

RSPO Treasurer's Report

This Treasurer's report is intended to summarise and comment on the financial position of the RSPO and related matters. It should be read together with the audited accounts for the year ended 30 June 2011.

For the first time the audited accounts are presented in a consolidated format, combining the reporting of the RSPO, registered in Switzerland, and our legal entity in Malaysia, RSPO Secretariat Sdn. Bhd. This format is more appropriate to provide a complete view of the financial affairs of the organisation as it continues to grow. Separate audited accounts for RSPO Secretariat Sdn Bhd are available on request but will not be distributed with the consolidated accounts.

Organisational structure

The RSPO is a members' organisation registered in Switzerland. The financial affairs of the RSPO are the responsibility of the Executive Board, which has established a Finance Standing Committee comprising the Treasurer, who chairs the Committee, the Secretary General, the Finance Director, and up to three other Executive Board members. Day to day tasks are delegated to the Secretary General and the Finance Director.

RSPO Secretariat Sdn Bhd is a service company incorporated in Malaysia and based in Kuala Lumpur which provides RSPO with a legal entity in Malaysia. It is the employer of all secretariat staff based in Malaysia.

Registration of a legal entity in Indonesia is overdue but progressing. A subsidiary organisation will be incorporated, as in Malaysia. In the meantime, the Indonesian Liaison Office ("RILO") has continued, effectively as a branch office of the RSPO.

Other than the Treasurer, the Executive Board members of the Finance Standing Committee during the year have been Paul Norton of HSBC, José den Toom of Rabobank and Edi Suhardi representing GAPKI. Mr Suhardi left the Committee recently following the resignation of GAPKI from the RSPO. The

Committee meets at least quarterly to discuss and address financial, compliance and administrative matters.

During the year as well as a new Secretary General a new Finance Director was appointed, Irene Chin. Irene has done a fine job in raising the quality of financial information. Since the end of the financial year Irene has been succeeded by Wei Kwang Chong, who previously represented HSBC on the Executive Board as an alternate.

Financial results for the year ended 30 June 2011

The RSPO group recorded a surplus of RM1,017,000 for the year ended 30 June 2011 (2010: RM2,253,000).

Subscription income increased to RM3,975,000 from RM3,314,000 as membership numbers rose to 689 at 30 June 2011 (2010: 480). Income from sustainable palm oil trade rose to RM5,095,000 from RM2,822,000 the previous year, increasingly the main source of RSPO income.

Operating costs increased as planned, to RM6,116,000 (2010: RM2,730,000). Major cost increases related to staff costs, including recruitment, as the Executive Board sought to increase the capacity, capability and professionalism of the Secretariat. Some exceptional consultancy costs were incurred as interim measures were required prior to completion of recruitment processes. In addition global communication costs were increased, recognising the need to improve communication relating to sustainable palm oil around the world. Bad debts continue to be an issue, amounting to RM533,000 in the year. The membership of thirty-two ordinary members was terminated during the year for a number of reasons, including non-payment of membership fees.

Project costs for the year amounted to RM2,072,000 (2010: RM1,782,000). The two major project expenses related to the Greenhouse Gas Working Group (also supported by a grant from the UK Government), and the Palm Oil Producer Support Initiative, run by Solidaridad. A reduction in project costs of RM297,000 relates to an over-accrual in 2010.

An estimate has been included for taxation liabilities following professional advice that the RSPO may be considered to be resident in Malaysia for tax purposes and liable for tax on income not deriving from ordinary members (net of related expenses).

Financial position at 30 June 2011

RSPO net assets amounted to RM5,728,000 at 30 June 2011 (2010: RM4,710,000).

Principal assets at 30 June 2011 included cash of RM7,881,000 (2010: RM6,444,000) and unpaid subscriptions of RM1,318,000 (2010: RM1,153,000). Deferred income, comprising subscriptions relating to the period after 30 June 2011, amounted to RM2,032,000 (2010: RM1,712,000). At 30 June 2011 the provision for subscription income which might not be collected was unchanged at RM250,000. Progress has been made in eliminating older outstanding subscriptions.

Prior year adjustments

Following discussions with the new auditors, PricewaterhouseCoopers, prior year results have been re-stated as explained at note 18 of the consolidated financial statements.

The net effect on the statement of income and expenditure for the year ended 30 June 2010 amounts to a reduction in the surplus after taxation of RM180,000, comprising entirely a reassessment of taxation and related matters.

In addition in the statement of assets, liabilities and fund balances the sponsorship fund has been reclassified as a current liability from its previous designation as part of capital and reserves. At 30 June 2011 the sponsorship fund amounted to RM439,000 (2010: RM755,000).

RSPO Secretariat Sdn Bhd

A small surplus of RM22,000 after tax was recorded by RSPO Secretariat Sdn Bhd for the year ended 30 June 2011 (2010: loss RM19,000). The income of RSPO Secretariat Sdn Bhd comprised entirely staff secondment fees recharged to the RSPO. Costs comprised principally employee related expenses. Net assets of RSPO Secretariat Sdn Bhd amounted to RM45,000 at 30 June 2011 (2010: RM23,000).

Future prospects

The financial position of the RSPO is appropriate to its current needs. Increasing income is again likely to be matched by increasing costs, in particular arising from the full impact of the reorganisation and upgrading of the RSPO secretariat, and increasing communication and marketing costs as greater efforts are made to encourage uptake of RSPO certified sustainable palm oil in a wider market. The budget for 2011-12 indicates a close to break-even outcome.

The policy of the Executive Board is to maintain reserves at equivalent to one year's operating costs, intended to be a contingency fund in order to allow for an orderly wind down of the affairs of the RSPO should that become appropriate.

Other matters

The consolidated accounts have been prepared in accordance with the Malaysian Accounting Standards Board Approved Accounting Standards in Malaysia for Private Entities. We have aimed for transparency and clarity in reporting to members. Adherence to International Financial Reporting Standards, with additional disclosure requirements and audit procedures, will be considered for future years.

Tim Stephenson

RSPO Treasurer

25 October 2011