

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENT FROM CHIEF EXECUTIVE OFFICER

I, Darrel Arthur Webber, representing The Roundtable on Sustainable Palm Oil, do hereby state that the financial statements set out on pages 6 to 42 are drawn up so as to give a true and fair view of the state of affairs of The Roundtable on Sustainable Palm Oil Group and The Roundtable on Sustainable Palm Oil as at 30 June 2018 and of the results and cash flows of The Roundtable on Sustainable Palm Oil Group and The Roundtable on Sustainable Palm Oil for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 18 October 2018.



DARREL ARTHUR WEBBER  
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of The Roundtable on Sustainable Palm Oil ("RSPO") and its subsidiary ("RSPO Group") give a true and fair view of the financial position of RSPO Group and of RSPO as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### What we have audited

We have audited the financial statements of RSPO Group and of RSPO, which comprise the statement of assets, liabilities and fund balances as at 30 June 2018 of RSPO Group and of RSPO, and the statement of income and expenditure, statement of comprehensive income, statements of changes in equity and cash flow statements of RSPO Group and of RSPO for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 42.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

#### Independence and other ethical responsibilities

We are independent of RSPO Group and of RSPO in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Responsibilities of the Board of Governors for the financial statements

The Board of Governors of RSPO are responsible for the preparation of the financial statements of RSPO Group and of RSPO that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board of Governors are also responsible for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements of RSPO Group and of RSPO that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of RSPO Group and of RSPO, the Board of Governors are responsible for assessing RSPO Group's and RSPO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate RSPO Group or RSPO or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of RSPO Group and RSPO as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of RSPO Group and of RSPO, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 RSPO Group's and RSPO's internal control.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.
- (d) Conclude on the appropriateness of the Board of Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RSPO Group's or RSPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of RSPO Group and of RSPO or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RSPO Group or RSPO to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of RSPO Group and of RSPO, including the disclosures, and whether the financial statements of RSPO Group and of RSPO represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RSPO Group to express an opinion on the financial statements of RSPO Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

This report is made solely to the members of RSPO, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'Rina. I. ...', is written over the printed name of the firm.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur, Malaysia  
18 October 2018

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENT OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	RSPO Group		RSPO	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>INCOME</b>					
Subscription income	4	16,147	14,055	16,147	14,055
Contributions from sustainable palm oil trade	5	27,188	25,838	27,188	25,838
Interest income from fixed deposits		389	473	389	473
Other income		8	140	7	138
		<u>43,732</u>	<u>40,506</u>	<u>43,731</u>	<u>40,504</u>
<b>LESS: EXPENDITURE</b>					
Staff costs	6	9,901	9,652	-	-
Management fees		-	-	13,900	12,425
Recruitment expenses		374	225	-	-
Professional fees		848	486	287	269
Office rental		1,186	1,044	-	-
Travelling expenses		-	1	-	1
Consultancy fees		3,554	3,467	3,554	3,467
Trademark and patent		68	122	68	122
Board of Governors meeting expenses		114	156	114	156
General assembly		97	159	97	159
Roundtable meetings deficit	7	991	1,176	991	1,176
Dispute Settlement Facility					
Trustee Fee		24	48	24	48
Bad debts written off		191	190	191	190
Allowance for doubtful debts		1,262	433	1,262	433
Net foreign exchange losses	8	400	1,478	355	1,421
Auditors' remuneration		66	64	36	36
Depreciation		466	291	-	-
Other expenditure		2,173	1,716	1,150	1,096
		<u>21,715</u>	<u>20,708</u>	<u>22,029</u>	<u>20,999</u>
Project costs	9	22,864	19,924	22,864	19,924
		<u>44,579</u>	<u>40,632</u>	<u>44,893</u>	<u>40,923</u>
<b>DEFICIT OF INCOME OVER EXPENDITURE BEFORE TAXATION</b>					
TAXATION	10	(847)	(126)	(1,162)	(419)
		<u>(276)</u>	<u>(165)</u>	<u>(67)</u>	<u>(33)</u>
<b>DEFICIT OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR</b>					
		<u>(1,123)</u>	<u>(291)</u>	<u>(1,229)</u>	<u>(452)</u>

The notes on pages 15 to 42 form an integral part of these financial statements.



THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	<u>Note</u>	<u>RSPO Group</u>		<u>RSPO</u>	
		<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000
DEFICIT OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		(1,123)	(291)	(1,229)	(452)
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		<u>(2,193)</u>	<u>2,544</u>	<u>(2,193)</u>	<u>2,544</u>
Other comprehensive (loss)/income for the financial year, net of tax		<u>(2,193)</u>	<u>2,544</u>	<u>(2,193)</u>	<u>2,544</u>
Total comprehensive (loss)/income for the financial year		<u><u>(3,316)</u></u>	<u><u>2,253</u></u>	<u><u>(3,422)</u></u>	<u><u>2,092</u></u>

The notes on pages 15 to 42 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES AS AT 30 JUNE 2018

	Note	RSPO Group		RSPO	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	844	702	-	-
Deferred tax assets	12	150	241	118	121
Investment in a subsidiary	13	-	-	500	500
		<u>994</u>	<u>943</u>	<u>618</u>	<u>621</u>
<b>CURRENT ASSETS</b>					
Membership subscription receivable fees	14	2,822	3,814	2,822	3,814
Other receivables, deposits and prepayments	15	6,923	5,003	6,280	4,480
Tax recoverable		317	-	251	53
Sponsorship fund	19	128	-	128	-
Cash and bank balances	16	24,083	33,865	23,965	33,561
Fixed deposits with a licensed bank	17	16,024	15,507	16,024	15,507
		<u>50,297</u>	<u>58,189</u>	<u>49,470</u>	<u>57,415</u>
<b>LESS : CURRENT LIABILITIES</b>					
Deferred subscription income	4	6,890	6,597	6,890	6,597
Prepaid membership fees	4	719	937	719	937
Other payables and accruals	18	5,962	6,110	5,345	5,506
Current tax liabilities		-	12	-	-
		<u>13,571</u>	<u>13,656</u>	<u>12,954</u>	<u>13,040</u>
<b>NET CURRENT ASSETS</b>		<u>36,726</u>	<u>44,533</u>	<u>36,516</u>	<u>44,375</u>
<b>NET ASSETS</b>		<u><u>37,720</u></u>	<u><u>45,476</u></u>	<u><u>37,134</u></u>	<u><u>44,996</u></u>
<b>TOTAL EQUITY</b>		<u><u>37,720</u></u>	<u><u>45,476</u></u>	<u><u>37,134</u></u>	<u><u>44,996</u></u>

The notes on pages 15 to 42 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	<u>Note</u>	<u>Members' fund</u> RM'000	<u>Smallholders' fund</u> RM'000	<u>Special project fund</u> RM'000	<u>Accumulated fund</u> RM'000	<u>Currency translation reserves</u> RM'000	<u>Total equity</u> RM'000
<u>RSPO Group</u>							
<u>2018</u>							
At 1 July 2017		10,623	14,122	15,018	39,763	5,713	45,476
Deficit of income over expenditure for the financial year		(1,123)	-	-	(1,123)	-	(1,123)
<u>Other comprehensive income</u>							
- Currency translation differences		-	-	-	-	(2,193)	(2,193)
Total comprehensive loss		(1,123)	-	-	(1,123)	(2,193)	(3,316)
Project disbursements for the financial year		-	(2,471)	(1,969)	(4,440)	-	(4,440)
		<u>9,500</u>	<u>11,651</u>	<u>13,049</u>	<u>34,200</u>	<u>3,520</u>	<u>37,720</u>
Transfer to Smallholders' fund	20	-	-	-	-	-	-
At 30 June 2018		<u><u>9,500</u></u>	<u><u>11,651</u></u>	<u><u>13,049</u></u>	<u><u>34,200</u></u>	<u><u>3,520</u></u>	<u><u>37,720</u></u>

The notes on pages 15 to 42 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

	<u>Note</u>	<u>Members' fund</u> RM'000	<u>Smallholders' fund</u> RM'000	<u>Special project fund</u> RM'000	<u>Accumulated fund</u> RM'000	<u>Currency translation reserves</u> RM'000	<u>Total equity</u> RM'000
<u>2017</u>							
At 1 July 2016, as restated		13,498	13,761	17,809	45,068	3,169	48,237
Deficit of income over expenditure for the financial year		(291)	-	-	(291)	-	(291)
<u>Other comprehensive (loss)/income</u>							
- Currency translation differences		-	-	-	-	2,544	2,544
Total comprehensive (loss)/income		(291)	-	-	(291)	2,544	2,253
Project disbursements for the financial year		-	(2,223)	(2,791)	(5,014)	-	(5,014)
		<u>13,207</u>	<u>11,538</u>	<u>15,018</u>	<u>39,763</u>	<u>5,713</u>	<u>45,476</u>
Transfer to Smallholders' fund	20	(2,584)	2,584	-	-	-	-
At 30 June 2017		<u><u>10,623</u></u>	<u><u>14,122</u></u>	<u><u>15,018</u></u>	<u><u>39,763</u></u>	<u><u>5,713</u></u>	<u><u>45,476</u></u>

The notes on pages 15 to 42 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

<u>RSPO</u>	<u>Note</u>	<u>Members'</u> <u>fund</u> <u>RM'000</u>	<u>Smallholders'</u> <u>fund</u> <u>RM'000</u>	<u>Special project</u> <u>fund</u> <u>RM'000</u>	<u>Accumulated</u> <u>fund</u> <u>RM'000</u>	<u>Currency</u> <u>translation</u> <u>reserves</u> <u>RM'000</u>	<u>Total</u> <u>equity</u> <u>RM'000</u>
<u>2018</u>							
At 1 July 2017		10,143	14,122	15,018	39,283	5,713	44,996
Deficit of income over expenditure for the financial year		(1,229)	-	-	(1,229)	-	(1,229)
<u>Other comprehensive loss</u>							
- Currency translation differences		-	-	-	-	(2,193)	(2,193)
Total comprehensive loss		(1,229)	-	-	(1,229)	(2,193)	(3,422)
Project disbursements for the financial year		-	(2,471)	(1,969)	(4,440)	-	(4,440)
		<u>8,914</u>	<u>11,651</u>	<u>13,049</u>	<u>33,614</u>	<u>3,520</u>	<u>37,134</u>
Transfer to Smallholders' fund	20	-	-	-	-	-	-
At 30 June 2018		<u><u>8,914</u></u>	<u><u>11,651</u></u>	<u><u>13,049</u></u>	<u><u>33,614</u></u>	<u><u>3,520</u></u>	<u><u>37,134</u></u>

The notes on pages 15 to 42 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Members' fund RM'000	Smallholders' fund RM'000	Special project fund RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
<u>2017</u>						
At 1 July 2016	13,179	13,761	17,809	44,749	3,169	47,918
Deficit of income over expenditure for the financial year	(452)	-	-	(452)	-	(452)
<u>Other comprehensive (loss)/income</u>						
- Currency translation differences	-	-	-	-	2,544	2,544
Total comprehensive (loss)/income	(452)	-	-	(452)	2,544	2,092
Project disbursements for the financial year	-	(2,223)	(2,791)	(5,014)	-	(5,014)
	12,727	11,538	15,018	39,283	5,713	44,996
Transfer to Smallholders' fund	(2,584)	2,584	-	-	-	-
At 30 June 2017	10,143	14,122	15,018	39,283	5,713	44,996

The notes on pages 15 to 42 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	RSPO Group		RSPO	
	<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Deficit of income over expenditure for the financial year	(1,123)	(291)	(1,229)	(452)
Adjustments for non-cash items:				
Taxation	276	165	67	33
Depreciation	467	291	-	-
Allowance for doubtful debts	1,262	433	1,262	433
Bad debts written off	191	(190)	191	(190)
Interest income	(389)	(473)	(389)	(473)
Operating surplus/(deficit) before working capital changes and fund disbursements	684	(65)	(98)	(649)
Unrealised foreign exchange (losses)/gains	(2,193)	2,544	(2,193)	2,544
Smallholder fund disbursements	(2,471)	(2,223)	(2,471)	(2,223)
Special projects fund disbursements	(1,969)	(2,791)	(1,969)	(2,791)
Changes in working capital:				
Membership subscription fee receivable	(461)	(1,744)	(461)	(1,744)
Other receivables, deposits and prepayments	(1,910)	1,140	(1,773)	1,271
Deferred subscription income	293	1,211	293	1,211
Prepaid membership fees	(218)	491	(218)	491
Other payables and accruals	(131)	1,382	(161)	986
Sponsorship fund	(127)	-	(127)	-
Cash used in operations	(8,503)	(55)	(9,178)	(904)
Interest received	361	550	361	549
Tax paid	(514)	(305)	(262)	(101)
Net cash used in operating activities	(8,656)	190	(9,079)	(456)

The notes on pages 15 to 42 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

	RSPO Group		RSPO	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(609)	(611)	-	-
Additional investment in a subsidiary	-	-	-	(150)
	(609)	(611)	-	(150)
Net cash used in investing activities	(609)	(611)	-	(150)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(9,265)	(421)	(9,079)	(606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	49,372	49,793	49,068	49,674
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	40,107	49,372	39,989	49,068
Cash and cash equivalents comprise:				
Cash and bank balances	16	24,083	23,965	33,561
Fixed deposits with a licensed bank		16,024	16,024	15,507
		40,107	39,989	49,068
		40,107	39,989	49,068

The notes on pages 15 to 42 form an integral part of these financial statements.



# THE ROUNDTABLE ON SUSTAINABLE PALM OIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 1 GENERAL INFORMATION

The principal activity of RSPO Group is to organise programmes which involve the promotion of growth and the use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders. RSPO is a “not-for-profit” organisation.

The address of principal place of business of RSPO is Unit A-37-1, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements of The Roundtable of Sustainable Palm Oil (RSPO) have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Board of Governors to exercise their judgment in the process of applying the RSPO Group and RSPO’s accounting policies. Although these estimates and judgment are based on the Board of Governors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in Note 3.

During the financial year, the RSPO Group and RSPO have considered the new accounting pronouncements in the preparation of the financial statements, as follows:

- (b) Accounting pronouncements that have been adopted in preparing these financial statements
- Amendments to MFRS 107 "Statement of Cash Flows" - Disclosure Initiative
  - Amendments to MFRS 112 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses
  - Annual Improvements to MFRSs 2014-2016 Cycle: MFRS 12 “Disclosure of Interests in Other Entities”

The adoption of the above amendments to existing standards did not have any significant impact on the financial statements of RSPO Group and RSPO.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements

(i) Standards where the RSPO Group and RSPO had assessed and the potential impact had been quantified

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to an entity’s own credit risk is recognised directly in OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements (continued)
- (i) Standards where the RSPO Group and RSPO had assessed and the potential impact had been quantified (continued)
- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement” (continued)

There will be no impact on the RSPO Group and RSPO’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the RSPO Group and RSPO do not have any such financial liabilities. The derecognition rules have been transferred from MFRS 139 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. The RSPO Group and RSPO are currently assessing the financial impact that may arise from the adoption of the above accounting pronouncements.

MFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the RSPO Group and RSPO’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The RSPO Group and RSPO intend to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The RSPO Group and RSPO are currently assessing the financial impact that may arise from the adoption of the above accounting pronouncements. The RSPO Group and RSPO does not expect any significant impact may arise from the adoption of the above accounting pronouncements.

(ii) Interpretation and amendments that are effective after 1 January 2019

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The RSPO Group and RSPO are currently assessing the financial impact that may arise from the adoption of the above accounting pronouncements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (d) Subsidiaries

Subsidiaries are those corporations in which RSPO Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to RSPO Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over RSPO Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill.

Intergroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of RSPO Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and RSPO Group's share of its net assets together with any unamortised balance or goodwill on acquisition and exchange differences which were not previously recognised in the consolidated statement of income and expenditure.

##### (e) Investments

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(g) on impairment of non-financial assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the statement of income and expenditure.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Computers and software	33 1/3%
Furniture and fittings	20%
Office equipment	20%
Renovation	50%

At each balance sheet date, the RSPO Group and RSPO assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(p) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of income and expenditure from operations.

(g) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to statement of income and expenditure unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in statement of income and expenditure unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(h) Income recognition

Subscription income from members is recognised on an accrual basis.

Other operating income is recognised when the right to receive payment is established.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that RSPO Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(j) Cash and cash equivalents

For purposes of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(k) Provisions

Provisions are recognised when the RSPO Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(l) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional and presentation currency of the RSPO is US Dollar and Ringgit Malaysia respectively.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (m) Foreign currencies (continued)

###### (ii) Foreign currency transactions and balances

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

###### (ii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statements of income and expenditure are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

##### (n) Current and deferred tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.



## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (n) Current and deferred tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### (p) Financial instruments

###### (i) Financial assets

###### Classification, measurement and de-recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The RSPO's loans and receivables comprise 'Membership subscription fees receivables', 'Other receivables, deposits and prepayments', 'Cash and bank balances' and 'Fixed deposits with a licensed bank' in the statement of assets, liabilities and fund balances (Notes 14,15,16 and 17).

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables and subsequently carried at amortised cost using the effective interest method.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the RSPO Group and RSPO have transferred substantially all risks and rewards of ownership.

Gains and losses arising from the de-recognition of the loans and receivables, amortisation and impairment losses are recognised in profit or loss.

###### Impairment of financial assets

The RSPO Group and RSPO assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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 where 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.

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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(ii) Financial liabilities

Classification, measurement and de-recognition

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Other financial liabilities of the RSPO Group and RSPO comprise 'Other payables and accruals' in the statement of assets, liabilities and fund balances (Notes 18).

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the other financial liabilities are derecognised, and through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

(iii) Fair value estimation for disclosure purposes

In assessing the fair value of non-traded financial instruments, the RSPO Group and RSPO use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the RSPO Group and RSPO.

The face values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate the fair values.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of RSPO Group.

(ii) Post-employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which RSPO Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

RSPO Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, RSPO Group has no further payment obligations.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The RSPO's financial risk management objective is to optimise value creation whilst minimising the potential adverse impact arising from fluctuations in foreign exchange rates and the unpredictability of the financial markets.

RSPO operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Governors. Financial risk management is carried out through internal control system and adherence to RSPO financial risk management policies. RSPO is exposed mainly to market risk, credit risk, liquidity and cash flow risk, financial risk, and seasonality. Information on the management of the related exposures are detailed below:

(a) Market risk

RSPO is exposed to market risk from fluctuation in foreign currency exchange rates, which could affect its financial position, results of operations and cash flows. RSPO manages its exposure to market risk through its regular operating activities.

(b) Credit risk

RSPO's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the statement of financial position reduced by the effects of any netting arrangements with counterparties.

RSPO Group does not have any major concentration of credit risk related to any individual or counterparty other than bank in which the cash deposits are held.

RSPO Group's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Board of Governors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

(c) Liquidity and cash flow risk

Liquidity risk arises from RSPO's management of working capital. It is the risk that RSPO will encounter difficulties in meeting its financial obligations when due.

RSPO's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practices prudent liquidity risk management by maintaining sufficient cash and bank balances.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### (c) Liquidity and cash flow risk (continued)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>RSPO Group</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>5,962</u>	<u>6,110</u>
<u>RSPO</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>5,345</u>	<u>5,506</u>

##### (d) Capital risk management policies and procedures

The primary objective of the RSPO's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The capital structure of RSPO consists of equity of RSPO (comprising share capital and retained earnings as disclosed in the statement of changes in equity). RSPO manages its capital structure and makes adjustments to it, in light of changes in economic conditions. RSPO is not subject to any externally imposed capital requirements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 4 SUBSCRIPTION INCOME

Subscription income from members worldwide amounting to RM16,147,000 (2017: RM14,055,000) was recognised during the financial year.

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Ordinary member	15,082	13,151
Affiliate member	133	133
Supply chain associate	932	771
	<u>16,147</u>	<u>14,055</u>

The number of members registered as at 30 June 2018 is 3,920 (2017: 3,422), including associate members 2,129 (2017: 1,776).

Subscription income is recognised on a straight-line basis over the subscription period. Deferred subscription income represents the unearned income as at the end of the reporting period. Prepaid membership fees represent the advance payment received for membership application.

#### 5 CONTRIBUTIONS FROM SUSTAINABLE PALM OIL TRADE

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Certificate trading	6,726	8,443
Segregated and mass balance trading	20,462	17,395
	<u>27,188</u>	<u>25,838</u>

The RSPO receives a contribution of USD1 per tonne from credit trades, charged to buyer of certificates. In addition, the RSPO receives a contribution of USD1 per tonne from first transactions under the segregated and mass balance supply claims. The USD 1 per tonne levy is charged to the first buyer in the supply chain. The registration for these transactions under PalmTrace is operated by Rainforest Alliance.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 6 STAFF COSTS

	<u>RSPO Group</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Wages, salaries and bonuses	8,364	8,224
Defined contribution plan	856	718
Other employee benefits and compensations	681	710
	<u>9,901</u>	<u>9,652</u>

Included in staff costs is the remuneration of 2 Executive Directors (2017: 2) of RSPO Secretariat Sdn Bhd of RM1,169,000 (2017: RM1,231,000).

#### 7 ROUNDTABLE MEETINGS DEFICIT

During the year, 2 Roundtable events were held by the RSPO (2017: 2). The amount expended was more than income received.

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Annual Roundtable Meetings</u>		
Collections and sponsorships	2,152	1,873
Expenses	(2,847)	(2,446)
	<u>(695)</u>	<u>(573)</u>
 <u>European Roundtable Meetings</u>		
Collections and sponsorships	812	694
Expenses	(1,108)	(1,297)
	<u>(296)</u>	<u>(603)</u>
 Total deficits	<u>(991)</u>	<u>(1,176)</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 8 NET FOREIGN EXCHANGE LOSSES

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	<u>400</u>	<u>1,478</u>	<u>355</u>	<u>1,421</u>

#### 9 PROJECT COSTS

	RSPO Group and RSPO	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Biodiversity High Conservation Value	849	1,724
Certification	3,035	1,431
Greenhouse Gas	650	525
Smallholder	591	821
Supply Chain	817	215
Other Technical	2,809	2,671
Complaints	194	1,117
Dispute Settlement Facility	2	159
Impact and Evaluation	1,127	614
Communications agency fees	4,872	3,014
Outreach activities	4,215	2,230
Communication campaigns	419	346
Media and others	835	2,607
Website	754	577
Strategic Projects	960	1,058
Secretariat Projects	248	348
Overseas Offices	487	467
	<u>22,864</u>	<u>19,924</u>

Project costs relate to expenditure incurred to organise programmes for the promotion of growth and the use of sustainable palm oil.



## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 10 TAXATION

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- current financial year	124	231	18	55
- under provision in prior financial years	61	14	46	21
	<u>185</u>	<u>245</u>	<u>64</u>	<u>76</u>
Deferred tax (Note 12):				
- origination and reversal of temporary differences	91	(80)	3	(43)
Total tax expense	<u>276</u>	<u>165</u>	<u>67</u>	<u>33</u>

The explanation of the relationship between tax expense and surplus of income over expenditure before taxation:

#### Numerical reconciliation of effective tax expense

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Surplus of income over expenditure before taxation	<u>(847)</u>	<u>(126)</u>	<u>(1,162)</u>	<u>(419)</u>
Tax calculated at Malaysian tax rate for associations of 24.0% (2017: 24.5%)	(203)	(31)	(279)	(102)
Tax effects of:				
- income not subject to tax	(10,012)	(9,444)	(10,012)	(9,444)
- expenses not deductible for tax purposes	10,435	9,645	10,311	9,559
- foreign tax expense	14	-	-	-
- effects of scale tax rate	(32)	(31)	(12)	(13)
- deferred tax assets not recognised	13	12	13	12
- under provision of tax in prior financial year	61	14	46	21
	<u>276</u>	<u>165</u>	<u>67</u>	<u>33</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

	<u>Computers and software</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>RSPO Group</u>					
<u>2018</u>					
<u>Cost</u>					
At 1 July 2017	596	349	213	451	1,609
Additions	249	100	33	227	609
Disposals	-	(1)	-	-	(1)
At 30 June 2018	<u>845</u>	<u>448</u>	<u>246</u>	<u>678</u>	<u>2,217</u>
<u>Accumulated depreciation</u>					
At 1 July 2017	360	187	98	262	907
Charge for the year	147	64	37	219	467
Disposal	-	(1)	-	-	(1)
At 30 June 2018	<u>507</u>	<u>250</u>	<u>135</u>	<u>481</u>	<u>1,373</u>
<u>2017</u>					
<u>Cost</u>					
At 1 July 2016	437	208	106	247	998
Additions	159	141	107	204	611
At 30 June 2017	<u>596</u>	<u>349</u>	<u>213</u>	<u>451</u>	<u>1,609</u>
<u>Accumulated depreciation</u>					
At 1 July 2016	267	140	69	140	616
Charge for the year	93	47	29	122	291
At 30 June 2017	<u>360</u>	<u>187</u>	<u>98</u>	<u>262</u>	<u>907</u>
<u>Net book value</u>					
At 30 June 2018	<u><u>338</u></u>	<u><u>198</u></u>	<u><u>111</u></u>	<u><u>197</u></u>	<u><u>844</u></u>
At 30 June 2017	<u><u>236</u></u>	<u><u>162</u></u>	<u><u>115</u></u>	<u><u>189</u></u>	<u><u>702</u></u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 12 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of assets, liabilities, and accumulated fund balances:

	RSPO Group		RSPO	
	<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000
Subject to income tax				
- Deferred tax assets	<u>150</u>	<u>241</u>	<u>118</u>	<u>121</u>
At start of financial year	241	160	121	78
Credited/(charged) to income statement (Note 10)				
- property, plant and equipment	18	(30)	-	-
- unrealised foreign exchange gain	-	18	-	18
- other payables and accruals	(109)	93	(3)	25
	<u>(91)</u>	<u>81</u>	<u>(3)</u>	<u>43</u>
At end of financial year	<u>150</u>	<u>241</u>	<u>118</u>	<u>121</u>
Deferred tax assets				
Other payables and accruals	<u>162</u>	<u>271</u>	<u>118</u>	<u>121</u>
Amount before offsetting	162	271	118	121
Offsetting	(12)	(30)	-	-
	<u>150</u>	<u>241</u>	<u>118</u>	<u>121</u>
Deferred tax liabilities				
Property, plant and equipment	<u>12</u>	<u>30</u>	-	-
Amount before offsetting	12	30	-	-
Offsetting	(12)	(30)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

13 INVESTMENT IN A SUBSIDIARY

	<u>2018</u>	<u>RSPO</u> <u>2017</u>
	RM'000	RM'000
At 1 July 2017/2016	500	350
Addition in investment in a subsidiary	-	150
At 30 June	<u>500</u>	<u>500</u>

Details of the subsidiary are as follows:

<u>Direct subsidiary</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2018</u>	<u>2017</u>	
		%	%	
RSPO Secretariat Sdn Bhd	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.

14 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	<u>2018</u>	<u>RSPO Group and RSPO</u> <u>2017</u>
	RM'000	RM'000
Membership subscription fee receivable	4,419	4,448
Less: Allowance for doubtful debts	(1,597)	(634)
	<u>2,822</u>	<u>3,814</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 14 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

##### Past due but not impaired

The ageing analysis of these balances is as follows:

	Between 31 and 60 days <u>past due</u> RM'000	Between 61 and 90 days <u>past due</u> RM'000	Between 91 days and 180 days <u>past due</u> RM'000	More than 180 days <u>past due</u> RM'000	<u>Total</u> RM'000
At 30 June 2018	547	380	708	426	2,061
At 30 June 2017	281	284	693	1,595	2,853

##### Neither past due nor impaired

Membership subscription fee receivables of RM761,000 (2017: RM961,000) for the RSPO Group and RSPO, which are neither past due nor impaired are not significantly impacted by credit and default risks.

##### Impaired and provided for

Movement of the RSPO Group and RSPO's provision for impairment and write down of balances is as follows:

	<u>2018</u> RM'000	<u>2017</u> RM'000
At 1 July 2017/2016	634	587
Provision written off	(299)	(386)
Charged to statement of income and expenditure	1,262	433
At 30 June	1,597	634

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Receivable from supply chain fees of sustainable palm oil trade	4,419	3,789	4,419	3,789
Other receivables	1,519	302	1,503	278
Deposits	359	298	141	71
Prepayments	626	614	217	342
	<u>6,923</u>	<u>5,003</u>	<u>6,280</u>	<u>4,480</u>

As at 30 June 2018 and 30 June 2017, none of the other receivables and deposits of the RSPO Group and RSPO respectively were past due or impaired.

#### 16 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,204	2,371	1,086	2,067
United States Dollar	19,945	25,193	19,945	25,193
Euro	2,934	6,301	2,934	6,301
Ringgit Malaysia	<u>24,083</u>	<u>33,865</u>	<u>23,965</u>	<u>33,561</u>

Bank balances are deposits held at call with banks and bear no interest.

As at 30 June 2018, an amount of RM50,000 (2017: RM50,000) within bank balance represents money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 17 FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank are placed to earn interest income and is denominated in Ringgit Malaysia.

The average effective interest rates of the fixed deposits are between 2.75% and 3.15% (2017: 2.75% and 3.30%) per annum and the average maturity period is between 30 days to 365 days (2017: 28 days to 365 days).

#### 18 OTHER PAYABLES AND ACCRUALS

	RSPO Group		RSPO	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Project costs payables	2,569	4,317	2,569	4,317
Project costs accruals	2,241	5	2,241	5
Amount due to subsidiary	-	-	286	1,062
Other payables	590	596	205	40
Other accruals	562	1,192	44	82
	<u>5,962</u>	<u>6,110</u>	<u>5,345</u>	<u>5,506</u>

As at 30 June 2018, an amount of RM50,000 (2017: RM50,000) within other payables represents money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes.

The amount due to subsidiary is unsecured, interest free and has no fixed terms of repayment.

#### 19 SPONSORSHIP FUND

The sponsorship fund comprises contributions receivable from sponsors to meet specific project costs.

	RSPO Group and RSPO	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
UNICEF Small Scale Funding	<u>128</u>	<u>-</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 20 SMALLHOLDERS' FUND

The purpose of the Smallholders' fund is to support smallholders to be RSPO certified. The fund is managed by the Smallholder Fund Manager from the RSPO Secretariat Sdn Bhd and overseen by the Smallholder Fund Panel.

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
As at beginning of financial year	14,122	13,761
Less: Project disbursements paid during the financial year	(2,471)	(2,223)
	<u>11,651</u>	<u>11,538</u>
Add: Addition to fund	-	2,584
As at end of financial year	<u><u>11,651</u></u>	<u><u>14,122</u></u>

No allocation of funds was made to the Smallholders' Fund during the year. The amounts received by the fund in previous year comprise of 10% of revenue generated from sustainable palm oil trade.

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year	856	648
Later than 1 year but not later than 3 years	4,058	4,122
	<u>4,914</u>	<u>4,770</u>

This relates to projects that were approved or have been conditionally approved post year end by the Smallholder Fund Panel.



## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 21 SPECIAL PROJECTS FUND

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
As at beginning of financial year	15,018	17,809
Less: Project disbursements paid during the financial year		
- Digital media campaign	-	(84)
- Seed finance to DSF Trust Fund	-	(550)
- Outreach to Intermediary Organisations	(768)	(957)
- SEnSOR impacts project - Year 2	(600)	(800)
Project disbursements payable		
- SEnSOR impacts project - Year 1	-	(400)
- SEnSOR impacts project - Year 2	(600)	-
As at end of financial year	<u>13,050</u>	<u>15,018</u>

No allocation of funds was made to the Special Projects Fund during the year. Allocation to the fund can be varied at the discretion of the Board of Governors and its utilisation is subject to the approval of the Board of Governors.

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year		
- SEnSOR impacts project - Year 1	-	400
- SEnSOR impacts project - Year 2	600	1,200
- SEnSOR impacts project - Year 3	2,000	-
- Outreach to Intermediary Organisations	54	137
	<u>2,654</u>	<u>1,737</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 21 SPECIAL PROJECTS FUND (CONTINUED)

	<u>RSPO Group and RSPO</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Approved but not contracted:</u>		
Outreach to Intermediary Organisations	11,099	11,191
	<u>11,099</u>	<u>11,191</u>

This relates to special projects that have been approved by the Board of Governors. The project on Outreach to Intermediary Organisations has been designated as a three year project with an approved total funding equivalent to USD3,000,000.

#### 22 INDONESIA LIAISON OFFICE UNDER RSPO SECRETARIAT SDN BHD

The RSPO Secretariat Sdn Bhd has a liaison office in Indonesia, the RSPO Indonesia Liaison Office ("RILO"), and is registered as a Regional Representative Office ("RRO").

RRO expenses incurred in the Company during the year are as follows:

	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Staff costs	1,121	1,112
Other operating expenses	586	331
	<u>1,707</u>	<u>1,443</u>

#### 23 UNITED KINGDOM ESTABLISHMENT UNDER RSPO SECRETARIAT SDN BHD

The RSPO Secretariat Sdn Bhd has a registered office in United Kingdom in the form of a UK Establishment ("UK Office").

UK office expenses incurred in the Company during the year are as follows:

	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Staff costs	1,115	1,479
Other operating expenses	173	178
	<u>1,288</u>	<u>1,657</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 24 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

The RSPO Secretariat Sdn Bhd has registered a Representative Office in China ("China Representative Office").

China Representative Office expenses incurred in the Company during the year are as follows:

	<u>2018</u> RM'000	<u>2017</u> RM'000
Other operating expenses	<u>277</u>	<u>103</u>

#### 25 COLOMBIAN BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd has an office in Colombia, the RSPO Secretariat Sdn Bhd Sucursal Colombia, and is registered as a Colombia Branch Office.

The Colombia Branch Office expenses incurred in the Company during the year are as follows:

	<u>2018</u> RM'000	<u>2017</u> RM'000
Other operating expenses	<u>189</u>	<u>-</u>

#### 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>2018</u> RM'000	<u>RSPO</u> <u>2017</u> RM'000
Expenses for provision of services by the subsidiary:		
- Management fees	<u>13,900</u>	<u>12,425</u>

The related party transactions are in the normal course of business at the terms mutually agreed between all parties.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

#### 27 Financial instruments by category

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>RSPO Group</u>		
<u>Loans and receivables:</u>		
Membership subscription fees receivables	2,822	3,814
Other receivables and deposit (excludes prepayments)	6,297	4,389
Sponsorship fund	128	-
Cash and bank balances	24,083	33,865
Fixed deposits with a licensed bank	16,024	15,507
	<u>49,354</u>	<u>57,575</u>
<u>Other financial liabilities:</u>		
Other payables and accruals	5,962	6,110
	<u>5,962</u>	<u>6,110</u>
<u>RSPO</u>		
<u>Loans and receivables:</u>		
Membership subscription fees receivables	2,822	3,814
Other receivables and deposit (excludes prepayments)	6,063	4,138
Sponsorship fund	128	-
Cash and bank balances	23,965	33,561
Fixed deposits with a licensed bank	16,024	15,507
	<u>40,002</u>	<u>57,020</u>
<u>Other financial liabilities:</u>		
Other payables and accruals	5,345	5,506
	<u>5,345</u>	<u>5,506</u>

#### 28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 18 October 2018.