

THE ROUNDTABLE ON SUSTAINABLE PALM OIL  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENT FROM CHIEF EXECUTIVE OFFICER

I, Darrel Arthur Webber, representing The Roundtable on Sustainable Palm Oil, do hereby state that the financial statements set out on pages 4 to 26 are drawn up so as to give a true and fair view of the state of affairs of The Roundtable on Sustainable Palm Oil Group and The Roundtable on Sustainable Palm Oil as at 30 June 2016 and of the results and cash flows of The Roundtable on Sustainable Palm Oil Group and The Roundtable on Sustainable Palm Oil for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Private Entities.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 4 OCT 2016



DARREL ARTHUR WEBBER  
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia



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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of The Roundtable On Sustainable Palm Oil ("RSPO"), which comprise the statements of assets, liabilities and fund balances as at 30 June 2016, and the statements of income and expenditure, statements of changes in accumulated fund and cash flow statements of RSPO Group and RSPO for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 26.

#### Board of Governors' Responsibility for the Financial Statements

The Board of Governors of RSPO is responsible for the preparation of RSPO Group and RSPO financial statements that give a true and fair view in accordance with Accounting Standards for Private Entities and for such internal control as the Board of Governors of RSPO determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Governors of RSPO, 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.



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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been prepared, in all material respects, in accordance with Accounting Standards for Private Entities so as to give a true and fair view of the financial position of RSPO Group and of RSPO as of 30 June 2016 and their financial performance and cash flows for the financial year then ended.

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.

A handwritten signature in black ink, appearing to read 'A. M. M. M.', is written over the printed name of the firm.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur, Malaysia  
4 October 2016

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENTS OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	RSPO Group		RSPO	
		<u>2016</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2015</u> RM'000
<b>INCOME</b>					
Subscription income	3	11,560	9,777	11,560	9,777
Contributions from sustainable palm oil trade	4	29,528	21,374	29,528	21,374
Interest income from fixed deposits		499	473	499	473
Other Income		47	-	47	-
		<u>41,634</u>	<u>31,624</u>	<u>41,634</u>	<u>31,624</u>
<b>LESS: EXPENDITURE</b>					
Staff costs (including Directors' remuneration)	5	7,785	6,003	-	-
Staff secondment charges		-	-	10,613	7,527
Recruitment expenses		659	143	-	-
Professional fees		736	273	458	184
Office rental		854	603	-	-
Travelling expenses		-	4	-	4
Consultancy fees		1,752	659	1,752	659
Trademark and patent		295	264	295	264
Board of Governors meeting expenses		36	44	36	44
General/Extraordinary Assembly		75	69	75	69
Roundtable meetings deficit	6	707	815	707	815
Bad debts written off		27	154	27	154
Allowance for doubtful debts		269	526	269	526
Net foreign exchange (gains)/losses	7	(215)	(1,538)	(215)	(1,607)
Auditors' remuneration		64	62	35	34
Depreciation		166	155	-	-
Gifts & donations		428	-	428	-
Other expenditure		980	672	365	236
		<u>14,618</u>	<u>8,908</u>	<u>14,845</u>	<u>8,909</u>
Project costs	8	13,959	8,812	13,959	8,812
		<u>28,577</u>	<u>17,720</u>	<u>28,804</u>	<u>17,721</u>
<b>SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION</b>					
TAXATION	9	13,057	13,904	12,830	13,903
		<u>(259)</u>	<u>(217)</u>	<u>(170)</u>	<u>(183)</u>
<b>SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR</b>					
		<u>12,798</u>	<u>13,687</u>	<u>12,660</u>	<u>13,720</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES AS AT 30 JUNE 2016

	Note	RSPO Group		RSPO	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10	382	287	-	-
Deferred tax assets	11	160	72	78	45
Investment in a subsidiary	12	-	-	350	350
		<u>542</u>	<u>359</u>	<u>428</u>	<u>395</u>
<b>CURRENT ASSETS</b>					
Membership subscription fee receivable	13	2,458	2,810	2,458	2,810
Other receivables, deposits and prepayments	14	6,090	6,787	5,697	6,463
Current tax assets	19	28	68	28	68
Cash and bank balances	15	36,351	16,810	36,232	16,656
Fixed deposits with a licensed bank	16	12,264	19,814	12,264	19,814
		<u>57,191</u>	<u>46,289</u>	<u>56,679</u>	<u>45,811</u>
<b>LESS : CURRENT LIABILITES</b>					
Deferred subscription income	3	5,833	4,420	5,833	4,420
Prepaid membership fees	3	640	467	640	467
Other payables and accruals	17	4,458	3,097	4,251	2,852
Sponsorship fund	18	-	261	-	261
Current tax liabilities	19	100	16	-	-
		<u>11,031</u>	<u>8,261</u>	<u>10,724</u>	<u>8,000</u>
<b>NET CURRENT ASSETS</b>		<u>46,160</u>	<u>38,028</u>	<u>45,955</u>	<u>37,811</u>
<b>NET ASSETS</b>		<u>46,702</u>	<u>38,387</u>	<u>46,383</u>	<u>38,206</u>
<b>ACCUMULATED FUND</b>		<u>46,702</u>	<u>38,387</u>	<u>46,383</u>	<u>38,206</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENTS OF CHANGES IN ACCUMULATED FUND FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Members' fund <u>RM'000</u>	Smallholders' fund <u>RM'000</u>	Special projects fund <u>RM'000</u>	Accumulated fund <u>RM'000</u>
<u>RSPO Group</u>					
<u>2016</u>					
At 1 July 2015		15,287	13,100	10,000	38,387
Surplus of income over expenditure for the financial year		12,798	-	-	12,798
Project disbursements for the financial year		-	(2,292)	(2,191)	(4,483)
		<u>28,085</u>	<u>10,808</u>	<u>7,809</u>	<u>46,702</u>
Transfer to Smallholders' fund	20	(2,953)	2,953	-	-
Transfer to Special Projects fund	21	(10,000)	-	10,000	-
		<u>15,132</u>	<u>13,761</u>	<u>17,809</u>	<u>46,702</u>
At 30 June 2016		<u><u>15,132</u></u>	<u><u>13,761</u></u>	<u><u>17,809</u></u>	<u><u>46,702</u></u>
<u>2015</u>					
At 1 July 2015		13,737	11,544	-	25,281
Surplus of income over expenditure for the financial year		13,687	-	-	13,687
Project disbursements for the financial year		-	(581)	-	(581)
		<u>27,424</u>	<u>10,963</u>	<u>-</u>	<u>38,387</u>
Transfer to Smallholders' fund	20	(2,137)	2,137	-	-
Transfer to Special Projects fund	21	(10,000)	-	10,000	-
		<u>15,287</u>	<u>13,100</u>	<u>10,000</u>	<u>38,387</u>
At 30 June 2016		<u><u>15,287</u></u>	<u><u>13,100</u></u>	<u><u>10,000</u></u>	<u><u>38,387</u></u>

The notes on pages 10 to 26 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### STATEMENTS OF CHANGES IN ACCUMULATED FUND FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)

		Members' fund <u>RM'000</u>	Smallholders' fund <u>RM'000</u>	Special projects fund <u>RM'000</u>	Accumulated fund <u>RM'000</u>
<u>RSPO</u>					
<u>2016</u>					
At 1 July 2015		15,106	13,100	10,000	38,206
Surplus of income over expenditure for the financial year		12,660	-	-	12,660
Project disbursements for the financial year		-	(2,292)	(2,191)	(4,483)
		<u>27,766</u>	<u>10,808</u>	<u>7,809</u>	<u>46,383</u>
Transfer to Smallholders' fund	20	(2,953)	2,953	-	-
Transfer to Special projects fund	21	(10,000)	-	10,000	-
		<u>14,813</u>	<u>13,761</u>	<u>17,809</u>	<u>46,383</u>
At 30 June 2016		<u><u>14,813</u></u>	<u><u>13,761</u></u>	<u><u>17,809</u></u>	<u><u>46,383</u></u>
<u>2015</u>					
At 1 July 2014		13,523	11,544	-	25,067
Surplus of income over expenditure for the financial year		13,720	-	-	13,720
Project disbursements for the financial year		-	(581)	-	(581)
		<u>27,243</u>	<u>10,963</u>	<u>-</u>	<u>38,206</u>
Transfer to Smallholders' fund	20	(2,137)	2,137	-	-
Transfer to Special projects fund	21	(10,000)	-	10,000	-
		<u>15,106</u>	<u>13,100</u>	<u>10,000</u>	<u>38,206</u>
At 30 June 2015		<u><u>15,106</u></u>	<u><u>13,100</u></u>	<u><u>10,000</u></u>	<u><u>38,206</u></u>

The notes on pages 10 to 26 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	RSPO Group		RSPO	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Surplus of income over expenditure for the financial year	12,798	13,687	12,660	13,720
Adjustments for non-cash items:				
Taxation	259	217	170	183
Depreciation	166	155	-	-
Allowance for doubtful debts	269	526	269	526
Bad debts written off	27	154	27	154
Unrealised foreign exchange losses/(gains)	251	(1,600)	260	(1,669)
Interest income	(499)	(473)	(499)	(473)
Operating surplus before working capital changes and smallholder fund disbursements	13,271	12,666	12,887	12,442
Smallholder fund disbursements	(2,292)	(465)	(2,292)	(465)
Special projects fund disbursements	(2,191)	-	(2,191)	-
Changes in working capital:				
Membership subscription fee receivable	(419)	(1,720)	(418)	(1,835)
Other receivables, deposits and Prepayments	712	(3,433)	771	(3,231)
Deferred subscription income	1,413	609	1,413	609
Prepaid membership fees	173	122	173	122
Other payables and accruals	1,385	1,405	1,423	1,336
Sponsorship fund	(261)	261	(261)	261
Cash generated from operations	11,791	9,445	11,505	9,239
Interest received	400	322	400	322
Tax paid	(223)	(405)	(163)	(371)
Net cash generated from operating activities	11,968	9,362	11,742	9,190

The notes on pages 10 to 26 form an integral part of these financial statements.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)

	RSPO Group		RSPO	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(261)	(178)	-	-
Proceeds from disposal of property, plant and equipment	-	-	-	-
Net cash used in investing activities	<u>(261)</u>	<u>(178)</u>	<u>-</u>	<u>-</u>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>				
	11,707	9,184	11,742	9,190
Effect of foreign exchange rate changes	284	1,470	284	1,446
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>				
	<u>36,624</u>	<u>25,970</u>	<u>36,470</u>	<u>25,834</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>				
	<u><u>48,615</u></u>	<u><u>36,624</u></u>	<u><u>48,496</u></u>	<u><u>36,470</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	15	36,351	16,810	36,232
Fixed deposits with a licensed bank	16	12,264	19,814	12,264
		<u>48,615</u>	<u>48,496</u>	<u>36,470</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

# THE ROUNDTABLE ON SUSTAINABLE PALM OIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1 GENERAL INFORMATION

The principal activity of RSPO Group is to organise programmes which involve the promotion of growth and the use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders. RSPO is a “not-for-profit” organisation.

The number of staff at the end of the financial year was 46 (2015: 35) persons in the Group and nil (2015: nil) persons in RSPO.

The address of principal place of business of RSPO is Unit A-37-1, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial statements of The Roundtable on Sustainable Palm Oil are prepared under the historical cost convention in accordance with the MASB Approved Accounting Standards in Malaysia for Private Entities.

#### (b) Subsidiaries

Subsidiaries are those corporations in which RSPO Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to RSPO Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over RSPO Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill.

Intergroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of RSPO Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and RSPO Group's share of its net assets together with any unamortised balance or goodwill on acquisition and exchange differences which were not previously recognised in the consolidated statement of income and expenditure.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Investments

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(e) on impairment of assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the statements of income and expenditure.

##### (d) Property, plant and equipment and depreciation

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

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Computers and software	33 1/3%
Furniture and fittings	20%
Office equipment	20%
Renovation	50%

At each statement of assets, liabilities and fund balances date, RSPO Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(e) on impairment of assets.

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

##### (e) Impairment of assets

Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the statements of income and expenditure. Any subsequent increase in recoverable amount is recognised in the statements of income and expenditure.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income recognition

Subscription income from members is recognised on an accrual basis.

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

(g) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that RSPO Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(h) Cash and cash equivalents

For purposes of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(i) Provisions

Provisions are recognised when the RSPO Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(j) Payables

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

(k) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

(ii) Foreign currency transactions and balances

Foreign currency transactions are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the statements of assets, liabilities and fund balances date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statements of income and expenditure.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (k) Foreign currencies (continued)

###### (iii) Closing rates

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

<u>Foreign currency</u>	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
1 United States Dollar	4.0250	3.784
1 Euro	4.4698	4.2343
1 Pound	5.3947	5.950

##### (l) Income tax

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unutilised tax losses can be utilised.

##### (m) Employee benefits

###### (i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of RSPO Group.

###### (ii) Post-employment benefits

###### Defined contribution plans

A defined contribution plan is a pension plan under which RSPO Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

RSPO Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SUBSCRIPTION INCOME

Subscription income from members worldwide amounting to RM11,560,000 (2015: RM9,777,000) was recognised during the financial year.

The number of members registered as at 30 June 2016 is 2,941 (2015: 2,282), including associate members 1,492 (2015: 1,032).

Subscription income is recognised on a straight-line basis over the subscription period. Deferred subscription income represents the unearned income as at the end of the reporting period. Prepaid membership fees represent the advance payment received for membership application.

#### 4 CONTRIBUTIONS FROM SUSTAINABLE PALM OIL TRADE

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Certificate trading	12,977	12,417
Segregated and mass balance trading	16,551	8,957
	<u>29,528</u>	<u>21,374</u>

The RSPO receives a contribution of USD1 per tonne from all certificates traded on the GreenPalm platform, which allows certified producers to sell credits directly to end users who wish to make a sustainability claim. The USD1 per tonne levy is charged to buyers of certificates. GreenPalm is operated by Book and Claim Limited, a company registered in England and a subsidiary of AAK UK Limited.

In addition the RSPO receives a contribution of USD1 per tonne from first transactions under the segregated and mass balance supply chains. The USD1 per tonne levy is charged to the first buyer in the supply chain. The registration for these supply chains, now under the name of eTrace, is operated by UTZ Certified.

#### 5 STAFF COSTS (including Directors' remuneration)

	<u>RSPO Group</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Wages, salaries and bonuses	6,678	5,191
Defined contribution plan	607	458
Other employee benefits and compensations	500	354
	<u>7,785</u>	<u>6,003</u>

Included in staff costs is the remuneration of 2 Executive Directors (2015: 2) of RSPO Secretariat Sdn Bhd of RM1,315,000 (2015: RM1,100,000) and it has 46 (2015: 35) employees at the end of the financial year.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 6 ROUNDTABLE MEETINGS DEFICIT

During the year, 2 Roundtable events were held by the RSPO (2015: 3). The amount expended was more than income received.

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
<u>Annual Roundtable Meetings</u>		
Collections and sponsorships	2,240	2,023
Expenses	(2,105)	(2,210)
	<u>135</u>	<u>(187)</u>
<u>European Roundtable Meetings</u>		
Collections and sponsorships	509	433
Expenses	(1,351)	(1,061)
	<u>(842)</u>	<u>(628)</u>
Total deficits	<u>(707)</u>	<u>(815)</u>

#### 7 NET FOREIGN EXCHANGE LOSSES/(GAINS)

	<u>RSPO Group</u>		<u>RSPO</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Realised foreign exchange losses	(466)	62	(475)	62
Unrealised foreign exchange gains	251	(1,600)	260	(1,669)
	<u>(215)</u>	<u>(1,538)</u>	<u>(215)</u>	<u>(1,607)</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 8 PROJECT COSTS

	RSPO Group and RSPO	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Biodiversity High Conservation Value	1,304	765
Certification	1,033	732
Greenhouse Gas	276	261
Smallholder	565	562
Supply Chain	299	262
Other Technical	1,784	549
Complaints	444	153
Dispute Settlement Facility	363	599
Impact	568	306
Communications agency fees	3,307	1,735
Outreach activities	1,246	585
Communication campaigns	460	962
Media and others	1,275	249
Website	515	398
IT Projects	38	77
Secretariat Projects	194	387
Overseas Offices	288	230
	<u>13,959</u>	<u>8,812</u>

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

#### 9 TAXATION

	RSPO Group		RSPO	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Current tax (Note 19):				
- current financial year	422	270	283	229
- under/(over) provision- in prior financial years	(75)	(1)	(81)	-
	<u>347</u>	<u>269</u>	<u>202</u>	<u>229</u>
Deferred tax (Note 11):				
- origination and reversal of temporary differences	(94)	(53)	(38)	(46)
- over provision in prior financial year	6		6	-
Total tax expense	<u>259</u>	<u>217</u>	<u>170</u>	<u>183</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 9 TAXATION (CONTINUED)

The explanation of the relationship between tax expense and surplus of income over expenditure before taxation:

##### Numerical reconciliation of effective tax expense

	RSPO Group		RSPO	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Surplus of income over expenditure before taxation	<u>13,057</u>	<u>13,904</u>	<u>12,830</u>	<u>13,903</u>
Tax calculated at Malaysian tax rate for trade associations of 26% (2015: 26%)	3,379	3,615	3,336	3,615
Tax effects of:				
- income not subject to tax	(10,143)	(7,775)	(10,143)	(7,775)
- expenses not deductible for tax purposes	7,077	4,389	7,037	4,355
- effects of scale tax rate	(21)	(12)	(21)	(12)
- deferred tax assets not recognized	36	-	36	-
- (ove)/under provision of tax in prior financial year	(75)	-	(81)	-
- over provision of deferred tax in prior financial year	6	-	6	-
	<u>259</u>	<u>217</u>	<u>170</u>	<u>183</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT

	<u>Computers and software</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>RSPO Group</u>					
<u>2016</u>					
<u>Cost</u>					
At 1 July 2015	277	205	101	154	737
Additions	160	3	5	93	261
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	437	208	106	247	998
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Accumulated depreciation</u>					
At 1 July 2015	200	100	50	100	450
Charge for the year	67	40	19	40	165
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	267	140	69	140	616
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net book value</u>					
At 30 June 2016	170	68	37	107	382
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Net book value</u>					
At 30 June 2015	77	105	51	54	287
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 11 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of assets, liabilities and accumulated fund balances:

	RSPO Group		RSPO	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subject to income tax				
- Deferred tax assets	160	72	78	45
- Deferred tax liabilities		-		
	<u>160</u>	<u>72</u>	<u>78</u>	<u>45</u>
At start of financial year	72	20	45	-
Credited/(charged) to income statement (Note 9)				
- property, plant and equipment	51	8	-	-
- other payables and accruals	37	44	33	45
	<u>88</u>	<u>52</u>	<u>33</u>	<u>45</u>
At end of financial year	<u>160</u>	<u>72</u>	<u>78</u>	<u>45</u>
<u>Deferred tax assets</u>				
Other payables and accruals	178	94	96	63
Amount before offsetting	178	94	96	63
Offsetting	(18)	(22)	(18)	(18)
	<u>160</u>	<u>72</u>	<u>78</u>	<u>45</u>
<u>Deferred tax liabilities</u>				
Property, plant and equipment	-	4	-	-
Unrealised foreign exchange (loss)/gain	18	18	18	18
Amount before offsetting	18	22	18	18
Offsetting	(18)	(22)	(18)	(18)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 12 INVESTMENT IN A SUBSIDIARY

	<u>RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
At 30 June	350	350

Details of the subsidiary are as follows:

<u>Direct subsidiary</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2016</u>	<u>2015</u>	
		%	%	
RSPO Secretariat Sdn Bhd	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.

#### 13 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Membership subscription fee receivable	3,045	3,325
Less: Allowance for doubtful debts	(587)	(515)
	<u>2,458</u>	<u>2,810</u>

#### 14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>RSPO Group</u>		<u>RSPO</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Receivable from supply chain fees of sustainable palm oil trade	4,274	5,582	4,274	5,582
Other receivables	491	770	461	746
Deposits	371	146	166	-
Prepayments	954	289	796	135
	<u>6,090</u>	<u>6,787</u>	<u>5,697</u>	<u>6,463</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 15 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	3,014	2,033	2,895	1,879
United States Dollar	26,132	7,373	26,132	7,373
Euro	7,205	7,404	7,205	7,404
	<u>36,351</u>	<u>16,810</u>	<u>36,232</u>	<u>16,656</u>

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

As at 30 June 2016, an amount of RM50,000 within bank balance represents money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes.

#### 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.

The average effective interest rates of the fixed deposits are between 3.15% and 3.00% (2015: 3.00% and 3.30%) per annum and the average maturity period is between 30 days to 365 days (2015: 30 days to 365 days).

#### 17 OTHER PAYABLES AND ACCRUALS

	RSPO Group		RSPO	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Project costs payables	1,936	1,692	1,936	1,692
Project costs accruals	1,086	259	1,086	259
Other payables	786	739	1,178	851
Other accruals	650	407	51	50
	<u>4,458</u>	<u>3,097</u>	<u>4,251</u>	<u>2,852</u>

As at 30 June 2016, an amount of RM50,000 (2015 : RM50,000) within other payables represents money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes.

Included in other payables of RSPO is an amount due to RSPO Secretariat Sdn Bhd of RM1,152,000 (2015: RM737,000). The amount is unsecured, interest free and has no fixed terms of repayment.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 18 SPONSORSHIP FUND

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

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
UNEP Small Scale Funding	-	261
	<u>-</u>	<u>261</u>
	<u>-</u>	<u>261</u>

#### 19 CURRENT TAX (ASSETS)/LIABILITIES

	<u>RSPO Group</u>		<u>RSPO</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
As at beginning of financial year	(52)	83	(68)	74
Income tax provision (Note 9):				
- current year	422	270	283	229
- (over)/under provision in prior financial years	(75)	(1)	(81)	-
	347	269	202	229
Tax paid	(223)	(404)	(162)	(371)
As at end of financial year	<u>72</u>	<u>(52)</u>	<u>(28)</u>	<u>(68)</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 20 SMALLHOLDERS' FUND

The purpose of the Smallholders' fund is to support smallholders to be RSPO certified. The fund is managed by the Smallholder Fund Manager from the RSPO Secretariat Sdn Bhd and overseen by the Smallholder Fund Panel.

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
As at beginning of financial year	13,100	11,544
Less: Project disbursements paid during the financial year	(2,230)	(465)
Project disbursements payable	(62)	(116)
	<u>10,808</u>	<u>10,963</u>
Add: Addition to fund	2,953	2,137
As at end of financial year	<u><u>13,761</u></u>	<u><u>13,100</u></u>

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

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year	688	993
Later than 1 year but not later than 3 years	792	400
	<u>1,480</u>	<u>1,393</u>
<u>Approved but not contracted:</u>		
Approved post financial year end	4,382	669
Conditionally approved post financial year end	1,215	1,151
	<u>5,597</u>	<u>1,820</u>

This relates to projects that were approved or have been conditionally approved post year end by the Smallholder Fund Panel. Included in projects approved is the development of a Smallholder Academy amounting to USD500,000 aimed at providing technical knowledge to smallholders in targeted regions to encourage certification and ensure its sustainability.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 21 SPECIAL PROJECTS FUND

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
As at beginning of financial year	10,000	-
Less: Project disbursements paid during the financial year		
- SEnSOR impacts project - Year 1	(1,600)	-
- Digital media campaign	(466)	-
Project disbursements payable		
- Digital media campaign	(125)	-
	<u>7,809</u>	<u>-</u>
Add: Addition to fund	10,000	10,000
As at end of financial year	<u><u>17,809</u></u>	<u><u>10,000</u></u>

Total funds amounting to RM10,000,000 (2015: RM10,000,000) have been allocated to the Special Projects Fund at the end of the financial year. Allocation to the fund can be varied at the discretion of the Board of Governors and its utilisation is subject to the approval of the Board of Governors.

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year		
- SEnSOR impacts project - Year 1	400	1,600
- Digital media campaign	125	-
- Seed finance to DSF Trust Fund	550	-
	<u>1,075</u>	<u>1,600</u>

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

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 21 SPECIAL PROJECTS FUND (CONTINUED)

	<u>RSPO Group and RSPO</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
<u>Approved but not contracted:</u>		
SEnSOR impacts project - Year 2	2,000	-
Outreach to Intermediary Organisations	12,075	-
	<u>14,075</u>	<u>-</u>

This relates to special projects that have been approved by the Board of Governors. The project on Outreach to Intermediary Organisations has been designated as a three year project with an approved total funding equivalent to USD3,000,000.

#### 22 INDONESIAN LIAISON OFFICE UNDER RSPO SECRETARIAT SDN BHD

The RSPO Secretariat Sdn Bhd has a liaison office in Indonesia, the RSPO Indonesia Liaison Office ("RILO"), and is registered as a Regional Representative Office ("RRO").

RRO expenses incurred in the company during the year are as follows:

	<u>RSPO Group</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Staff costs	977	609
Other operating expenses	300	271
	<u>1,277</u>	<u>880</u>

#### 23 UNITED KINGDOM ESTABLISHMENT UNDER RSPO SECRETARIAT SDN BHD

The RSPO Secretariat Sdn Bhd has a registered office in United Kingdom in the form of a UK Establishment ("UK Office").

UK office expenses incurred in the company during the year are as follows:

	<u>RSPO Group</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Staff costs	1,200	967
Other operating expenses	172	290
	<u>1,372</u>	<u>1,257</u>

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

#### 23 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

On 10 September 2015, RSPO Secretariat Sdn Bhd has registered a Representative Office in China.

	RSPO Group	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Other operating expenses	<u>44</u>	<u>-</u>

#### 24 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 4 October 2016.