THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3046A7/lh

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

CONTENTS

	PAGES
STATEMENT FROM CHIEF EXECUTIVE OFFICER	1
INDEPENDENT AUDITORS' REPORT	2 - 5
STATEMENTS OF INCOME AND EXPENDITURE	6
STATEMENTS OF COMPREHENSIVE INCOME	7
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES	8
STATEMENTS OF CHANGES IN EQUITY	9 - 12
STATEMENTS OF CASH FLOW	13 - 14
NOTES TO THE FINANCIAL STATEMENTS	15 – 45

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 45 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 2017 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 31 October 2017.

DARREL ARTHUR WEBBER
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia

pwc

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 the Group and of the Company as at 30 June 2017, 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 statements of assets, liabilities and fund balances as at 30 June 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 45.

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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

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

REPORT ON 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, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. 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 RSO'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 Company 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.

pwc

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

REPORT ON 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 directors.

(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

pwc

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

1. As stated in Note 2 to the financial statements, The Roundtable on Sustainable Palm Oil adopted Malaysian Financial Reporting Standards on 1 July 2016 with a transition date of 1 July 2015. These standards were applied retrospectively by the Board of Governors to the comparative information in these financial statements, including the statements of assets, liabilities and fund balances of RSPO Group and of RSPO as at 30 June 2016 and 1 July 2015, and the statement income and expenditure, statement of comprehensive income, statements of changes in accumulated fund and cash flows statement of RSPO Group and of RSPO for the year ended 30 June 2016 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of RSPO Group and of RSPO for the year ended 30 June 2017, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 June 2016 do not contain misstatements that materially affect the financial position as at 30 June 2017 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of RSPO, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur, Malaysia

STATEMENTS OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		RSPO Group		RSPO	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
INCOME					
Subscription income	4	14,055	11,560	14,055	11,560
Contributions from sustainable palm oil trade	5	25,838	29,528	25,838	29,528
Interest income from fixed deposits		473	499	473	499
Other Income		140	47	138	47
		40,506	41,634	40,504	41,634
LESS: EXPENDITURE					
Staff costs	6	9,652	7,785	-	-
Staff secondment charges		-	-	12,425	10,614
Recruitment expenses		225	659	-	-
Professional fees		486	736	269	458
Office rental		1,044	854	-	-
Travelling expenses		1	-	1	-
Consultancy fees		3,467	1,752	3,467	1,752
Trademark and patent		122	295	122	295
Board of Governors meeting expenses		156	36	156	36
General/Extraordinary assembly		159	75	159	75
Roundtable meetings deficit	7	1,176	707	1,176	707
Dispute Settlement Facility Trustee Fee		48	-	48	-
Bad debts written off		190	27	190	27
Allowance for doubtful debts		433	269	433	269
Net foreign exchange losses/(gains)	8	1,478	(215)	1,421	(215)
Auditors' remuneration		64	64	36	35
Depreciation		291	166	-	-
Gifts and donations		-	428	-	428
Other expenditure		1,716	980	1,096	365
		20,708	14,618	20,999	14,846
Project costs	9	19,924	13,959	19,924	13,959
		40,632	28,577	40,923	28,805
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION		(126)	13,057	(419)	12,829
TAXATION	10	(165)	(259)	(33)	(170)
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		(291)	12,798	(452)	12,659

The notes on pages 14 to 45 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 2017

	Note	RSPO Group 2017 RM'000	RSPO Group 2016 RM'000	RSPO 2017 RM'000	RSPO 2016 RM'000
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		(291)	12,798	(452)	12,659
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		2,544	3,169	2,544	3,169
Other comprehensive income for the financial year, net of tax		2,544	3,169	2,544	3,169
Total comprehensive income for the financial year		2,253	15,967	2,092	15,828

The notes on pages 14 to 45 form an integral part of these financial statements.

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES AS AT 30 JUNE 2017

		RSPO Group			RSPO		
	Note	30.6.2017 RM'000	30.6.2016 RM'000	1.7.2015 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	1.7.2015 RM'000
NON-CURRENT ASSETS							
Property, plant and equipment	11	702	382	287	-	-	-
Deferred tax assets	12	241	160	72	121	78	45
Investment in a subsidiary	13	-	-	-	500	350	350
		943	542	359	621	428	395
CURRENT ASSETS							
Membership subscription receivable fees	14	3,814	2,313	2,568	3,814	2,313	2,568
Other receivables, deposits and prepayments	15	5,003	6,220	6,650	4,480	5,827	6,326
Current tax assets		-	28	68	53	28	68
Cash and bank balances	16	33,865	37,529	15,375	33,561	37,410	15,221
Fixed deposits with a licensed bank	17	15,507	12,264	19,814	15,507	12,264	19,814
		58,189	58,354	44,475	57,415	57,842	43,997
LESS : CURRENT LIABILITIES							
Deferred subscription income	4	6,597	5,386	4,420	6,597	5,386	4,420
Prepaid membership fees	4	937	446	309	937	446	309
Other payables and accruals	18	6,110	4,727	3,075	5,506	4,520	2,830
Sponsorship fund	19	-	-	261	-	-	261
Current tax liabilities		12	100	16	-	-	-
		13,656	10,659	8,081	13,040	10,352	7,820
NET CURRENT ASSETS		44,533	47,695	36,394	44,375	47,490	36,177
NET ASSETS		45,476	48,237	36,753	44,996	47,918	36,572
TOTAL EQUITY		45,476	48,237	36,753	44,996	47,918	36,572

The notes on pages 14 to 45 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	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
RSPO Group							
2017							
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)
Other comprehensive income							
- Currency translation differences		-	-	-	-	2,544	2,544
Total comprehensive income		(291)	-	-	(291)	2,544	2,253
Project disbursements for the financial year		-	(2,223)	(2,791)	(5,014)	-	(5,014)
		13,207	11,538	15,018	39,763	5,713	45,476
Transfer to Smallholders' fund	20	(2,584)	2,584	-	-	-	-
At 30 June 2017		10,623	14,122	15,018	39,763	5,713	45,476

The notes on pages 14 to 45 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Note	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
2016							
At 1 July 2015, as previously stated		15,287	13,100	10,000	38,387	-	38,387
Effect of adoption of MFRS 121	28	-	-	-	-	(1,634)	(1,634)
Effect of adoption of MFRS 1	28	(1,634)	-	-	(1,634)	1,634	-
At 1 July 2015, as restated		13,653	13,100	10,000	36,753	-	36,753
Surplus of income over expenditure for the financial year		12,798	-	-	12,798	-	12,798
Other comprehensive income							
- Currency translation differences		-	-	-	-	3,169	3,169
Total comprehensive income		12,798	-	-	12,798	3,169	15,967
Project disbursements for the financial year		-	(2,292)	(2,191)	(4,483)	-	(4,483)
		26,451	10,808	7,809	45,068	3,169	48,237
Transfer to Smallholders' fund	20	(2,953)	2,953	-	-	-	-
Transfer to Special Projects fund	21	(10,000)	-	10,000	-	-	-
At 30 June 2016		13,498	13,761	17,809	45,068	3,169	48,237

The notes on pages 14 to 45 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

RSPO	Note	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
2017							
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)
Other comprehensive income							
- Currency translation differences		-	-	-	-	2,544	2,544
Total comprehensive 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	20	(2,584)	2,584	-	-	-	-
At 30 June 2017		10,143	14,122	15,018	39,283	5,713	44,996

The notes on pages 14 to 45 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Note	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
2016							
At 1 July 2015, as previously stated		15,107	13,100	10,000	38,207	-	38,207
Effect of adoption of MFRS 121	28	-	-	-	-	(1,634)	(1,634)
Effect of adoption of MFRS 1	28	(1,634)	-	-	(1,634)	1,634	-
At 1 July 2015, as restated		13,473	13,100	10,000	36,573	-	36,573
Surplus of income over expenditure for the financial year		12,659	-	-	12,659	-	12,659
Other comprehensive income							
- Currency translation differences		-	-	-	-	3,169	3,169
Total comprehensive income		12,659	-	-	12,659	3,169	15,828
Project disbursements for the financial year		-	(2,292)	(2,191)	(4,483)	-	(4,483)
		26,132	10,808	7,809	44,749	3,169	47,918
Transfer to Smallholders' fund	20	(2,953)	2,953	-	-	-	-
Transfer to Special Projects fund	21	(10,000)	-	10,000	-	-	-
At 30 June 2016		13,179	13,761	17,809	44,749	3,169	47,918

The notes on pages 14 to 45 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	RSPO Group		RSPO	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Deficit)/Surplus of income over expenditure for the financial year	(291)	12,798	(452)	12,659
Adjustments for non-cash items:				
Taxation	165	259	33	170
Depreciation	291	166	-	-
Allowance for doubtful debts	433	269	433	269
Bad debts written off	(190)	27	(190)	28
Unrealised foreign exchange losses/(gains)	2,544	3,169	2,544	3,169
Interest income	(473)	(499)	(473)	(499)
Operating surplus before working capital changes and smallholder fund disbursements	2,479	16,189	1,895	15,796
Smallholder fund disbursements	(2,223)	(2,292)	(2,224)	(2,292)
Special projects fund disbursements	(2,791)	(2,191)	(2,791)	(2,191)
Changes in working capital:				
Membership subscription fee receivable	(1,744)	(41)	(1,744)	(41)
Other receivables, deposits and prepayments	1,140	530	1,272	598
Deferred subscription income	1,211	966	1,211	966
Prepaid membership fees	491	137	491	137
Other payables and accruals	1,382	1,652	986	1,690
Sponsorship fund	-	(261)	-	(261)
Cash (used in)/generated from operations	(55)	14,689	(904)	14,402
Interest received	550	400	549	400
Tax paid	(305)	(224)	(101)	(163)
Net cash (used in)/ generated from operating activities	190	14,865	(456)	14,639

The notes on pages 14 to 45 form an integral part of these financial statements.

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Note	RSPO Group 2017 RM'000	RSPO Group 2016 RM'000	RSPO 2017 RM'000	RSPO 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(611)	(261)	-	-
Additional investment in a subsidiary		-	-	(150)	-
Net cash used in investing activities		(611)	(261)	(150)	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(421)	14,604	(606)	14,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		49,793	35,189	49,674	35,035
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		49,372	49,793	49,068	49,674
Cash and cash equivalents comprise:					
Cash and bank balances	16	33,865	37,529	33,561	37,410
Fixed deposits with a licensed bank		15,507	12,264	15,507	12,264
		49,372	49,793	49,068	49,674

The notes on pages 14 to 45 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 this summary of significant accounting policies.

The financial statement of RSPO for the financial year ended 30 June 2017 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time adoption of Malaysian Financial Reporting Standards'. RSPO has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2015 (transition date) and throughout all years presented, as if these policies had always been in effect. There is no impact of the transition to MFRS on the Company's reported financial position, financial performance and cash flows as at transition date.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Board of Governors to exercise their judgment in the process of applying the 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 are no areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Company has applied the following amendments for the first time for the financial year beginning on 1 July 2016:

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(c) 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 financial year beginning after 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017: (continued)

- 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 change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

  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.

- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017: (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. (continued)

  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.

- 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 balance sheet) or operating leases (off balance sheet). 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 profit or loss.

  Unless otherwise disclosed, the above standards and amendments to published standards are not anticipated to have any significant impact on the financial statements of the Company upon initial application.

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 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.

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 Company 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(e) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss 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 profit or loss 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 profit or loss 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.

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 Company 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.

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.

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Company's loans and receivables comprise 'Membership subscription fee receivable', '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 Company 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 profit or loss.

Impairment of financial assets

The Company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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 Company 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.

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 Company 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 Company.

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.

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. Refer to Note 14.

(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.

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:

	30.6.2017 RM'000	30.6.2016 RM'000	1.7.2015 RM'000
Group			
Less than 1 year:			
Other payables and accruals	6,110	4,727	3,075
Sponsorship fund	-	-	261
	6,110	4,727	3,336
Company			
Less than 1 year:			
Other payables and accruals	6,557	4,520	2,830
Sponsorship fund	-	-	261
	6,557	4,520	3,091

(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 issued 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.

4 SUBSCRIPTION INCOME

Subscription income from members worldwide amounting to RM14,505,000 (2016: RM11,560,000) was recognised during the financial year.

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Ordinary member	13,151	10,866
Affiliate member	133	121
Supply chain associate	771	573
	14,055	11,560

The number of members registered as at 30 June 2017 is 3,422 (2016: 2,941), including associate members 1,776 (2016: 1,492).

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

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Certificate trading	8,443	12,977
Segregated and mass balance trading	17,395	16,551
	25,838	29,528

The RSPO receives a contribution of USD1 per tonne from credit trades, charged to buyer of certificates.

During the year, the agreement with GreenPalm, which provided the platform for certified procedures to sell credit directly to end users who wish to made a sustainability claim, was terminated effectively from 31 December 2016. GreenPalm was operated by Book and Claim Limited, a company registered in England and a subsidiary of AAK UK Limited. Contribution from GreenPalm platform during the year amounted to RM7,617,000.

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, now under the PalmTrace (formerly eTrace), is operated by UTZ Certified, and has included certificate trading into its platform commencing 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

6 STAFF COSTS

	RSPO Group	
	2017	2016
	RM'000	RM'000
Wages, salaries and bonuses	8,224	6,678
Defined contribution plan	718	607
Other employee benefits and compensations	710	500
	9,652	7,785

Included in staff costs is the remuneration of 2 Executive Directors (2016: 2) of RSPO Secretariat Sdn Bhd of RM1,231,000 (2016: RM1,315,000)

7 ROUNDTABLE MEETINGS DEFICIT

During the year, 2 Roundtable events were held by the RSPO (2016: 3). The amount expended was more than income received.

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Annual Roundtable Meetings		
Collections and sponsorships	1,873	2,240
Expenses	(2,446)	(2,105)
	(573)	135
European Roundtable Meetings		
Collections and sponsorships	694	509
Expenses	(1,297)	(1,351)
	(603)	(842)
Total deficits	(1,176)	(707)

8 NET FOREIGN EXCHANGE LOSSES/(GAINS)

	RSPO Group		RSPO	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses/(gains)	1,478	(215)	1,421	(215)

9 PROJECT COSTS

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Biodiversity High Conservation Value	1,724	1,304
Certification	1,431	1,033
Greenhouse Gas	525	276
Smallholder	821	565
Supply Chain	215	299
Other Technical	2,671	1,784
Complaints	1,117	444
Dispute Settlement Facility	159	363
Impact	614	568
Communications agency fees	3,014	3,307
Outreach activities	2,230	1,246
Communication campaigns	346	460
Media and others	2,607	515
Website	577	1,275
IT Projects	1,058	38
Secretariat Projects	348	194
Overseas Offices	467	288
	19,924	13,959

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

10 TAXATION

	RSPO Group		RSPO	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax:				
- current financial year	231	422	55	283
- under/(over) provision in prior financial years	14	(75)	21	(81)
	245	347	76	202
Deferred tax (Note 12):				
- origination and reversal of temporary differences	(80)	(94)	(43)	(38)
- over provision in prior financial year	-	6	-	6
Total tax expense	165	259	33	170

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Surplus of income over expenditure before taxation	(126)	13,057	(419)	12,830
Tax calculated at Malaysian tax rate for trade associations of 24.5% (2016: 26%)	(31)	3,359	(102)	3,336
Tax effects of:				
- income not subject to tax	(9,444)	(10,123)	(9,444)	(10,143)
- expenses not deductible for tax purposes	9,661	7,077	9,559	7,037
- effects of scale tax rate	(13)	(21)	(13)	(21)
- deferred tax assets not recognized	12	36	12	36
- (over)/under provision of tax in prior financial year	(20)	(75)	21	(81)
- over provision of deferred tax in prior financial year	-	6	-	6
	165	259	33	170

11 PROPERTY, PLANT AND EQUIPMENT

	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
RSPO Group					
2017					
Cost					
At 1 July 2016	437	208	106	247	998
Additions	159	141	107	204	611
At 30 June 2017	596	349	213	451	1,609
Accumulated depreciation					
At 1 July 2016	267	140	69	140	616
Charge for the year	93	47	29	122	291
At 30 June 2017	360	187	98	262	907
2016					
Cost					
At 1 July 2016	277	205	101	154	737
Additions	160	3	5	93	261
At 30 June 2017	437	208	106	247	998
Accumulated depreciation					
At 1 July 2016	201	100	50	99	450
Charge for the year	66	40	19	41	166
At 30 June 2017	267	140	69	140	616
Net book value					
At 30 June 2017	236	162	115	189	702
At 30 June 2016	170	68	37	107	382
At 30 June 2015	76	105	51	55	287

12 DEFERRED TAX ASSETS/(LIABILITIES)

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		
	30.6.2017	30.6.2016	1.7.2015	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax						
- Deferred tax assets	241	160	72	121	78	45
At start of financial year	160	72	20	78	45	-
Credited/(charged) to income statement (Note 10)						
- property, plant and equipment	(30)	4	8	-	-	-
- unrealised foreign exchange gain	18	-	-	18	-	-
- other payables and accruals	93	84	44	25	33	45
	81	88	52	43	33	45
At end of financial year	241	160	72	121	78	45
Deferred tax assets						
Other payables and accruals	271	178	94	121	96	63
Amount before offsetting	271	178	94	121	96	63
Offsetting	(30)	(18)	(22)	-	(18)	(18)
	241	160	72	121	78	45
Deferred tax liabilities						
Property, plant and equipment	30	-	4	-	-	-
Unrealised foreign exchange gain	-	18	18	-	18	18
Amount before offsetting	30	18	22	-	18	18
Offsetting	(30)	(18)	(22)	-	(18)	(18)
	-	-	-	-	-	-

13 INVESTMENT IN A SUBSIDIARY

	RSPO		
	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000
At 1 July	350	350	350
Addition in investment in a subsidiary	150	-	-
At 30 June	500	350	350

Details of the subsidiary are as follows:

Direct subsidiary	Country of incorporation	Group's effective interest 30.6.2017	30.6.2016	1.7.2015	Principal activities
		%	%	%	
RSPO Secretariat Sdn Bhd	Malaysia	100	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.

14 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	RSPO Group and RSPO		
	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000
Membership subscription fee receivable	4,448	2,900	3,083
Less: Allowance for doubtful debts	(634)	(587)	(515)
	3,814	2,313	2,568

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 past due RM'000	Between 61 and 90 days past due RM'000	Between 91 days and 180 days past due RM'000	More than 180 days past due RM'000	Total RM'000
At 30 June 2017	281	284	693	1,595	2,853
At 30 June 2016	211	464	346	965	1,986
At 30 June 2015	196	312	426	1,070	2,004

Neither past due nor impaired

Membership subscription fee receivables of RM961,000 (30.06.2016: RM327,000, 1.7.2015: RM564,000) for the 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 Company's provision for impairment and write down of balances is as follows:

	2016 RM'000	2015 RM'000
At 1 January	587	515
Charged to profit or loss	47	72
At 31 December	634	587

15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RSPO Group			RSPO		
	30.6.2017	30.6.2016	1.7.2015	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Receivable from supply chain fees of sustainable palm oil trade	3,789	4,425	5,446	3,789	4,424	5,446
Other receivables	302	491	769	278	462	745
Deposits	298	371	147	71	166	-
Prepayments	614	933	288	342	775	135
	5,003	6,220	6,650	4,480	5,827	6,326

As at 30 June 2017, 30 June 2016 and 1 July 2015, none of the other receivables and deposits of the Group and Company respectively were past due or impaired.

16 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group			RSPO		
	30.6.2017	30.6.2016	1.7.2015	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	2,371	3,014	2,033	2,067	2,895	1,879
United States Dollar	25,193	27,053	5,956	25,193	27,053	5,956
Euro	6,301	7,462	7,386	6,301	7,462	7,386
Ringgit Malaysia	33,865	37,529	15,375	33,561	37,410	15,221

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

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

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 3.30% (30.6.2016: 3.00% and 3.15%, 1.7.2015: 3.00% and 3.30%) per annum and the average maturity period is between 28 days to 365 days (30.6.2016: 30 days to 365 days, 1.7.2015: 30 days to 365 days).

18 OTHER PAYABLES AND ACCRUALS

	RSPO Group			RSPO		
	30.6.2017	30.6.2016	1.7.2015	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Project costs payables	4,317	2,205	1,670	4,317	2,205	1,670
Project costs accruals	5	1,086	136	5	1,086	136
Amount due to subsidiary	-	-	-	1,062	1,152	737
Other payables	596	731	862	40	26	237
Other accruals	1,192	704	407	82	51	50
	6,110	4,726	3,075	5,506	4,520	2,830

As at 30 June 2017, an amount of RM50,000 (30.6.2016 : RM50,000, 1.7.2015: 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 from sponsors to meet specific project costs.

	RSPO Group and RSPO		
	30.6.2017	30.6.2016	1.7.2015
	RM'000	RM'000	RM'000
UNEP Small Scale Funding	-	-	261
	-	-	261

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.

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
As at beginning of financial year	13,761	13,100
Less: Project disbursements paid during the financial year	(2,223)	(2,230)
Project disbursements payable	-	(62)
	11,538	10,808
Add: Addition to fund	2,584	2,953
As at end of financial year	14,122	13,761

The amounts received by the fund comprise of 10% of revenue generated from sustainable palm oil trade.

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Commitments due to be disbursed:		
Within 1 year	648	688
Later than 1 year but not later than 3 years	4,122	792
	4,770	1,480
Approved but not contracted:		
Approved during the year	954	-
Approved post financial year end	-	4,382
Conditionally approved post financial year end	-	1,215
	954	5,597

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

21 SPECIAL PROJECTS FUND

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
As at beginning of financial year	17,809	10,000
Less: Project disbursements paid during the financial year		
- SEnSOR impacts project - Year 1	-	(1,600)
- Digital media campaign	(84)	(466)
- Seed finance to DSF Trust Fund	(550)	-
- Outreach to Intermediary Organisations	(957)	-
- SEnSOR impacts project - Year 2	(800)	-
Project disbursements payable		
- Digital media campaign	-	(125)
- SEnSOR impacts project - Year 1	(400)	-
	15,018	7,809
Add: Addition to fund	-	10,000
As at end of financial year	15,018	17,809

In 2016, total funds amounting to RM10,000,000 have been allocated to the Special Projects Fund. 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.

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Commitments due to be disbursed:		
Within 1 year		
- SEnSOR impacts project - Year 1	400	400
- SEnSOR impacts project - Year 2	1,200	-
- Outreach to Intermediary Organisations	137	-
- Digital media campaign	-	125
- Seed finance to DSF Trust Fund	-	550
	1,737	1,075

During the year, an amount of RM550,000 was paid to the Dispute Settlement Facility ("DSF") Trust Fund to provide initial funding. The DSF Trust Fund was established to provide financial assistance to RSPO's Dispute Settlement Facility ("DSF"). The trust fund is independently managed and its operation includes the sourcing of future external funding.

21 SPECIAL PROJECTS FUND (CONTINUED)

	RSPO Group and RSPO	
	2017	2016
	RM'000	RM'000
Approved but not contracted:		
SEnSOR impacts project - Year 2	-	2,000
Outreach to Intermediary Organisations	11,191	12,075
	11,191	14,075

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 INDONESIAN 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:

	RSPO Group	
	2017	2016
	RM'000	RM'000
Staff costs	1,112	977
Other operating expenses	331	300
	1,443	1,277

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:

	RSPO Group	
	2017	2016
	RM'000	RM'000
Staff costs	1,479	1,200
Other operating expenses	178	172
	1,657	1,372

24 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

On 10 September 2016, RSPO Secretariat Sdn Bhd has registered a Representative Office in China.

	RSPO Group	
	2017	2016
	RM'000	RM'000
Other operating expenses	108	44

25 COLOMBIAN BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

On 17 May 2016, RSPO Secretariat Sdn Bhd has registered a Branch Office in Colombia.

	RSPO Group	
	2017	2016
	RM'000	RM'000
Other operating expenses	-	-

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2017	2016
	RM'000	RM'000
Expenses for provision of services from an association, Roundtable on Sustainable Palm Oil ("RSPO"), the subsidiary:		
- Staff secondment and other administration fees	12,425	10,613

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

27 Financial instruments by category

	30.6.2017 RM'000	30.6.2016 RM'000	1.7.2015 RM'000
Group			
Loans and receivables:			
Membership subscription fees receivables	3,814	2,314	2,568
Other receivables and deposit (excludes prepayments)	4,389	5,287	6,362
Cash and bank balances	33,865	37,529	15,375
Fixed deposits with a licensed bank	15,507	12,264	19,814
	57,575	57,394	44,119
Other financial liabilities:			
Other payables and accruals	6,110	4,727	3,075
Sponsorship fund	-	-	261
	6,110	4,727	3,336
Company			
Loans and receivables:			
Membership subscription fees receivables	3,814	2,314	2,568
Other receivables and deposit (excludes prepayments)	4,138	5,052	6,191
Cash and bank balances	33,561	37,410	15,221
Fixed deposits with a licensed bank	15,507	12,264	19,814
	57,020	57,040	43,794
Other financial liabilities:			
Other payables and accruals	5,506	4,520	2,830
Sponsorship fund	-	-	261
	5,506	4,520	3,091

28 TRANSITION FROM PRIVATE ENTITIES REPORTING STANDARDS (PERS) TO MFRS

The effect of RSPO Group and RSPO's transition to MFRS, described in Note 2 to the financial statements, is summarised in this Note as follows:

(a) MFRS 1 Mandatory exceptions

MFRS estimates
MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with PERS.

(b) Exemption for cumulative translation differences

MFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with MFRS 121 "The Effects of Changes in Foreign Exchanges Rates" from the date a foreign operation was acquired. RSPO Group elected to reset all cumulative translation differences to zero in opening retained earnings at its transition date. At the transition date, cumulative translation differences amounting to RM1,634,000 has been recycled to retained earnings.

(c) Explanation of transition from PERS to MFRS and prior year adjustments

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from PERSs to MFRSs for respective periods noted for statement of changes in equity, statement of assets, liabilities and fund balances and statement of comprehensive income.

(i) Reconciliation of equity

Group

	1.7.2015 (Date of transition) RM	30.06.2016 RM
Equity as reported under PERS	38,387	45,068
Add: Transitioning adjustment:		
Effect of adopting MFRS 121	(1,634)	3,169
Effect of adopting MFRS 1	-	-
Equity on transition to MFRS	36,753	48,237

28 TRANSITION FROM PRIVATE ENTITIES REPORTING STANDARDS (PERS) TO MFRS (CONTINUED)

(c) Explanation of transition from PERS to MFRS and prior year adjustments (continued)

(i) Reconciliation of equity (continued)

Company

	1.7.2015 (Date of transition) RM	30.06.2016 RM
Equity as reported under PERS	38,207	44,749
Add: Transitioning adjustment:		
Effect of adopting MFRS 121	(1,634)	3,169
Effect of adopting MFRS 1	-	-
Equity on transition to MFRS	36,573	47,918

(ii) Reconciliation of total comprehensive income

2016

Group

	RM
Total comprehensive income as reported under PERS	12,798
Add: Transitioning adjustments:	
Effect of adopting MFRS 121	3,169
Total comprehensive income upon transition to MFRS	15,967

Company

	RM
Total comprehensive income as reported under PERS	12,659
Add: Transitioning adjustments:	
Effect of adopting MFRS 121	3,169
Total comprehensive income upon transition to MFRS	15,828

28 TRANSITION FROM PRIVATE ENTITIES REPORTING STANDARDS (PERS) TO MFRS (CONTINUED)

(c) Explanation of transition from PERS to MFRS and prior year adjustments (continued)

(iii) Impact on the statement of financial position

30.6.2016

Group and Company

	As reported previously RM	Adjustments RM	As restated RM
Total equity			
Currency translation reserve	-	3,169	3,169

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 31 October 2017.