

THE ROUNDTABLE ON SUSTAINABLE PALM OIL ("RSPO")

ANNUAL REPORT

30 JUNE 2010

"The Business Mind"



McMillanWoods

Chartered Accountants (AF:1981)

Assurance & Advisory Business Services

CONTENTS

1	General information
2	Annual report
3	Statement from Secretary-General
4 - 5	Independent auditors' report to the members

FINANCIAL STATEMENTS

6	Balance sheet
7	Income and expenditure statement
8	Statement of changes in accumulated fund
9	Cash flow statement
10 - 15	Notes to the financial statements

GENERAL INFORMATION

Secretary-General	:	Rikke Jarvad Netterstrom (F)
Office address	:	Suite 703, Level 7 Menara Amcorp Persiaran Barat 46000 Petaling Jaya Selangor Darul Ehsan Malaysia
Auditors	:	McMillan Woods (AF: 1981) (Chartered Accountants) Malaysia
Principal banker	:	HSBC Bank Malaysia Berhad

ANNUAL REPORT

PRINCIPAL ACTIVITIES

The principal activity of **The Roundtable on Sustainable Palm Oil** during the financial year was 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. It is a “not-for-profit” organisation.

AUDITED REPORT

The Management of **The Roundtable on Sustainable Palm Oil** has the pleasure in submitting their annual report together with the audited financial statements for the financial year ended 30 June 2010.

AUDITORS

The auditors, Messrs. McMillan Woods, Chartered Accountants (Malaysia) have expressed their willingness to continue in office.

Signed on behalf of **The Roundtable on Sustainable Palm Oil**



RIKKE JARVAD NETTERSTROM (F)
Secretary-General

Kuala Lumpur, Malaysia

Dated: 09 SEP 2010

STATEMENT FROM SECRETARY-GENERAL

I, *Rikke Jarvad Netterstrom (F)*, representing **The Roundtable on Sustainable Palm Oil**, do hereby state that the accompanying financial statements are drawn up in accordance with approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs as at 30 June 2010 and of the results of the operations, changes in accumulated fund and cash flows for the financial year then ended.

Signed on behalf of **The Roundtable on Sustainable Palm Oil**



RIKKE JARVAD NETTERSTROM (F)
Secretary-General

Kuala Lumpur, Malaysia
Dated: 09 SEP 2010

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

Report on the financial statements

We have audited the financial statements of **The Roundtable on Sustainable Palm Oil**, which comprise the balance sheet as at 30 June 2010 and the statement of income and expenditure, statement of changes in accumulated fund and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 15.

Management's responsibility for the financial statements

The management of the Organisation is responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, we consider the internal control relevant to the Organisation's preparation and fair presentation of the financial statements 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 the Organisation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the undersigned having had access to the relevant books and financial statements of **The Roundtable on Sustainable Palm Oil** for the financial year ended 30 June 2010 and having examined the foregoing statements as set out on pages 6 to 15 and verified the same with the financial statements and vouchers relating thereto, now sign the same as found to be correct and duly vouched.



"The Business Mind"

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

Other matters

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

The financial statements of previous financial year were audited by another firm of accountants.

A handwritten signature in cursive script that reads 'MCMILLAN WOODS'.

MCMILLAN WOODS
AF: 1981
Chartered Accountants

A handwritten signature in cursive script that reads 'Dato' Liew Lee Leong'.

Dato' Liew Lee Leong
2041/04/12 (J/PH)
Partner of the firm

Selangor Darul Ehsan, Malaysia

Dated: 09 SEP 2010

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 RM	2009 RM (restated)
Current assets			
Sundry receivables, deposits and prepayments	3	2,335,322	1,281,721
Cash and bank balances		4,042,532	807,970
Fixed deposits with a licensed bank	4	<u>2,400,000</u>	<u>2,400,000</u>
		<u>8,777,854</u>	<u>4,489,691</u>
Current liabilities			
Sundry payables and accruals	5	<u>3,065,976</u>	<u>1,511,182</u>
Net current assets		<u>5,711,878</u>	<u>2,978,509</u>
		<u>5,711,878</u>	<u>2,978,509</u>
FINANCED BY:			
Membership fund		4,956,338	2,521,750
Sponsorship fund	6	<u>755,540</u>	<u>456,759</u>
Accumulated fund		<u>5,711,878</u>	<u>2,978,509</u>

The accompanying notes are an integral part of these financial statements

INCOME AND EXPENDITURE STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 RM	2009 RM (restated)
Income			
Subscription	7	3,314,253	2,601,295
Add: Other operating income			
Income from sustainable palm oil trade	8	2,822,045	46,907
Interest income		50,772	59,820
Roundtable meeting surplus		694,501	321,698
		<u>6,881,571</u>	<u>3,029,720</u>
Less: Expenditure			
Management fee to RSPO Secretariat Sdn Bhd		770,000	720,000
Public relations Europe		512,081	433,154
Consultancy fees		337,972	94,740
Doubtful debts – General provision		-	100,000
Doubtful debts – Written off		290,737	128,204
Loss on foreign exchange – Realised		140,742	11,856
Loss on foreign exchange – Unrealised		189,205	-
Auditors' remuneration		6,500	6,500
Other costs		74,212	95,104
		<u>2,321,449</u>	<u>1,589,558</u>
Project costs	9	<u>2,125,534</u>	<u>651,752</u>
Total expenditure		<u>4,446,983</u>	<u>2,241,310</u>
Surplus for the financial year		<u>2,434,588</u>	<u>788,410</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Membership fund RM	Sponsorship fund RM	Donation fund RM	Total RM
As at 1 July 2008	1,733,340	1,224,512	-	2,957,852
Surplus / (Deficit) for the financial year	<u>741,503</u>	<u>(767,753)</u>	<u>46,907</u>	<u>20,657</u>
As at 30 June 2009 (As previously stated)	2,474,843	456,759	46,907	2,978,509
Transfers from donation fund	<u>46,907</u>	<u>-</u>	<u>(46,907)</u>	<u>-</u>
As at 30 June 2009 (restated)*	2,521,750	456,759	-	2,978,509
Surplus for the financial year	<u>2,434,588</u>	<u>298,781</u>	<u>-</u>	<u>2,733,369</u>
As at 30 June 2010	<u><u>4,956,338</u></u>	<u><u>755,540</u></u>	<u><u>-</u></u>	<u><u>5,711,878</u></u>

*Prior year adjustment is made to reclassify the donation fund as an Income and Expenditure item (Note 11).

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 RM	2009 RM (restated)
Cash flows from operating activities		
Surplus for the financial year	2,434,588	788,410
<i>Adjustments for:</i>		
Doubtful debts – General provision	-	100,000
Doubtful debts – Written off	290,737	128,204
Loss on foreign exchange – Unrealised	189,205	-
Operating surplus before working capital changes	<u>2,914,530</u>	<u>1,016,614</u>
Increase in receivables	(1,533,543)	(584,182)
Increase in payables	<u>1,554,794</u>	<u>352,374</u>
Net cash generated from operating activities	<u>2,935,781</u>	<u>784,806</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Increase / (Decrease) in sponsorship fund	<u>298,781</u>	<u>(767,753)</u>
Net cash generated from / (used in) financing activities	<u>298,781</u>	<u>(767,753)</u>
Net increase in cash and cash equivalents	3,234,562	17,053
Cash and cash equivalents at beginning of financial year	<u>3,207,970</u>	<u>3,190,917</u>
Cash and cash equivalents at end of financial year	<u>6,442,532</u>	<u>3,207,970</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash at bank	4,042,532	807,970
Fixed deposits with a licensed bank	<u>2,400,000</u>	<u>2,400,000</u>
	<u>6,442,532</u>	<u>3,207,970</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES**(a) Accounting convention**

The financial statements of **The Roundtable on Sustainable Palm Oil** are prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia.

(b) Property, plant and equipment and depreciation

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

It is the policy of **The Roundtable on Sustainable Palm Oil** to fully write off each asset as and when incurred, due to their immateriality in value.

(c) Income recognition

Subscription from members is recognised on the accrual basis.

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

(d) Receivables

Receivables are stated at anticipated realisable values. Known bad debts are written off and specific provision is made for those debts considered to be doubtful of collection.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Liabilities

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

(g) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the date of transaction or where settlement had not taken place at the balance sheet date, at the prevailing rate of exchange ruling as at that date. All gains and losses on exchange are recognised in the income statement.

The principal closing rates used in the translation of foreign currency amounts are as follows:

	2010	2009
	RM	RM
One United States Dollar (“USD”)	3.2575	3.5225
One Euro (“EUR”)	3.9785	4.9699

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 30 JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables. The recognition methods adopted are disclosed in the respective accounting policy statements.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The RSPO's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the organisation's projects whilst managing its financial risks.

The main areas of financial risks faced by the RSPO and the policy in respect of the major areas of treasury activity are set out as follows:

(i) Interest rate risk

The RSPO has no significant interest rate risk having no substantial long-term interest-bearing debts.

(ii) Foreign exchange risk

The RSPO has foreign currency denominated assets and liabilities together with expected cash flows which give rise to foreign currency exposures. In particular much of the income of the RSPO is denominated in Euros (subscription income) or USD (income from sustainable palm oil trade). The RSPO maintains a careful and regular review of foreign exchange exposure in order to ensure that such exposure is within acceptable limits.

(iii) Liquidity and cash flow risks

As part of its overall prudent liquidity management, the RSPO maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

(iv) Credit risk

The credit risk faced by the RSPO relates to outstanding membership fees and outstanding debts relating to income from sustainable palm oil trade, which are managed in accordance with the RSPO's liquidity and reserves policies.

(v) Reserves policy

The RSPO's policy is to maintain the Membership Fund at a level equivalent to at least one year's operating costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30 JUNE 2010

3. SUNDRY RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010 RM	2009 RM
Members' subscription fee	1,403,416	1,222,416
Less: Provision for doubtful debts – General	<u>(250,000)</u>	<u>(250,000)</u>
	1,153,416	972,416
Book & Claim Ltd	573,850	-
UTZ	224,411	-
RT prepayments	224,209	98,894
Others	<u>159,436</u>	<u>210,411</u>
	<u>2,335,322</u>	<u>1,281,721</u>

Included in sundry receivables, deposits and prepayment is an amount of RM 21,274 (2009: RM Nil) due from RSPO Secretariat Sdn Bhd where the Secretary-General is a director of the Company. The amount is unsecured, interest free and has no fixed terms of repayment.

4. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank are placed to earn interest income.

The average effective interest rates of the fixed deposits are between 1.8% and 3.7% (2009: 1.8% and 3.7%) per annum and the average maturity period is between 30 days to 365 days (2009: 30 days to 365 days).

5. SUNDRY PAYABLES AND ACCRUALS

	2010 RM	2009 RM
Deferred subscription income	1,712,773	1,379,092
Project costs payable	230,625	-
Project cost accruals	744,145	-
RSPO Secretariat Sdn Bhd	-	100,744
Others	<u>378,433</u>	<u>31,346</u>
	<u>3,065,976</u>	<u>1,511,182</u>

Included in sundry payables and accruals is an amount of RM Nil (2009: RM 100,744) due to RSPO Secretariat Sdn Bhd where the Secretary-General is a director of the Company. The amount is unsecured, interest free and has no fixed terms of repayment.

6. SPONSORSHIP FUND

	2010 RM	2009 RM
Biodiversity and Agricultural Commodities Program (a)	109,029	-
DOEN / LNV Umbrella Programme (b)	341,016	456,759
Green House Gas Working Group II (c)	<u>305,495</u>	<u>-</u>
	<u>755,540</u>	<u>456,759</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30 JUNE 2010

6. SPONSORSHIP FUND (Continued)

(a) Biodiversity and Agricultural Commodities Program

	2010	2009
	RM	RM
As at beginning of financial year	-	-
Sponsorship fund receivable	167,479	-
Less: Programme expenses	<u>(58,450)</u>	<u>-</u>
As at end of financial year	<u>109,029</u>	<u>-</u>

(b) DOEN / LNV Umbrella Programme

	2010	2009
	RM	RM
As at beginning of financial year	456,759	1,224,512
Sponsorship fund received	-	137,160
Less: Programme expenses	<u>(115,743)</u>	<u>(904,913)</u>
As at end of financial year	<u>341,016</u>	<u>456,759</u>

(c) Green House Gas Working Group II

	2010	2009
	RM	RM
As at beginning of financial year	-	-
Sponsorship fund received	440,762	-
Less: Programme expenses	<u>(135,267)</u>	<u>-</u>
As at end of financial year	<u>305,495</u>	<u>-</u>

The purpose of the sponsorship fund is to meet specific project costs by way of sponsorship income.

7. SUBSCRIPTION

Subscription income amounting to RM 3,314,253 (2009: RM 2,601,295) was receivable from members worldwide during the financial year.

The number of members registered as at 30 June 2010 is 480 (2009: 389).

8. INCOME FROM SUSTAINABLE PALM OIL TRADE

	2010	2009
	RM	RM
		(restated)
GreenPalm	2,354,862	46,907
UTZ	<u>467,183</u>	<u>-</u>
	<u>2,822,045</u>	<u>46,907</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT 30 JUNE 2010

8. INCOME FROM SUSTAINABLE PALM OIL TRADE (Continued)

Income from sustainable palm oil trade comprises contributions made to the RSPO from GreenPalm and UTZ at the rate of USD\$ 1, equivalent to RM 3.3000 (2009: RM 3.5225) per tonne of sustainable palm oil or equivalent certificates traded. GreenPalm is operated by Book and Claim Limited, a company incorporated in England, and a subsidiary of AarhusKarlshamn UK Limited.

9. PROJECT COSTS

	2010 RM	2009 RM (restated)
Group Certification Scheme	428,697	54,843
Integrated Weed Management	364,776	89,059
Indonesia Liaison Office	343,439	211,221
High Conservation Value Indonesia Working Group	224,913	48,278
Indonesia Smallholder Working Group	150,000	-
Green House Gas Working Group I	106,481	32,445
Green House Gas Working Group II	135,268	-
Task Force on Smallholder Project I	24,412	-
Task Force on Smallholder Project II	122,909	-
Biodiversity Technical Committee	117,285	21,132
Certification Support	77,709	-
New Planting Working Group	29,645	51,475
National Interpretation Colombia/LA-NI	-	70,135
Audit Training	-	73,164
	<u>2,125,534</u>	<u>651,752</u>

Project costs relate to expenditure incurred in various organised programmes pertaining to the promotion of the objectives of the RSPO, but excluding sponsorship funds.

10. FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments in respect of cash and cash equivalents, receivables and payables approximate their fair values due to the relatively short term nature of the said financial instruments.

11. PRIOR YEAR ADJUSTMENT

The prior year adjustment for the financial year ended 30 June 2009 comprising an increase in profit of RM 46,907, arises from reclassification of donation fund to income from sustainable palm oil trade.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS AT 30 JUNE 2010

12. COMPARATIVE FIGURES

- (a) The following comparatives for the financial year ended 30 June 2009 have been restated to reflect the prior year adjustment as explained in Note 11.

	As restated RM	As previously stated RM
Balance sheet		
Membership fund	2,521,750	2,474,843
Donation fund	-	46,907
	<u> </u>	<u> </u>
Income statement		
Income from sustainable palm oil trade	46,907	-
	<u> </u>	<u> </u>

- (b) Certain comparative figures have been reclassified to conform to current year's format of presentation which relate mainly to the following for the year ended 30 June 2009:

	As restated RM	As previously stated RM
Income statement		
Public relations Europe	433,154	-
Project costs	651,752	1,084,906
	<u> </u>	<u> </u>