

THE ROUNDTABLE ON SUSTAINABLE PALM OIL
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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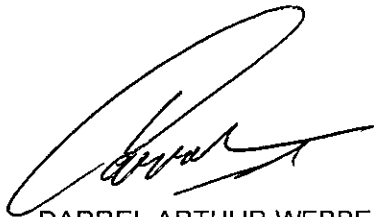
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THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENT FROM CHIEF EXECUTIVE OFFICER

I, Darrel Arthur Webber, representing The Roundtable on Sustainable Palm Oil ("RSPO"), do hereby state that the financial statements set out on pages 6 to 48 are drawn up so as to give a true and fair view of the financial position of the RSPO Group and RSPO as at 30 June 2019 and of the financial performance and cash flows of the RSPO Group and RSPO for the financial year ended 30 June 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 7 October 2019.



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 subsidiaries ("RSPO Group") give a true and fair view of the financial position of RSPO Group and of RSPO as at 30 June 2019, and of their financial performance and their cash flows for the financial 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 statements of assets, liabilities and fund balances as at 30 June 2019 of RSPO Group and of RSPO, and the statements of income and expenditure, statements of comprehensive income, statements of changes in equity and statements of cash flows of RSPO Group and of RSPO for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 48.

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.



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 of 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 of 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)

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.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur, Malaysia
7 October 2019

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	RSPO Group		RSPO	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
INCOME					
Subscription income	1	16,502	16,147	16,502	16,147
Contributions from sustainable palm oil trade	2	30,339	27,188	30,339	27,188
Roundtable meetings surplus	4	171	-	171	-
Interest income from fixed deposits		485	389	485	389
Other income		-	8	-	7
		<u>47,497</u>	<u>43,732</u>	<u>47,497</u>	<u>43,731</u>
LESS: EXPENDITURE					
Staff costs	3	13,262	9,901	-	-
Management fees		-	-	17,450	13,900
Recruitment expenses		228	374	-	-
Professional fees		1,213	848	637	287
Office rental		1,170	1,186	-	-
Consultancy fees		3,285	3,554	3,284	3,554
Trademark and patent		28	68	28	68
Board of Governors meeting expenses		218	114	218	114
General assembly		107	97	107	97
Roundtable meetings deficit	4	-	991	-	991
Dispute Settlement Facility					
Trustee fee		24	24	24	24
Bad debts written off		270	191	270	191
(Reversal of)/ allowance for impairment on receivables		(145)	1,262	(145)	1,262
Net foreign exchange losses	5	374	400	286	355
Auditors' remuneration		120	66	40	36
Depreciation		419	467	-	-
Other expenditure		1,962	2,172	776	1,150
		<u>22,535</u>	<u>21,715</u>	<u>22,975</u>	<u>22,029</u>
Project costs	6	17,630	22,864	17,630	22,864
		<u>40,165</u>	<u>44,579</u>	<u>40,605</u>	<u>44,893</u>
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE TAXATION					
TAXATION	7	7,332	(847)	6,892	(1,162)
		<u>(358)</u>	<u>(276)</u>	<u>(110)</u>	<u>(67)</u>
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR					
		<u>6,974</u>	<u>(1,123)</u>	<u>6,782</u>	<u>(1,229)</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	<u>Note</u>	<u>RSPO Group</u>		<u>RSPO</u>	
		<u>2019</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2018</u> RM'000
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		6,974	(1,123)	6,782	(1,229)
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		<u>389</u>	<u>(2,193)</u>	<u>389</u>	<u>(2,193)</u>
Other comprehensive income/(loss) for the financial year, net of tax		<u>389</u>	<u>(2,193)</u>	<u>389</u>	<u>(2,193)</u>
Total comprehensive income/(loss) for the financial year		<u><u>7,363</u></u>	<u><u>(3,316)</u></u>	<u><u>7,171</u></u>	<u><u>(3,422)</u></u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES AS AT 30 JUNE 2019

	Note	RSPO Group		RSPO	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	590	844	-	-
Deferred tax assets	9	404	150	164	118
Investment in subsidiaries	10	-	-	500	500
		<u>994</u>	<u>994</u>	<u>664</u>	<u>618</u>
CURRENT ASSETS					
Membership subscription fee receivable	11	1,742	2,822	1,742	2,822
Other receivables, deposits and prepayments	12	3,772	6,923	4,374	6,280
Tax recoverable		27	317	266	251
Sponsorship fund	17	-	128	-	128
Fixed deposits with a licensed bank	14	16,253	16,024	16,253	16,024
Cash and bank balances	13	31,744	24,083	30,662	23,965
		<u>53,538</u>	<u>50,297</u>	<u>53,297</u>	<u>49,470</u>
LESS : CURRENT LIABILITIES					
Contract liabilities	16	8,410	7,609	8,410	7,609
Other payables and accruals	15	7,891	5,962	8,098	5,345
		<u>16,301</u>	<u>13,571</u>	<u>16,508</u>	<u>12,954</u>
NET CURRENT ASSETS		<u>37,237</u>	<u>36,726</u>	<u>36,789</u>	<u>36,516</u>
NET ASSETS		<u>38,231</u>	<u>37,720</u>	<u>37,453</u>	<u>37,134</u>
TOTAL EQUITY		<u>38,231</u>	<u>37,720</u>	<u>37,453</u>	<u>37,134</u>

The notes on pages 15 to 48 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 2019

	<u>Note</u>	<u>Members' fund</u> RM'000	<u>Smallholders' fund</u> (Note 18) RM'000	<u>Special projects fund</u> (Note 19) 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>2019</u>							
At 1 July 2018		9,500	11,651	13,049	34,200	3,520	37,720
Surplus of income over expenditure for the financial year		6,974	-	-	6,974	-	6,974
<u>Other comprehensive income</u>							
- Currency translation differences		-	-	-	-	389	389
Total comprehensive income		6,974	-	-	6,974	389	7,363
Project disbursements for the financial year		-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019		<u>16,474</u>	<u>8,580</u>	<u>9,268</u>	<u>34,322</u>	<u>3,909</u>	<u>38,231</u>

The notes on pages 15 to 48 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 2019 (CONTINUED)

	<u>Note</u>	<u>Members'</u> <u>fund</u> RM'000	<u>Smallholders'</u> <u>fund</u> (Note 18) RM'000	<u>Special</u> <u>projects fund</u> (Note 19) RM'000	<u>Accumulated</u> <u>fund</u> RM'000	<u>Currency</u> <u>translation</u> <u>reserves</u> RM'000	<u>Total</u> <u>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)
At 30 June 2018		<u>9,500</u>	<u>11,651</u>	<u>13,049</u>	<u>34,200</u>	<u>3,520</u>	<u>37,720</u>

The notes on pages 15 to 48 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 2019 (CONTINUED)

<u>Note</u>	<u>Members' fund</u> RM'000	<u>Smallholders' fund</u> (Note 18) RM'000	<u>Special projects fund</u> (Note 19) RM'000	<u>Accumulated fund</u> RM'000	<u>Currency translation reserves</u> RM'000	<u>Total equity</u> RM'000
<u>RSPO</u>						
<u>2019</u>						
At 1 July 2018	8,914	11,651	13,049	33,614	3,520	37,134
Surplus of income over expenditure for the financial year	6,782	-	-	6,782	-	6,782
<u>Other comprehensive loss</u>						
- Currency translation differences	-	-	-	-	389	389
Total comprehensive loss	6,782	-	-	6,782	389	7,171
Project disbursements for the financial year	-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019	<u>15,696</u>	<u>8,580</u>	<u>9,268</u>	<u>33,544</u>	<u>3,909</u>	<u>37,453</u>

The notes on pages 15 to 48 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 2019 (CONTINUED)

	<u>Note</u>	<u>Members'</u> <u>fund</u> RM'000	<u>Smallholders'</u> <u>fund</u> (Note 18) RM'000	<u>Special</u> <u>projects fund</u> (Note 19) RM'000	<u>Accumulated</u> <u>fund</u> RM'000	<u>Currency</u> <u>translation</u> <u>reserves</u> RM'000	<u>Total</u> <u>equity</u> RM'000
<u>RSPO</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)
At 30 June 2018		<u>8,914</u>	<u>11,651</u>	<u>13,049</u>	<u>33,614</u>	<u>3,520</u>	<u>37,134</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	RSPO Group		RSPO	
	<u>2019</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2018</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus/(deficit) of income over expenditure for the financial year before taxation	7,332	(847)	6,892	(1,162)
Adjustments for non-cash items:				
Depreciation	419	467	-	-
Unrealised foreign exchange (gains)/ losses	(17)	38	-	-
Plant and equipment written off (Reversal of)/allowance for impairment on receivables	6	-	-	-
Bad debts written off	(145)	1,262	(145)	1,262
Interest income	270	191	270	191
	(485)	(389)	(485)	(389)
Operating surplus/(deficit) before working capital changes and fund disbursements	7,380	722	6,532	(98)
Smallholder fund disbursements	(3,071)	(2,471)	(3,071)	(2,471)
Special projects fund disbursements	(3,781)	(1,969)	(3,781)	(1,969)
Changes in working capital:				
Membership subscription fee receivable	970	(534)	970	(534)
Other receivables, deposits and prepayments	3,132	(1,907)	1,881	(1,771)
Deferred subscription income	1,037	223	1,036	223
Prepaid membership fees	(147)	(171)	(147)	(171)
Other payables and accruals	1,998	(265)	2,966	(178)
Sponsorship fund	117	(117)	117	(117)
Cash used in operations	7,635	(6,489)	6,503	(7,086)
Interest received	359	303	359	303
Tax paid	(322)	(514)	(171)	(262)
Net cash flow from operating activities	7,672	(6,700)	6,691	(7,045)

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	RSPO Group		RSPO	
	<u>2019</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2018</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(171)	(609)	-	-
Net cash flow from investing activities	<u>(171)</u>	<u>(609)</u>	<u>-</u>	<u>-</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS				
	7,501	(7,309)	6,691	(7,045)
Effect of foreign exchange rate changes	263	(2,041)	109	(2,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR				
	<u>31,592</u>	<u>40,942</u>	<u>31,474</u>	<u>40,638</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR				
	<u><u>39,356</u></u>	<u><u>31,592</u></u>	<u><u>38,274</u></u>	<u><u>31,474</u></u>
Analysis of cash and cash equivalents:				
Cash and bank balances	31,744	24,083	30,662	23,965
Deposits placed with a licensed bank	16,253	16,024	16,253	16,024
Less: Deposits with maturity more than 90 days	<u>(8,641)</u>	<u>(8,515)</u>	<u>(8,641)</u>	<u>(8,515)</u>
	<u><u>39,356</u></u>	<u><u>31,592</u></u>	<u><u>38,274</u></u>	<u><u>31,474</u></u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of The Roundtable of Sustainable Palm Oil Group (“RSPO Group”) and 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. There is no area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

(b) Standards, amendments to published standards and interpretations that are effective

The RSPO Group has applied the following standards and amendments for the first time for the financial year beginning on 1 July 2018:

- MFRS 9 “Financial Instruments”
- MFRS 15 “Revenue from Contracts with Customers”
- IC Interpretation 22 “ Foreign Currency Transactions and Advance Consideration”

The RSPO Group has adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 July 2018 by using the modified retrospective transition method.

In accordance with the transitional provisions provided in MFRS 9 and MFRS 15, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139 and MFRS 118 respectively.

The detailed impact of change in accounting policies are set out in Note B(p) and Note B(h). Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards early adopted by the Group

There are no standards early adopted by RSPO Group.

(d) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2018. None of these is expected to have a significant effect on the consolidated financial statement of the Group, except the following set out:

- MFRS 16 “Leases” (effective from 1 January 2019) supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statement of financial position) or operating leases (off statement of financial position). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in statements of income and expenditure.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

RSPO Group is in the process of assessing the impact of adoption of MFRS 16 “Leases”.

- IC Interpretation 23 “Uncertainty over Income Tax Treatments” (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Standards and amendments that have been issued but not yet effective (continued)

- Amendment to MFRS 9 “Prepayment Features with Negative Compensation” (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify the amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a ‘held to collect’ business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
- Amendments to MFRS 112 “Income Taxes” (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

The RSPO Group is in the process of assessing the full impact of the above new standards, revisions and amendments to published standards on its financial statements in the year of initial application.

(e) Basis of consolidation

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 ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Basis of consolidation (continued)

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.

In RSPO's separate financial statements, 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 B(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 statements of income and expenditure.

(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 assesses 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 ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets (continued)

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

Accounting policies applied from 1 July 2018

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the RSPO Group expects to be entitled in exchange for transferring promised services to a customer, net of goods and service tax. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Specific criteria for each of the RSPO Group activities are described below:

(a) Subscription income

The RSPO Group recognises subscription income over the duration of the respective membership period.

Subscription fees are due once membership application is approved. The Group's obligation to render services to members for which the RSPO Group has received consideration in advance from members is presented as contract liabilities.

(b) Contributions from sustainable palm oil trade

The contribution from sustainable palm oil trade is recognised when the right to receive payment is established. Payment of the transaction price is due immediately when the buyer trades the palm oil.

(ii) Revenue from other sources - Interest income

Interest income is recognised on an accrual basis, using effective interest rate method.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income recognition (continued)

Accounting policies applied until 30 June 2018

Subscription income from members is recognised on an accrual basis.

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

(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. Impairment loss is the difference between the carrying amount of the receivables and the present value of estimated cash flows discounted at the receivables' original effective interest rate and is recognised in statement of comprehensive income.

(j) Cash and cash equivalents

For purposes of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments that are readily convertible within original maturities of 3 months or less 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 represent liabilities for goods or services provided to the RSPO Group prior to the end of financial year which are unpaid. Payables are recognised initially at fair value net of transaction costs incurred.

(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.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

(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 statements of income and expenditure, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign exchange gains and losses

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in statements of income and expenditure 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 statements of income and expenditure, and other changes in carrying amount are recognised in other comprehensive income.

(iv) Group entities

The results and financial position of all the RSPO 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.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Current and deferred income 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.

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 tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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.

(o) Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income and expenditure on the straight-line basis over the lease period.

(p) Financial assets

Accounting policies applied from 1 July 2018

(i) Classification

From 1 July 2018, the RSPO Group classifies its financial assets to be measured at amortised cost.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the RSPO Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the RSPO Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the RSPO Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depend on the RSPO Group's business model for managing the asset and the cash flow characteristics of the asset. The RSPO Group reclassifies debt instruments when and only when its business model for managing those assets changes.

The RSPO Group measures its debt instruments at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Subsequent measurement – Impairment

Impairment for debt instruments

The RSPO Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Impairment for debt instruments (continued)

The RSPO Group has four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amounts owing by subsidiaries

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the RSPO Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables (for third party and amounts owing by subsidiaries)

The RSPO Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

General 3-stage approach for other receivables and non-trade inter-company balances

At each reporting date, the RSPO Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The RSPO Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the RSPO Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The RSPO Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria:

The RSPO Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 180 days of when they fall due.

- Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The RSPO Group considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(v) Write-off

Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the RSPO Group.

Impairment losses on trade and other receivables are presented as net impairment losses within (loss)/profit from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Accounting policies applied until 30 June 2018

The RSPO Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

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', 'Sponsorship fund', 'Cash and bank balances' and 'Fixed deposits with a licensed bank' in the statements of assets, liabilities and fund balances (Notes 11,12,17,13 and 14).

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 has 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 statements of income and expenditure.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

Impairment of financial assets (continued)

The RSPO Group assesses 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.

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.

(q) 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 comprises 'Other payables and accruals' in the statements of assets, liabilities and fund balances (Notes 15).

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statements of income and expenditure 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

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fair value estimation for disclosure purposes

In assessing the fair value of non-traded financial instruments, the RSPO Group uses 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.

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.

(s) 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.

(t) 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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The RSPO Group'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 Group 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 Group financial risk management policies. RSPO Group 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 Group 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 Group manages its exposure to market risk through its regular operating activities.

(b) Credit risk

RSPO Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash and cash equivalents and receivables. 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.

Measurement of ECL

(i) Trade receivables using simplified approach

The expected loss rates are based on the payment profiles of income over a period of 24 month before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Non-trade receivables using general 3-stage approach

The RSPO Group uses three categories for non-trade receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the RSPO Group's ECL model is as follows:

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Measurement of ECL(continued)

(ii) Non-trade receivables using general 3-stage approach

Category	RSPO Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the RSPO Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The maximum exposure to credit risk for trade receivables is represented by the carrying amount recognised in the statements of assets, liabilities and fund balances. The amounts not provided are deemed recoverable, with low probability of default. This is supported after considering the historical data by each debtor category and the possibility of no credit loss may occur.

(ii) Non-trade receivables using general 3-stage approach

The maximum exposure to credit risk for non-trade and sundry receivable balances is represented by the carrying amount recognised in the statements of assets, liabilities and fund balances due to the balances are considered to be performing, have low risk of default and strong capacity to meet contractual cash flow.

(c) Liquidity and cash flow risk

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

RSPO Group'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 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>2019</u> RM'000	<u>2018</u> RM'000
<u>RSPO Group</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>7,891</u>	<u>5,962</u>
 <u>RSPO</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>8,098</u>	<u>5,345</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

1 SUBSCRIPTION INCOME

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Revenue from contracts with customers:</u>		
Ordinary members	15,335	15,082
Affiliate members	126	133
Supply chain associate	1,041	932
	<u>16,502</u>	<u>16,147</u>

Subscription income from members worldwide is recognised on a straight-line basis over the subscription period.

The number of members registered as at 30 June 2019 is 4,349 (2018: 3,920), including associate members 2,470 (2018: 2,129).

2 CONTRIBUTIONS FROM SUSTAINABLE PALM OIL TRADE

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Revenue from contracts with customers:</u>		
Certificate trading	8,343	6,726
Segregated and mass balance trading	21,996	20,462
	<u>30,339</u>	<u>27,188</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 contributions from sustainable palm oil trade is recognised at a point in time.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

3 STAFF COSTS

	<u>RSPO Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Wages, salaries and bonuses	11,346	8,364
Defined contribution plan	885	856
Other employee benefits and compensations	1,031	681
	<u>13,262</u>	<u>9,901</u>

Included in staff costs is the remuneration of 2 Executive Directors (2018: 2) of RSPO Secretariat Sdn Bhd of RM1,341,783 (2018: RM1,168,921).

4 ROUNDTABLE MEETING (SURPLUS)/DEFICIT

During the financial year, only 1 Roundtable event was held by the RSPO (2018: 2). The amount expended was less than income received.

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Annual Roundtable Meetings</u>		
Collections and sponsorships	(2,211)	(2,152)
Expenses	2,040	2,847
	<u>(171)</u>	<u>695</u>
<u>European Roundtable Meetings</u>		
Collections and sponsorships	-	(812)
Expenses	-	1,108
	<u>-</u>	<u>296</u>
Total (surplus)/deficit	<u>(171)</u>	<u>991</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

5 NET FOREIGN EXCHANGE LOSSES

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	<u>374</u>	<u>400</u>	<u>286</u>	<u>355</u>

6 PROJECT COSTS

	RSPO Group and RSPO	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Certification	444	3,035
Supply Chain	191	817
Other assurance and regional offices	1,293	2,270
Biodiversity High Conservation Value	1,721	849
Greenhouse Gas	482	650
Smallholder	240	591
Social	439	539
Standard development	2,478	-
Impact	802	1,127
Communications agency fees	3,223	4,872
Outreach activities	2,502	4,215
Communication campaigns	289	419
Website	-	754
Media and others	326	835
Complaints	377	194
Dispute Settlement Facility	156	2
Investigation and monitoring	94	-
Strategic Projects	1,651	960
Secretariat Projects	617	248
Overseas Offices	305	487
	<u>17,630</u>	<u>22,864</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 FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

7 TAXATION

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current tax:</u>				
- current financial year	571	124	157	18
- under/(over) provision in prior financial year	41	61	(1)	46
	<u>612</u>	<u>185</u>	<u>156</u>	<u>64</u>
<u>Deferred tax (Note 9):</u>				
- origination and reversal of temporary differences	(254)	91	(46)	3
Total tax expense	<u>358</u>	<u>276</u>	<u>110</u>	<u>67</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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Surplus/(deficit) of income over expenditure before taxation	<u>7,332</u>	<u>(847)</u>	<u>6,892</u>	<u>(1,162)</u>
Tax calculated at Malaysian tax rate for associations of 26% (2018: 24.0%)	1,906	(203)	1,792	(279)
Tax effects of:				
- income not subject to tax	(11,855)	(10,012)	(11,855)	(10,012)
- expenses not deductible for tax purposes	10,231	10,435	10,196	10,311
- foreign tax expense	33	14	-	-
- effects of scale tax rate	2	(32)	(22)	(12)
- deductible temporary differences not recognised	-	13	-	13
- under/(over) provision of tax in prior financial year	41	61	(1)	46
Tax expense	<u>358</u>	<u>276</u>	<u>110</u>	<u>67</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
<u>RSPO Group</u>					
<u>2019</u>					
<u>Cost</u>					
At 1 July 2018	845	448	246	678	2,217
Additions	148	16	7	-	171
Write off	-	(21)	-	(75)	(96)
At 30 June 2019	<u>993</u>	<u>443</u>	<u>253</u>	<u>603</u>	<u>2,292</u>
<u>Less: Accumulated depreciation</u>					
At 1 July 2018	507	250	135	481	1,373
Charge for the year	189	51	35	144	419
Write off	-	(15)	-	(75)	(90)
At 30 June 2019	<u>696</u>	<u>286</u>	<u>170</u>	<u>550</u>	<u>1,702</u>
<u>Net book value</u>					
At 30 June 2019	<u>297</u>	<u>157</u>	<u>83</u>	<u>53</u>	<u>590</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>Less: 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>Net book value</u>					
At 30 June 2018	<u>338</u>	<u>198</u>	<u>111</u>	<u>197</u>	<u>844</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

9 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 statements of assets, liabilities and fund balances:

	RSPO Group		RSPO	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subject to income tax				
- Deferred tax assets	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
At start of financial year	150	241	118	121
Credited/(charged) to statements of income and expenditure (Note 7)				
- Property, plant and equipment	12	18	-	-
- Other payables and accruals	242	(109)	46	(3)
	<u>254</u>	<u>(91)</u>	<u>46</u>	<u>(3)</u>
At end of financial year	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Other payables and accruals	404	162	164	118
Offsetting	-	(12)	-	-
Deferred tax assets (after offsetting)	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	-	(12)	-	-
Offsetting	-	12	-	-
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

10 INVESTMENT IN SUBSIDIARIES

	<u>RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Unquoted shares, at cost	500	500

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group's effective ownership interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
RSPO Secretariat Sdn Bhd	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.
<u>Subsidiary of RSPO Secretariat Sdn Bhd</u>				
RSPO Secretariat North America LLC *	United States of America	100	-	To provide administration, secretariat, staff secondment and other related services to RSPO

* A limited liability company formed under the Limited Liability Company Law of the state of New York. There is no audit requirement for the subsidiary company in the country of incorporation.

The Company acquired the issued and paid-up capital of RSPO Secretariat North America LLC on 20 December 2018 for a cash consideration of RM422.

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Membership subscription fee receivable	2,393	4,419
Less: Impairment on receivables	(651)	(1,597)
	<u>1,742</u>	<u>2,822</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

Financial year ended 30 June 2019

Reconciliation of loss allowance

Trade receivables using simplified approach

The loss allowance for trade receivables as at 30 June 2019 reconciles to the opening loss allowance for that provision as follows:

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018*</u>
	RM'000	RM'000
At 1 July	1,597	634
(Credited)/charged to statements of income and expenditure	(145)	1,262
Provision written off	(801)	(299)
	<u>651</u>	<u>1,597</u>
At 30 June	<u><u>651</u></u>	<u><u>1,597</u></u>

* Loss allowance in respect of the comparative period as at 30 June 2018 is based on MFRS 139's incurred loss model.

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL is recognised. The gross carrying amount of trade receivables below also represent the RSPO Group's maximum credit risk.

RSPO Group and RSPO

	<u>Expected</u>	<u>Gross</u>	<u>Loss</u>	<u>Net</u>
	<u>loss rate</u>	<u>carrying</u>	<u>allowance</u>	<u>carrying</u>
	%	<u>amount</u>	<u>RM'000</u>	<u>amount</u>
		RM'000	RM'000	RM'000
<u>2019</u>				
Current – 30 days	14	927	132	795
31 – 60 days past due	17	292	49	243
61 – 180 days past due	23	550	125	425
181 – 365 days past due	24	363	84	279
More than 365 days past due	100	261	261	-
		<u>2,393</u>	<u>651</u>	<u>1,741</u>
		<u><u>2,393</u></u>	<u><u>651</u></u>	<u><u>1,741</u></u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

Financial year ended 30 June 2018

The ageing analysis of trade receivables as at 30 June 2018 was as follows:

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

Neither past due nor impaired

As at 30 June 2018, membership subscription fee receivables of RM761,000 for the RSPO Group and RSPO, which are neither past due nor impaired are not significantly impacted by credit and default risks.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>RSPO Group</u>		<u>RSPO</u>	
	<u>2019</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2018</u> RM'000
Receivable from supply chain fees of sustainable palm oil trade	1,927	4,419	1,927	4,419
Other receivables	344	750	1,323	734
Goods and services tax ("GST") receivable	643	769	643	769
Deposits	375	359	125	141
Prepayments	483	626	356	217
	<u>3,772</u>	<u>6,923</u>	<u>4,374</u>	<u>6,280</u>

Other receivables using general 3-stage approach

Other receivables are assessed using general 3-stage approach. The balances are deemed recoverable and performing, as there is no indication of increase in credit risk of these balances.

As at 30 June 2019 and 30 June 2018, none of the other receivables and deposits of the RSPO Group and RSPO respectively were past due or impaired.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

13 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,607	1,121	1,294	1,086
United States Dollar	23,064	19,945	23,039	19,945
Euro	6,329	2,934	6,329	2,934
Colombian Peso	490	36	-	-
Indonesian Rupiah	184	47	-	-
Others	70	-	-	-
	<u>31,744</u>	<u>24,083</u>	<u>30,662</u>	<u>23,965</u>

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

14 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% (2018: 2.75% and 3.15%) per annum and the average maturity period is between 30 days to 365 days (2018: 30 days to 365 days).

15 OTHER PAYABLES AND ACCRUALS

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Project costs payables	4,043	2,569	4,043	2,569
Project costs accruals	1,436	2,241	1,436	2,241
Amount due to a subsidiary	294	-	2,550	286
Other payables	15	590	15	205
Other accruals	2,103	562	54	44
	<u>7,891</u>	<u>5,962</u>	<u>8,098</u>	<u>5,345</u>

During the financial year, money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes within other payables was repaid (2018: RM50,000).

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

16 CONTRACT LIABILITIES

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>	RM'000	RM'000
Deferred subscription income (a)	7,909	6,890
Prepaid membership fees (b)	501	719
	<u>8,410</u>	<u>7,609</u>

Significant changes in contract balances during the financial year are as follows:

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 July	7,609	7,534
Income recognised that was included in the contract liability balance at the beginning of the financial year	(7,108)	(6,379)
Increase from cash received or due, excluding amounts recognised as income during the financial year	<u>7,909</u>	<u>6,454</u>
At 30 June	<u>8,410</u>	<u>7,609</u>

- (a) Deferred subscription income represents the unrecognised income as at the end of the reporting period.
- (b) Prepaid membership represents the unrecognised income as at the end of the reporting period whereby the RSPO Group and RSPO receive the advance payments from new membership applicants.

All contracts are for periods of one year or less and are billed based on time incurred. As permitted under MFRS 15, the RSPO Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

17 SPONSORSHIP FUND

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

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
UNICEF Small Scale Funding	-	128
	<u> </u>	<u> </u>

18 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>2019</u>	<u>2018</u>
	RM'000	RM'000
As at beginning of financial year	11,651	14,122
Less: Project disbursements paid during the financial year	(3,071)	(2,471)
As at end of financial year	<u>8,580</u>	<u>11,651</u>

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

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year	2,130	856
Later than 1 year but not later than 3 years	6,283	4,058
	<u>8,413</u>	<u>4,914</u>

This relates to projects that were approved by the Smallholder Fund Panel.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

19 SPECIAL PROJECTS FUND

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
As at beginning of financial year	13,049	15,018
Less: Project disbursements paid during the financial year		
- Outreach to Intermediary Organisations	(2,381)	(769)
- SEnSOR impacts project - Year 2	-	(600)
- SEnSOR impacts project - Year 3	(1,400)	-
Project disbursements payable		
- SEnSOR impacts project - Year 2	-	(600)
As at end of financial year	<u>9,268</u>	<u>13,049</u>

No allocation of funds was made to the Special Projects Fund during the financial 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>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year		
- SEnSOR impacts project - Year 2	-	600
- SEnSOR impacts project - Year 3	600	2,000
- Outreach to Intermediary Organisations	2,666	54
	<u>3,266</u>	<u>2,654</u>

Approved but not contracted:

Outreach to Intermediary Organisations	<u>5,982</u>	<u>11,099</u>
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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 years project with an approved total funding equivalent to USD3,000,000.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

20 INDONESIA LIAISON OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd (“the Company”) 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 financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	1,428	1,121
Other operating expenses	765	(154)
	<u>2,193</u>	<u>967</u>

Included in other operating expense are unrealised foreign exchange loss of RM295,109. In previous financial year was unrealised foreign exchange gain of RM734,425.

21 UNITED KINGDOM ESTABLISHMENT UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd (“the Company”) 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 financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	598	1,115
Other operating expenses	23	(134)
	<u>621</u>	<u>981</u>

Included in other operating expenses are unrealised foreign exchange gain of RM65,881 (2018: RM308,030).

22 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd (“the Company”) has registered a Representative Office in China (“China Representative Office”).

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
Other operating expenses	337	263

Included in other operating expense are unrealised foreign exchange gain of RM5,925 (2018: RM11,309).

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

23 COLOMBIAN BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd (“the Company”) 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 financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	464	-
Other operating expenses	174	171
	<u>638</u>	<u>171</u>

Included in other operating expense are unrealised foreign exchange gain of RM16,530 (2018: RM17,194).

24 NETHERLANDS BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

During the year the Company registered an office in the Netherlands in the form of a branch office (“Netherlands Branch Office”)

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	662	-
Other operating expenses	45	-
	<u>707</u>	<u>-</u>

Included in other operating expense are unrealised foreign exchange loss of RM1,767.

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>2019</u> RM'000	<u>RSPO</u> <u>2018</u> RM'000
Expenses for provision of services by the subsidiary:		
- Management fees	17,450	13,900
	<u>17,450</u>	<u>13,900</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 FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

26 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	Loans and receivables at amortised cost
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>RSPO Group</u>		
<u>Current assets</u>		
Membership subscription fees receivables	1,742	2,822
Other receivables and deposits (excludes prepayments and GST receivable)	2,646	5,528
Sponsorship fund	-	128
Fixed deposits with a licensed bank	16,253	16,024
Cash and bank balances	31,744	24,083
	<u>52,385</u>	<u>48,585</u>
<u>RSPO</u>		
<u>Current assets</u>		
Membership subscription fees receivables	1,742	2,822
Other receivables and deposits (excludes prepayments and GST receivable)	3,375	5,294
Sponsorship fund	-	128
Fixed deposits with a licensed bank	16,253	16,024
Cash and bank balances	30,662	23,965
	<u>52,032</u>	<u>48,233</u>
	Financial liabilities at amortised cost	Other financial liabilities
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>RSPO Group</u>		
<u>Current liabilities</u>		
Other payables and accruals	7,891	5,962
	<u>7,891</u>	<u>5,962</u>
<u>RSPO</u>		
<u>Current liabilities</u>		
Other payables and accruals	8,098	5,345
	<u>8,098</u>	<u>5,345</u>

27 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 7 October 2019.