The Roundtable On Sustainable Palm Oil

Audited Financial Statements

For the financial year ended 30 June 2023

Audited Financial Statements
For the financial year ended 30 June 2023

Contents

The Roundtable on Sustainable Palm Oil

Statement from Chief Executive Officer

I, Joseph D'Cruz, representing The Roundtable on Sustainable Palm Oil ("RSPO"), do hereby state that the financial statements set out on pages 6 to 62 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 2023 and of the financial performance and cash flows of the RSPO Group and RSPO for the financial year ended 30 June 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 20 October 2023.

JOSEPH D'CRUZ
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia

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working world

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Independent auditors' report to the members of The Roundtable on Sustainable Palm Oil

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of The Roundtable on Sustainable Palm Oil ("RSPO") and its subsidiaries ("RSPO Group"), which comprise the statements of income and expenditure, statements of assets, liabilities and fund balances as at 30 June 2023 and statements of changes in equity and statements of cash flows 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 62.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the RSPO Group and of RSPO as at 30 June 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 audit opinion.

Independence and other ethical responsibilities

We are independent of the 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Board of Governors for the financial statements

The Board of Governors of RSPO is responsible for the preparation of the financial statements of RSPO Group and of RSPO that give true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board of Governors is 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 statement, whether due to fraud or error.

**Independent auditors' report to the members of
The Roundtable on Sustainable Palm Oil**

Report on the audit of the financial statements (contd.)

Responsibilities of the Board of Governors for the financial statements (contd.)

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:

- 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;

- 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;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors;

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Independent auditors' report to the members of The Roundtable on Sustainable Palm Oil

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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: (contd.)

- Conclude on the appropriateness of the Board of Governors' use of the going concern basis 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 and 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;

- 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; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

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Independent auditors' report to the members of
The Roundtable on Sustainable Palm Oil

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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
20 October 2023

Statements of income and expenditure
For the financial year ended 30 June 2023

		RSPO Group		RSPO	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Income					
Subscription income	1	19,687	20,217	19,687	20,217
Contributions from sustainable palm oil trade	2	51,884	50,811	51,884	50,811
Interest income from fixed deposits		1,624	426	1,624	425
Other income		-	1,926	-	1,926
		73,195	73,380	73,195	73,379
Less: expenditure					
Staff costs	3	27,316	20,023	-	-
Management fees		-	-	45,000	34,000
Recruitment expenses		1,427	997	-	-
Professional fees		1,814	1,116	1,110	782
Short term leases		1,126	633	-	-
Consultancy fees		8,431	8,011	310	1,489
Trademark and patent		289	157	289	157
Board of Governors meeting expenses		322	54	322	54
General assembly		191	200	191	200
Roundtable meeting deficit	5	127	173	127	173
Dispute Settlement Facility Trustee fee		10	-	10	-
Bad debts written off		141	213	141	213
Net allowance/ (reversal) for impairment on receivables	13	160	(150)	160	(150)
Net foreign exchange loss/ (gain)	6	9	(289)	(368)	(5)
Auditors' remuneration		182	170	68	60
Depreciation of property, plant and equipment	9	409	682	-	-
Depreciation of right-of-use assets	10	766	866	-	-
Finance costs	17	23	58	-	-
Other expenditure		3,619	2,910	846	1,009
		46,362	35,824	48,206	37,982
Project costs	7	23,046	12,716	23,046	12,716
		69,408	48,540	71,252	50,698

Statements of income and expenditure
For the financial year ended 30 June 2023 (contd.)

		RSPO Group		RSPO	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Surplus of income over expenditure before taxation		3,787	24,840	1,943	22,681
Taxation	8	(1,744)	(1,268)	(462)	(204)
Surplus of income over expenditure for the financial year		2,043	23,572	1,481	22,477

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of comprehensive income
For the financial year ended 30 June 2023

	RSPO Group		RSPO	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Surplus of income over expenditure for the financial year	2,043	23,572	1,481	22,477
Item that may be subsequently reclassified to profit or loss:				
Currency translation differences	1,938	2,125	1,938	2,125
Total comprehensive income for the financial year	3,981	25,697	3,419	24,602

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of assets, liabilities and fund balances
As at 30 June 2023

		RSPO Group		RSPO	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	9	967	687	-	-
Right-of-use assets	10	578	361	-	-
Deferred tax assets	11	630	417	252	193
Investment in subsidiaries	12	-	-	500	500
		2,175	1,465	752	693
Current assets					
Membership subscription fee receivable	13	1,744	1,126	1,744	1,126
Other receivables, deposits and prepayments	14	7,936	9,485	11,365	10,031
Fixed deposits with a licensed bank	16	64,855	25,321	64,855	25,321
Cash and bank balances	15	24,603	57,179	21,408	52,558
		99,138	93,111	99,372	89,036
Total assets		101,313	94,576	100,124	89,729
Liabilities					
Current liabilities					
Contract liabilities	18	10,907	9,277	10,907	9,277
Other payables and accruals	19	8,604	4,617	11,499	2,978
Tax provision		757	354	311	31
Lease liabilities	17	584	393	-	-
		20,852	14,641	22,717	12,286
Net assets		80,461	79,935	77,407	77,443
Equity					
Members' fund		57,640	55,597	54,586	53,105
Smallholders' fund	20	9,079	10,126	9,079	10,126
Special projects fund	21	6,213	8,621	6,213	8,621
Currency translation reserves		7,529	5,591	7,529	5,591
Total equity		80,461	79,935	77,407	77,443

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 30 June 2023

	Members' fund RM'000	Smallholders' fund (Note 20) RM'000	Special projects fund (Note 21) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO Group						
2023						
At 1 July 2022	55,597	10,126	8,621	74,344	5,591	79,935
Surplus of income over expenditure for the financial year	2,043	-	-	2,043	-	2,043
Other comprehensive loss						
- Currency translation differences	-	-	-	-	1,938	1,938
Total comprehensive income	2,043	-	-	2,043	1,938	3,981
Funds returned from Dispute Settlement Funds ("DSF") trust fund closure	-	-	550	550	-	550
Project disbursements for the financial year	-	(1,047)	(2,958)	(4,005)	-	(4,005)
At 30 June 2023	57,640	9,079	6,213	72,932	7,529	80,461

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 30 June 2023 (contd.)

	Members' fund RM'000	Smallholders' fund (Note 20) RM'000	Special projects fund (Note 21) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO Group						
2022						
At 1 July 2021	39,025	7,454	8,865	55,344	3,466	58,810
Surplus of income over expenditure for the financial year	23,572	-	-	23,572	-	23,572
Other comprehensive income:						
- Currency translation differences	-	-	-	-	2,125	2,125
Total comprehensive income	23,572	-	-	23,572	2,125	25,697
Project disbursements for the financial year	-	(2,328)	(2,244)	(4,572)	-	(4,572)
Transfer to Smallholders' fund	(5,000)	5,000	-	-	-	-
Transfer to Special projects' fund	(2,000)	-	2,000	-	-	-
At 30 June 2022	55,597	10,126	8,621	74,344	5,591	79,935

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 30 June 2023 (contd.)

	Members' fund RM'000	Smallholders' fund (Note 20) RM'000	Special projects fund (Note 21) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO						
2023						
At 1 July 2022	53,105	10,126	8,621	71,852	5,591	77,443
Surplus of income over expenditure for the financial year	1,481	-	-	1,481	-	1,481
Other comprehensive loss						
- Currency translation differences	-	-	-	-	1,938	1,938
Total comprehensive income	1,481	-	-	1,481	1,938	3,419
Funds returned from Dispute Settlement Funds ("DSF") trust fund closure	-	-	550	550	-	550
Project disbursements for the financial year	-	(1,047)	(2,958)	(4,005)	-	(4,005)
At 30 June 2023	54,586	9,079	6,213	69,878	7,529	77,407

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 30 June 2023 (contd.)

	Members' fund RM'000	Smallholders' fund (Note 20) RM'000	Special projects fund (Note 21) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO						
2022						
At 1 July 2021	37,628	7,454	8,865	53,947	3,466	57,413
Surplus of income over expenditure for the financial year	22,477	-	-	22,477	-	22,477
Other comprehensive income						
- Currency translation differences	-	-	-	-	2,125	2,125
Total comprehensive income	22,477	-	-	22,477	2,125	24,602
Project disbursements for the financial year	-	(2,328)	(2,244)	(4,572)	-	(4,572)
Transfer to Smallholders' fund	(5,000)	5,000	-	-	-	-
Transfer to Special projects' fund	(2,000)	-	2,000	-	-	-
At 30 June 2022	53,105	10,126	8,621	71,852	5,591	77,443

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows
For the financial year ended 30 June 2023

	Note	RSPO Group 2023 RM'000	RSPO Group 2022 RM'000	RSPO 2023 RM'000	RSPO 2022 RM'000
Cash flows from operating activities					
Surplus of income over expenditure for the financial year before taxation		3,787	24,840	1,943	22,681
Adjustments for:					
Depreciation of property, plant and equipment	9	409	682	-	-
Depreciation of right-of-use assets	10	766	866	-	-
Gain on disposal of property, plant and equipment		(1)	-	-	-
Written off of property, plant and equipment		24	-	-	-
Finance costs	17	23	58	-	-
Unrealised foreign exchange loss/(gain)		292	(368)	-	-
Net allowance/ (reversal) for impairment on receivables		160	(150)	160	(150)
Bad debts written off		141	213	141	213
Interest income		(1,624)	(426)	(1,624)	(425)
Operating surplus before working capital changes and fund disbursements		3,977	25,715	620	22,319
Smallholder fund disbursements		(1,047)	(2,328)	(1,047)	(2,328)
Special projects fund disbursements		(2,958)	(2,244)	(2,958)	(2,244)
Funds returned from DSF Trust Fund closure		550	-	550	-
Changes in working capital:					
Membership subscription fee receivable		(785)	417	(785)	417
Other receivables, deposits and prepayments		2,171	(4,121)	(953)	(3,116)
Deferred subscription income		782	(309)	782	(309)
Prepaid membership fees		(9)	33	(9)	33
Other payables and accruals		2,960	(558)	8,211	(1,177)
Cash generated from operations		5,641	16,605	4,411	13,595

Statements of cash flows
For the financial year ended 30 June 2022 (contd.)

	Note	RSPO Group 2023 RM'000	RSPO Group 2022 RM'000	RSPO 2023 RM'000	RSPO 2022 RM'000
Cash flows from operating activities (contd.)					
Cash generated from operations (contd.)		5,641	16,605	4,411	13,595
Interest received		1,624	446	1,624	445
Income tax paid		(1554)	(872)	(241)	(164)
Net cash flow generated from operating activities		5,711	16,179	5,794	13,876
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(783)	(353)	-	-
Placement of fixed deposits with tenure more than 3 months		(19,307)	(156)	(19,307)	(156)
Proceeds from disposal of property, plant and equipment		71	2	-	-
Net cash flow used in investing activities		(20,019)	(507)	(19,307)	(156)
Cash flows from financing activities					
Repayment of principal portion of lease liabilities		(792)	(888)	-	-
Payment of finance costs		(23)	(58)	-	-
Net cash flow used in financing activities		(815)	(946)	-	-
Net movement in cash and cash equivalents		(15,123)	14,726	(13,513)	13,720
Effect of foreign exchange rate changes		2,774	2,195	2,590	1,831
Cash and cash equivalents at beginning of the financial year		65,001	48,080	60,380	44,829
Cash and cash equivalents at end of the financial year		52,652	65,001	49,457	60,380

Statements of cash flows
For the financial year ended 30 June 2023 (contd.)

	RSPO Group		RSPO	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Analysis of cash and cash equivalents:				
Cash and bank balances	24,603	57,179	21,408	52,558
Deposits placed with a licensed bank	64,855	25,321	64,855	25,321
Less: Deposits placed with a licensed bank with tenure more than 3 months	(36,806)	(17,499)	(36,806)	(17,499)
Cash and cash equivalents at the end of financial year	52,652	65,001	49,457	60,380

Notes to the statements of cash flows:

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	Lease liabilities	
	2023	**2022**
	RM'000	**RM'000**
RSPO Group		
At 1 July	393	1281
Cash flows	(815)	(946)
Non-cash items:		
- Lease addition	983	-
- Finance costs	23	58
At 30 June	584	393

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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 non-profit organisation. The principal activities of the subsidiary companies are shown in Note 12 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The address of principal place of business of RSPO is Unit 13A-1, Menara Etiqa, No. 3, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Governors of RSPO Group and RSPO on 20 October 2023.

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 financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2022, the RSPO Group and RSPO adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(b) Changes in accounting policies (contd.)

The accounting policies adopted are consistent with those of the previous financial year except as follows: (contd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment (Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137: Onerous Contracts (Costs of Fulfilling a Contract)	1 January 2022
Annual Improvements to MFRSs 2018 - 2020	1 January 2022

The adoption of the above standards and interpretations did not have material effect on the financial statements of the RSPO Group and RSPO.

(c) Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the RSPO Group's and RSPO's financial statements are disclosed below. The RSPO Group and RSPO intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 — Comparative Information	1 January 2023
Amendments to MFRS 104: Extension of the Temporary Exemption from Applying MFRS 9	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(c) Standards and interpretations issued but not yet effective (contd.)

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The RSPO Group and RSPO expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the RSPO and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the RSPO. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The RSPO Group controls an investee if and only if the RSPO Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(d) Basis of consolidation (contd.)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the RSPO Group has less than a majority of the voting or similar rights of an investee, the RSPO Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The RSPO Group's voting rights and potential voting rights.

The RSPO Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the RSPO Group obtains control over the subsidiary and ceases when the RSPO Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the RSPO Group gains control until the date the RSPO Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the RSPO Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the RSPO Group's accounting policies.

If the RSPO Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in consolidated statement of income and expenditure. Any investment retained is recognised at fair value.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(e) Investment in subsidiaries

In the RSPO's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in statements of income and expenditure.

(f) Current versus non-current classification

The RSPO Group and RSPO present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) Held primarily for the purpose of trading;

(iii) Expected to be realised within twelve months after the reporting period; or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The RSPO Group and RSPO classify all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(g) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the RSPO Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 reporting 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 (h) on impairment of non-financial assets.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(h) Impairment of non-financial assets

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

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

(i) Income recognition

(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 and RSPO expect 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.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(i) Income recognition (contd.)

(i) Revenue from contracts with customers (contd.)

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

(a) Subscription income

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

Subscription fees are due once membership application is approved. The RSPO Group's and RSPO's obligation to render services to members for which the RSPO Group and RSPO have 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.

Subscription income from members is recognised on an accrual basis.

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

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(j) Cash and cash equivalents

For purposes of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits held at call with banks 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 and RSPO have 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(m) Contract liabilities

A contract liability is the obligation of the RSPO Group and RSPO to transfer goods and services to a customer for which it has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the RSPO Group and RSPO have a right to an amount of consideration that is unconditional before it transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as income when the RSPO Group and RSPO perform its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative income earned or recognised in statement of income and expenditure. Contract liabilities include advance payment and down payments received from customers and other amounts where the RSPO Group and RSPO have billed before the goods are delivered or services are provided to the customers.

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

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(n) Foreign currencies (contd.)

(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 statements of income and expenditure within "net foreign exchange (gain)/loss". 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:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(b) income and expenses for each statements of comprehensive income 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

(c) all resulting exchange differences are recognised as a separate component of other comprehensive income.

(o) 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 surplus of income over expenditure 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 statements of income and expenditure, 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.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(o) Current and deferred income tax (contd.)

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 income 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 surplus of income over expenditure. 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.

(p) Leases

Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the RSPO Group.

Contracts may contain both lease and non-lease components. The RSPO Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the RSPO Group is lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(p) Leases (contd.)

Accounting by lessee (contd.)

(i) Lease term

In determining the lease term, the RSPO Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The RSPO Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the RSPO Group and affects whether the RSPO Group are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and accumulated impairment. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Office buildings and office space	less than 1 year

If the RSPO Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(p) Leases (contd.)

Accounting by lessee (contd.)

(ii) ROU assets (contd.)

The RSPO Group presents ROU assets that meet the definition of investment property in the statement of assets, liabilities and fund balances as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of assets, liabilities and fund balances.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments, less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the RSPO Group under residual value guarantees;
- The exercise price of a purchase and extension options if the RSPO Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the RSPO Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the RSPO Group, the lessee's incremental borrowing is used. This is the rate that the Individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income and expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The RSPO Group presents the lease liabilities as a separate line item in the statement of assets, liabilities and fund balances. Interest expense on the lease liability is presented within the finance cost in statements of income and expenditure in the statement of income and expenditure.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(p) Leases (contd.)

Accounting by lessee (contd.)

(iv) Reassessment of lease liabilities

The RSPO Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short term leases and leases of low value assets

Short term leases are leases with a lease term of 12 months or less. Low value assets comprise small IT equipment and office furniture. Payments associated with short term leases of assets and all leases of low value assets are recognised on a straight-line basis as an expense in statements of income and expenditure.

(q) Financial assets

(i) Classification

The RSPO Group and RSPO classify its financial assets to be measured at amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the RSPO Group and RSPO commit 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 and RSPO have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the RSPO Group and RSPO measure 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 statements of income and expenditure.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(q) Financial assets (contd.)

(iii) Measurement (contd.)

Debt instruments

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

The RSPO Group and RSPO measure 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 de-recognition is recognised directly in statements of income and expenditure together with foreign exchange gains and losses. impairment losses are presented as separate line item in the statements of income and expenditure.

(iv) Subsequent measurement - impairment

Impairment for debt instruments

The RSPO Group and RSPO assess 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.

There are three 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.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(q) Financial assets (contd.)

(iv) Subsequent measurement - impairment (contd.)

Impairment for debt instruments (contd.)

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 and RSPO expect 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 and RSPO apply 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 and RSPO measure ECL through loss allowance at an amount equal to 12 months 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 and RSPO consider 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 and RSPO compare 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.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(q) Financial assets (contd.)

(iv) Subsequent measurement - impairment (contd.)

Significant increase in credit risk (contd.)

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; and
- 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 and RSPO define 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:

(a) Quantitative criteria:

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

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(q) Financial assets (contd.)

(iv) Subsequent measurement - impairment (contd.)

Definition of default and credit-impaired financial assets (contd.)

(b) Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The RSPO Group and RSPO consider 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 reorganisation; and
- the debtor is insolvent.

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

(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 and RSPO.

Impairment losses on trade and other receivables are presented as net allowance for impairment on receivables within statements of income and expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(r) Financial liabilities

Classification, measurement and de-recognition

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

Other financial liabilities of the RSPO Group and RSPO comprise "Other payables and accruals" in the statements of assets, liabilities and fund balances (Note 19).

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.

(s) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the RSPO Group and RSPO.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(s) Fair value measurement (contd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The RSPO Group and RSPO use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the RSPO Group and RSPO determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(t) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of assets, liabilities and fund balances 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.

General information and summary of significant accounting policies (contd.)

B. Summary of significant accounting policies (contd.)

(u) 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 statements of income and expenditure in the period to which they relate. Once the contributions have been paid, RSPO Group has no further payment obligations.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

C. Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the RSPO Group's and RSPO's accounting policies that have significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

There were no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

D. Financial risk management objectives and policies

The RSPO Group's and 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 Group and RSPO operate within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Finance Committee. 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 credit risk, liquidity and cash flow risk as well as foreign currency risk. Information on the management of the related exposures are detailed below:

(a) 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 12 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.

Financial risk management objectives and policies (contd.)

D. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Measurement of ECL (contd.)

(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:

Category	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
Under performing	Debtors for which there is a significant increase in credit risk	Lifetime ECL
Non-performing	Interest and/or- principal- repayments are 90 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.

Financial risk management objectives and policies (contd.)

D. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

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.

(b) 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.

RSPO Group 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:

	Less than 1 year RM'000
2023	
RSPO Group	
Other payables and accruals	8,604
Lease liabilities	584
RSPO	
Other payables and accruals	11,499

Financial risk management objectives and policies (contd.)

D. Financial risk management objectives and policies (contd.)

(b) Liquidity and cash flow risk (contd.)

	Less than 1 year RM'000
2022	
RSPO Group	
Other payables and accruals	4,617
Lease liabilities	401
RSPO	
Other payables and accruals	2,978

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The RSPO Group and RSPO have transactional currency exposures arising from income or expenses that are denominated in a currency other than the respective functional currencies of the RSPO Group and RSPO entities, primarily Euro ("EUR"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The RSPO Group and RSPO do not hedge these exposures. However, the Board of Governors via the Finance Committee keeps this policy under review.

The net unhedged financial assets and financial liabilities of the RSPO Group and RSPO that are not denominated in their functional currencies are as follows:

	RSPO Group	
	2023 RM'000	2022 RM'000
Financial assets		
Euro ("EUR")	4,821	2,586
Financial liabilities		
Euro ("EUR")	319	483

Financial risk management objectives and policies (contd.)

D. Financial risk management objectives and policies (contd.)

(c) Foreign currency risk (contd.)

	RSPO 2023 RM'000	RSPO 2022 RM'000
Financial assets		
Euro ("EUR")	4,365	4,077
Financial liabilities		
Euro ("EUR")	273	361

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the RSPO Group's and RSPO's surplus of income net of tax to a reasonably possible change in the foreign exchange rates against the functional currency of the RSPO Group and RSPO, with all other variables held constant.

		RSPO Group Surplus net of tax 2023 RM'000	RSPO Group Surplus net of tax 2022 RM'000
EUR/USD	- strengthened 4% (2022: 14%)	130	221
	- weakened 4% (2022: 14%)	(130)	(221)

		RSPO Surplus net of tax 2023 RM'000	RSPO Surplus net of tax 2022 RM'000
EUR/USD	- strengthened 4% (2022: 14%)	118	385
	- weakened 4% (2022: 14%)	(118)	(385)

Financial risk management objectives and policies (contd.)

D. Financial risk management objectives and policies (contd.)

(d) Capital risk management policies and procedures

The primary objective of the RSPO Group's and 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 Group and RSPO consist of equity of RSPO Group and RSPO (comprising share capital and retained earnings as disclosed in the statements of changes in equity). RSPO Group and RSPO manage its capital structure and makes adjustments to it, in light of changes in economic conditions. RSPO Group and RSPO are not subject to any externally imposed capital requirements.

Notes to the financial statements
For the financial year ended 30 June 2023

1. Subscription income

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
Revenue from contracts with customers:		
Ordinary members	18,040	18,556
Affiliate members	135	138
Supply chain associate	1,512	1,523
	19,687	20,217

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 2023 is 5,643 (2022: 5,361), including associate members of 3,323 (2022: 3,174).

2. Contributions from sustainable palm oil trade

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
Revenue from contracts with customers:		
Certificate trading	11,758	10,670
Segregated and mass balance trading	40,126	40,141
	51,884	50,811

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 USD1 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.

Notes to the financial statements
For the financial year ended 30 June 2023

3. Staff costs

	RSPO Group	
	2023	**2022**
	RM'000	**RM'000**
Wages, salaries and bonuses	22,924	17,203
Defined contribution plan	1,823	1,229
Other employee benefits and compensations	2,569	1,591
	27,316	20,023

Included in staff costs of the RSPO Group is the remuneration of 2 Executive Directors (2022:2) of RSPO Secretariat Sdn Bhd of RM2,056,197 (2022: RM954,000) as further disclosed in Note 4.

4. Directors' and other key management personnel remunerations

The details of remuneration received or receivable by directors and key management personnel of the RSPO Group during the financial years are as follows:

	RSPO Group	
	2023	**2022**
	RM'000	**RM'000**
Executive:		
Salaries and bonus	1,780	1,366
Contributions to defined contribution plan	276	208
	2,056	1,574

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RSPO Group, directly or indirectly, including any directors of RSPO Secretariat Sdn Bhd (whether executive or otherwise) and Chief Executive Officer of that RSPO Group.

Notes to the financial statements
For the financial year ended 30 June 2023

5. Roundtable meeting deficit

During the financial year, 2 Roundtable events were held by the RSPO (2022: 1).

	RSPO Group and RSPO	
	2023	2022
	RM'000	RM'000
Annual Roundtable meetings		
Expenses, representing total deficits	127	173

6. Net foreign exchange loss/ (gain)

	RSPO Group		RSPO	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Realised foreign exchange (gain)/loss	(283)	79	(368)	(5)
Unrealised foreign exchange loss/(gain)	292	(368)	-	-
Net foreign exchange loss/(gain)	9	(289)	(368)	(5)

7. Project costs

	RSPO Group and RSPO	
	2023	2022
	RM'000	RM'000
Assurance	4,335	3,761
Standard development	4,226	1,237
Stakeholder engagement	6,151	4,623
Market transformation	4,455	1,930
Technical and membership	1,684	978
Strategic and secretariat projects	2,195	187
	23,046	12,716

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

Notes to the financial statements
For the financial year ended 30 June 2023

8. Taxation

	RSPO Group		RSPO	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax:				
- current financial year	1,668	1,006	248	105
- underprovision in prior financial years	289	296	273	87
	1,957	1,302	521	192
Deferred tax (Note 11):				
- origination and reversal of temporary differences	(213)	(34)	(59)	12
Tax expense for the financial year	1,744	1,268	462	204

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Surplus of income over expenditure before taxation	3,787	24,840	1,943	22,681
Tax calculated at Malaysian tax rate for associations of 28% (2022: 25%)	1,060	6,210	544	5,671
Income not subject to tax	(19,551)	(17,300)	(19,551)	(17,300)
Expenses not deductible for tax purposes	19,560	11,954	19,227	11,763
Foreign tax expense	180	127	-	-
Effects of scale tax rates	206	(19)	(31)	(17)
Underprovision of tax in prior financial years	289	296	273	87
Tax expense for the financial year	1,744	1,268	462	204

Domestic income tax is calculated at the Malaysian tax rate for associations of 28% (2022: 25%) of the estimated assessable profit for the financial year. The deferred tax computation is based on this rate.

Notes to the financial statements
For the financial year ended 30 June 2023

9. Property, plant and equipment

RSPO Group	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
2023					
Cost					
At 1 July 2022	1,345	361	189	1,063	2,958
Additions	401	20	87	275	783
Disposals	(97)	(8)	(27)	-	(132)
Write off	(3)	(91)	(32)	(223)	(349)
At 30 June 2023	1,646	282	217	1,115	3,260
Less: Accumulated depreciation					
At 1 July 2022	969	213	155	934	2,271
Charge for the financial year	229	53	15	112	409
Disposals	(37)	(8)	(17)	-	(62)
Write off	(3)	(85)	(31)	(206)	(325)
At 30 June 2023	1,158	173	122	840	2,293
Net book value					
At 30 June 2023	488	109	95	275	967

9. Property, plant and equipment (contd.)

RSPO Group	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
2022					
Cost					
At 1 July 2021	1,032	411	232	1,063	2,738
Additions	348	2	3	-	353
Disposals	(9)	-	-	-	(9)
Write off	(26)	(52)	(46)	-	(124)
At 30 June 2022	1,345	361	189	1,063	2,958
Less: Accumulated depreciation					
At 1 July 2021	834	197	175	514	1,720
Charge for the financial year	168	68	26	420	682
Disposals	(7)	-	-	-	(7)
Write off	(26)	(52)	(46)	-	(124)
At 30 June 2022	969	213	155	934	2,271
Net book value					
At 30 June 2022	376	148	34	129	687

10. Right-of-use assets

The RSPO Group as a lessee

The RSPO Group leases several office buildings and office space for a remaining period of 10 months. The lease agreement has an extension option.

Lease terms on the rental contracts are negotiated on an individual basis and contain various terms and conditions. The rental contracts do not impose any covenants.

10. Right-of-use assets (contd.)

The RSPO Group as a lessee (contd.)

	Office buildings and office space RM'000
RSPO Group	
2023	
Cost	
At 1 July 2022	2,826
Lease addition	983
At 30 June 2023	3,809
Less: Accumulated depreciation	
At 1 July 2022	2,465
Depreciation expense	766
At 30 June 2023	3,231
Net book value	
At 30 June 2023	578
2022	
Cost	
At 1 July 2021/ 30 June 2022	2,826
At 30 June 2021	2,826
Less: Accumulated depreciation	
At 1 July 2021/ 30 June 2022	1,599
Depreciation expense	866
At 30 June 2022	2,465
Net book value	
At 30 June 2022	361

Depreciation expense of right-of-use assets recognised in statements of income and expenditure.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

11. 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Subject to income tax				
- Deferred tax assets	630	417	252	193
At beginning of the financial year	417	383	193	205
Recognised in statements of income and and expenditure (Note 8)				
- Property, plant and equipment	(2)	(30)	-	-
- Other payables, accruals and contract liabilities	215	64	59	(12)
	213	34	59	(12)
At end of the financial year	630	417	252	193
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Other payables, accruals and contract liabilities	633	446	252	193
Offsetting	(3)	(29)	-	-
Deferred tax assets (after offsetting)	630	417	252	193
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(3)	(29)	-	-
Offsetting	3	29	-	-
Deferred tax liabilities (after offsetting)	-	-	-	-

12. Investment in subsidiaries

	RSPO 2023 RM'000	RSPO 2022 RM'000
Unquoted shares, at cost	500	500

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective ownership interest 2023 %	Group's effective ownership interest 2022 %	Principal activities
RSPO Secretariat Sdn Bhd *	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.

* The subsidiary is audited by Ernst & Young PLT, Malaysia.

Subsidiary of RSPO Secretariat Sdn Bhd

Name	Country of incorporation	2023 %	2022 %	Principal activities
RSPO Secretariat North America LLC **	United States of America	100	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.

Name	Country of incorporation	2023 %	2022 %	Principal activities
PT RSPO Secretariat Indonesia **	Indonesia	100	-	To provide administration, secretariat, staff secondment and other related services to RSPO.

** A limited liability company formed under the Law of the Republic of Indonesia. There is no audit requirement for the subsidiary company in the country of incorporation.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

13 Membership subscription fee receivable

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
Membership subscription fee receivable	2,288	1,528
Less: Impairment on receivables	(544)	(402)
	1,744	1,126

Trade receivables using simplified approach

The reconciliation of the loss allowance for trade receivables as at 30 June 2023 and 30 June 2022 to the opening loss allowance are as follows:

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
At 1 July	402	569
Recognised in statements of income and expenditure	160	(150)
Allowance written off	(18)	(17)
At 30 June	544	402

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

	Expected loss rate %	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2023				
Current - 30 days	-	909	-	909
31 - 60 days past due	-	402	-	402
61 - 180 days past due	17	524	91	433
181 - 365 days past due	100	247	247	-
More than 365 days past due	100	206	206	-
		2,288	544	1,744
2022				
Current - 30 days	-	824	-	824
31 - 60 days past due	-	202	-	202
61 - 180 days past due	49	197	97	100
181 - 365 days past due	100	135	135	-
More than 365 days past due	100	170	170	-
		1,528	402	1,126

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

14. Other receivables, deposits and prepayments

	RSPO Group		RSPO	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Receivable from supply chain fees of sustainable palm oil trade	4,018	4,868	4,018	4,868
Other receivables	1,171	3,426	901	334
Amount due from a subsidiary	-	-	5,457	4,273
Deposits	718	404	-	-
	5,907	8,698	10,376	9,475
Goods and services tax ("GST") receivable	-	352	-	352
Prepayments	2,029	435	989	204
	7,936	9,485	11,365	10,031

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

<u>Other receivables using general 3-stage approach</u>

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 2023, none of the other receivables and deposits of the RSPO Group and RSPO respectively were past due or impaired (2022: nil).

15. Cash and bank balances

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Ringgit Malaysia	1,859	5,356	1,724	3,040
United States Dollar	17,970	48,475	17,074	48,166
Euro	2,760	1,352	2,610	1,352
Colombian Peso	554	295	-	-
Indonesian Rupiah	933	984	-	-
Chinese Yen	229	139	-	-
Singapore Dollar	-	420	-	-
Others	298	158	-	-
	24,603	57,179	21,408	52,558

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

15. Cash and bank balances (contd.)

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

16. 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 and US Dollar.

The average effective interest rates of the fixed deposits are between 1.6% and 4.78% (2022: 1.6% and 2.3%) per annum and the average maturity period is between 28 days to 730 days (2022: 30 days to 365 days).

17. Lease liabilities

	RSPO Group	
	2023	**2022**
	RM'000	**RM'000**
Current	584	393

Set out below are the carrying amounts of lease liabilities and the movements during the financial years:

	RSPO Group	
	2023	**2022**
	RM'000	**RM'000**
As at 1 July	393	1,281
Lease addition	983	-
Finance costs	23	58
Repayments of principal and finance costs	(815)	(946)
As at 30 June	584	393

	RSPO Group	
	2023	**2022**
	RM'000	**RM'000**
Maturity analysis of lease liabilities:		
- not later than 1 year	584	393

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

17. Lease liabilities (contd.)

Set out below are the carrying amounts of lease liabilities and the movements during the financial years: (contd.)

Total cash outflow for leases during financial years for the RSPO Group amounted to RM815,000 (2022: RM946,000).

The weighted average lessee's incremental borrowing rate applied to the lease liabilities for the current financial year is 3.4% (2022: 6.5%).

The RSPO Group have elected not to recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payment made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liabilities are disclosed in statements of income and expenditure.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

18. Contract liabilities

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
Current		
Deferred subscription income (a)	10,414	8,811
Prepaid membership fees (b)	493	466
	10,907	9,277

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

	2023	**2022**
	RM'000	**RM'000**
At the beginning of the financial year	9,277	9,795
Income recognised that was included in the contract liability balance at the beginning of the financial year	(8,784)	(9,329)
Increase from cash received or due, excluding amounts recognised as income during the financial year	10,414	8,811
At the end of the financial year	10,907	9,277

(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. 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.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

19. Other payables and accruals

	RSPO Group		RSPO	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Project costs payables	3,291	2,047	3,291	2,047
Project costs accruals	760	312	760	312
Amount due to a subsidiary	-	-	7,362	539
Other payables	1,100	463	21	24
Other accruals	3,453	1,795	65	56
	8,604	4,617	11,499	2,978

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

20. Smallholders' fund

The purpose of the Smallholders' fund is to support smallholders to be RSPO certified.

	RSPO Group and RSPO	
	2023 RM'000	2022 RM'000
As at beginning of the financial year	10,126	7,454
Less: Project disbursements paid during the financial year	(1,047)	(2,328)
Add: Addition to fund	-	5,000
As at end of the financial year	9,079	10,126

No allocation of fund was made to the Smallholders' Fund during the financial year (2022: RM5,000,000).

	RSPO Group and RSPO	
	2023 RM'000	2022 RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year	3,592	3,286
Later than 1 year but not later than 3 years	1,934	1,822
	5,526	5,108

This relates to projects that were approved under the RSPO Smallholders' Support Fund.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

21. Special projects' fund

	RSPO Group and RSPO	
	2023	**2022**
	RM'000	**RM'000**
As at beginning of the financial year	8,621	8,865
Closure of DSF Trust Fund	550	-
Less: Project disbursements paid during the financial year		
- Outreach to Intermediary Organisations	(2,358)	(1,444)
- SEnSOR impacts project - Year 4		-
- SEnSOR impacts project - Year 5	(600)	(800)
Add: Addition to fund	-	2,000
As at end of the financial year	6,213	8,621

No fund was made to the Special Projects Fund during the financial year (2022: RM2,000,000). 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	
	2023	**2022**
	RM'000	**RM'000**
<u>Commitments due to be disbursed:</u>		
Within 1 year		
- Yayasan Setara Jambi	854	-
- SEnSOR impacts project - Year 5	600	1,200
- Outreach to Intermediary Organisations	2,209	2,430
Later than 1 year not more than 3 years		
- Outreach to intermediary organisations	1,407	-
- Yayasan Setara Jambi	388	-
	5,458	3,630
<u>Approved but not contracted:</u>		
Outreach to Intermediary Organisations	-	3,176

This relates to special projects that have been approved by the Board of Governors.

Notes to the financial statements
For the financial year ended 30 June 2023 (contd.)

22. RSPO Secretariat Sdn Bhd overseas establishments

RSPO Secretariat Sdn Bhd ("RSPOSSB") has overseas establishments in Indonesia, United Kingdom, China, Colombia, Singapore and the Netherlands.

Operating expenses, excluding gain or loss from unrealised foreign exchange differences, incurred by the overseas establishments during the financial years are as follows:

	2023 RM'000	2022 RM'000
Regional Representative Office (Indonesia)	3,922	3,365
UK Establishment (United Kingdom)	752	711
Beijing Representative Office (China)	1,367	1,174
Colombia Branch Office (Colombia)	1,207	782
Netherlands Branch Office (Netherlands)	2,701	2,762
Singapore Branch Office	58	178
	10,007	8,972

Included in the total operating expenses of the RSPOSSB overseas establishments are total staff costs amounting to RM8,812,000 (2022: RM8,069,000).

23. Significant related party transactions

	RSPO	
	2023 RM'000	2022 RM'000
Expenses for provision of services by the subsidiary:		
- Management fees	45,000	34,000

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

Information regarding outstanding balances arising from related party transactions as at 30 June 2023 and 30 June 2022 are disclosed in Note 4, Note 14 and Note 19.

24. Financial instruments by category

	Financial assets at amortised cost 2023 RM'000	Financial assets at amortised cost 2022 RM'000
RSPO Group		
Current assets		
Membership subscription fees receivables	1,744	1,126
Other receivables and deposits (excludes prepayments and GST receivable)	5,907	8,698
Fixed deposits with a licensed bank	64,855	25,321
Cash and bank balances	24,603	57,179
	97,109	92,324
RSPO		
Current assets		
Membership subscription fees receivables	1,744	1,126
Other receivables and deposits (excludes prepayments and GST receivable)	10,376	9,475
Fixed deposits with a licensed bank	64,855	25,321
Cash and bank balances	21,408	52,558
	98,383	88,480

	Financial liabilities at amortised cost 2023 RM'000	Financial liabilities at amortised cost 2022 RM'000
RSPO Group		
Current liabilities		
Other payables and accruals	8,604	4,617
Lease liabilities	584	393
	9,188	5,010
RSPO		
Current liabilities		
Other payables and accruals	11,499	2,978

25. Subsequent events

The Singapore branch office ceased its operations on 30 August 2023. The branch was dormant during the financial year.

The process to cease the Indonesia representative office started on 1 August 2023 after operations were moved to a private limited entity.