shareholder is a standby credit line of up to RM8 million equivalents to \$2.738 million of which RM5.490 million (\$1.879 million) is drawn down as at 31 December 2018. Interest of RM0.513 million (\$0.176 million) is also included in the borrowings. The loan is repayable on demand and may be drawn down from time to time for working capital purposes. Interest is payable at the base lending rate of a leading Malaysian financial institution of an average of 4.52% per annum. There are no conversion rights attached to the loan. The shareholder has undertaken not to recall this loan in the next 12 months unless the Group has the funds to repay the facility.



10. GROWERS SCHEME LIABILITY

	31 December 2018 \$'000	30 June 2018 \$'000
Current		
Financial liability at cost	81,059	79,363

The difference in 30 June 2018 and 31 December 2018 is due to exchange rate differences.

	31 December 2018 \$'000	30 June 2018 \$'000
Carrying amount at beginning of year	79,363	76,423
Growers fees received	-	1,183
Change in fair value	-	(2,576)
Net yield payable (net of payment)	-	(3,481)
Effect of foreign exchange	1,696	7,814
Carrying amount at end of year	81,059	79,363

For the year ended 31 December 2018, the carrying amount of growers scheme liability is is \$81.059 million (2017:\$79.363 million) calculated at cost which is the amount due to the growers for the initial investment that was paid to the scheme plus accrual of 9% net yield up to the date of decision to close the scheme during FY2018. The liability will be capped to the amount of net proceeds from the sale of the plantation less cost to sell.

The Group is now in discussion with their professional advisors on the different model(s) to be presented to the Growers in regards to the restructuring of the Growers Scheme liability, which will require Growers approval in a General Meeting.

11. FAIR VALUES

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

Fair value hierarchy

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

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

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

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

11. 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 31 December 2018 as required by AASB 13.93 (a) and (b).

31 December 2018	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Non-financial assets:				
Bearer Plants	-	-	22,113	22,113
Total Financial assets and non-financial assets	-	-	22,113	22,113
Financial liabilities:				
Growers Fees	-	-	-	-
Total financial liabilities	-	-	-	-
30 June 2018	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Non-financial assets:				
Bearer Plants	-	-	-	-
Total Financial assets and non-financial assets	-	-	-	-
Financial liabilities:				
Growers Fees	-	-	-	-
Total financial liabilities	-	-	-	-

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

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

Valuation processes applied by the Group for Level 3 fair values

11. FAIR VALUES (CONT'D)

b) Valuation techniques

Financial instrument	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<u>Non-Financial assets</u>	Discounted cash flows method and cost comparison method.	(a) Discount rate (9%);	The higher the discount rate, the lower the fair value of the biological assets would be.
Bearer Plants		(b) Average FFB production ranges from a minimum yield of 6 metric tonnes per hectare to a maximum of 28 metric tonnes per hectare;	The higher the palm oil yield, the higher the fair value.
		(c) Average price of FFB at AUD182 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.

12. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2018 (2017: nil).



13. OPERATING SEGMENTS

Identification of reportable segments

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

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

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

Types of products and services

Oil palm

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

Accounting policies and inter-segment transactions

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

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

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

The following table presents revenue and loss information regarding reportable segments for the half-year ended 31 December 2018 and 31 December 2017:

	Oil Palm	Unallocated	Total
	\$'000	\$'000	\$'000
Half year ended 31 December 2018			
Revenue			
Sales of goods	748	-	748
Finance income – interest	1	-	1
Total revenue per the statement of comprehensive income	749	-	749
Timing of revenue recognition			
At a point in time	749	-	749
Overtime	-	-	-
Total revenue per the statement of comprehensive income	749	-	749



OPERATING SEGMENTS (cont'd)

Result

Segment result	(3,250)	-	(3,250)
Unallocated result	-	(62)	(62)
Net loss before income tax per the statement of profit or loss and other comprehensive income	(3,250)	(62)	(3,312)

Assets and liabilities

Segment assets	32,028	-	32,028
Unallocated assets	-	4	4
Total assets per the statement of financial position	32,028	4	32,032

Total assets includes:

Purchase of PPE	6	-	6
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Segment liabilities	81,881	-	81,881
Unallocated liabilities	-	2,143	2,143
Total liabilities per the statement of financial position	81,881	2,143	84,024

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

Half year ended 31 December 2017

Revenue

Sales of goods	950	-	950
Finance income – interest	17	-	17
Total revenue per the statement of comprehensive income	967	-	967

Timing of revenue recognition

At a point in time	967	-	967
Overtime	-	-	-
Total revenue per the statement of comprehensive income	967	-	967

Result

Segment result	3,890	-	3,890
Unallocated result	-	(55)	(55)
Net loss before income tax per the statement of profit or loss and other comprehensive income	3,890	(55)	3,835

Assets and liabilities

Segment assets	33,531	-	33,531
Unallocated assets	-	32	32
Total assets per the statement of financial position	33,531	32	33,563



OPERATING SEGMENTS (cont'd)

Total assets includes:

Purchase of PPE	176	-	176
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OPERATING SEGMENTS (cont'd)

Segment liabilities	75,250	-	75,250
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Unallocated liabilities	-	1,220	1,220
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Total liabilities per the statement of financial position	75,250	1,220	76,470
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14. COMMITMENTS AND CONTINGENCIES

There have been no other material changes to or additional commitments or contingencies to those disclosed in the 30 June 2018 annual report.

15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect, the operations of Sterling Plantations Limited and its controlled entities, the results of those operations or the state of affairs of Sterling Plantations Limited and its controlled entities in subsequent years.



Directors' Declaration

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

1) In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act, 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) subject to matters set out in note 1 "going concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2018.

On behalf of the Board of Directors

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

Dato' CRS Paragash
Executive Chairman
Perth 28 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sterling Plantations Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sterling Plantations Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

Independence

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a small, faint BDO logo.

Neil Smith

Director

Perth, 28 February 2019