THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

CONTENTS

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENT FROM CHIEF OPERATING OFFICER

I, Bakhtiar Bin Talhah, representing The Roundtable on Sustainable Palm Oil ("RSPO"), do hereby state that the financial statements set out on pages 6 to 58 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 2020 and of the financial performance and cash flows of the RSPO Group and RSPO for the financial year ended 30 June 2020 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 23 October 2020.

BAKHTIAR BIN TALHAH
CHIEF OPERATING OFFICER

Kuala Lumpur, Malaysia

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of The Roundtable on Sustainable Palm Oil ("RSPO") and its subsidiaries ("RSPO Group") give a true and fair view of the financial position of RSPO Group and of RSPO as at 30 June 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of RSPO Group and of RSPO, which comprise the statements of assets, liabilities and fund balances as at 30 June 2020 of RSPO Group and of RSPO, and the statements of income and expenditure, statements of comprehensive income, statements of changes in equity and statements of cash flows of RSPO Group and of RSPO for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 58.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of RSPO Group and of RSPO in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Board of Governors for the financial statements

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

In preparing the financial statements of RSPO Group and of RSPO, the Board of Governors are responsible for assessing RSPO Group's and 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:

(a) Identify and assess the risks of material misstatement of the financial statements of RSPO Group and of RSPO, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RSPO Group's and of RSPO's internal control.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.

(d) Conclude on the appropriateness of the Board of Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RSPO Group's or on RSPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of RSPO Group and of RSPO or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RSPO Group or RSPO to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of RSPO Group and of RSPO, including the disclosures, and whether the financial statements of RSPO Group and of RSPO represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RSPO Group to express an opinion on the financial statements of RSPO Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 RSPO, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
23 October 2020

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF INCOME AND EXPENDITURE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	RSPO Group 2020 RM'000	RSPO Group 2019 RM'000	RSPO 2020 RM'000	RSPO 2019 RM'000
INCOME					
Subscription income	1	17,819	16,502	17,819	16,502
Contributions from sustainable palm oil trade	2	35,379	30,339	35,379	30,339
Roundtable meetings surplus	4	-	171	-	171
Interest income from fixed deposits		444	485	443	485
Other income		209	-	209	-
		53,851	47,497	53,850	47,497
LESS: EXPENDITURE					
Staff costs	3	15,219	13,262	-	-
Management fees		-	-	21,535	17,450
Recruitment expenses		719	228	-	-
Professional fees		1,244	1,144	784	637
Office rental		-	1,170	-	-
Short term leases		837	-	-	-
Consultancy fees		2,248	3,354	1,409	3,284
Trademark and patent		18	28	18	28
Board of Governors meeting expenses		131	218	131	218
General assembly		16	107	16	107
Roundtable meeting deficit	4	3	-	3	-
Dispute Settlement Facility Trustee fee		-	24	-	24
Bad debts written off		13	270	13	270
Allowance for/(Reversal of) impairment on receivables		456	(145)	456	(145)
Net foreign exchange losses	5	120	374	12	286
Auditors' remuneration		128	120	41	40
Depreciation - property, plant and equipment ("PPE")		327	419	-	-
Depreciation – right-of-use assets ("ROU")		679	-	-	-
Finance costs		127	-	-	-
Other expenditure		2,342	1,962	748	776
		24,627	22,535	25,166	22,975
Project costs	6	16,956	17,630	16,956	17,630
		41,583	40,165	42,122	40,605

The notes on pages 17 to 58 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF INCOME AND EXPENDITURE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Note	RSPO Group		RSPO	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION		12,268	7,332	11,728	6,892
TAXATION	7	(714)	(358)	(217)	(110)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		11,554	6,974	11,511	6,782

The notes on pages 17 to 58 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	RSPO Group		RSPO	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
SURPLUS OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		11,554	6,974	11,511	6,782
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		235	389	235	389
Other comprehensive income for the financial year, net of tax		235	389	235	389
Total comprehensive income for the financial year		11,789	7,363	11,746	7,171

The notes on pages 17 to 58 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 2020

		RSPO Group		RSPO	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property,plant and equipment (PPE)	8	1,391	590	-	-
Right-of-use assets (ROU)	9	2,147	-	-	-
Deferred tax assets	10	311	404	184	164
Investment in subsidiaries	11	-	-	500	500
		3,849	994	684	664
CURRENT ASSETS					
Membership subscription fee receivable	12	1,829	1,742	1,829	1,742
Other receivables, deposits and prepayments	13	7,907	3,772	10,822	4,374
Tax recoverable		188	27	29	266
Fixed deposits with a licensed bank	15	16,477	16,253	16,477	16,253
Cash and bank balances	14	31,456	31,744	29,594	30,662
		57,857	53,538	58,751	53,297
TOTAL ASSETS		61,706	54,532	59,435	53,961
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liabilities	16	1,298	-	-	-
CURRENT LIABILITIES					
Contract liabilities	17	8,965	8,410	8,965	8,410
Other payables and accruals	18	5,987	7,891	6,737	8,098
Lease liabilities	16	902	-	-	-
		15,854	16,301	15,702	16,508
TOTAL LIABILITES		17,152	16,301	15,702	16,508
NET ASSETS		44,554	38,231	43,733	37,453
TOTAL EQUITY		44,554	38,231	43,733	37,453

The notes on pages 17 to 58 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Members' fund RM'000	Smallholders' fund (Note 19) RM'000	Special projects fund (Note 20) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO Group							
2020							
At 1 July 2019		16,474	8,580	9,268	34,322	3,909	38,231
Surplus of income over expenditure for the financial year		11,554	-	-	11,554	-	11,554
Other comprehensive income							
- Currency translation differences		-	-	-	-	235	235
Total comprehensive income		11,554	-	-	11,554	235	11,789
Project disbursements for the financial year		-	(1,881)	(3,585)	(5,466)	-	(5,466)
Transfer to Smallholders' fund	19	(1,000)	1,000	-	-	-	-
Transfer to Special Projects' fund	20	(4,000)	-	4,000	-	-	-
At 30 June 2020		23,028	7,699	9,683	40,410	4,144	44,554

The notes on pages 17 to 58 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Note	Members' fund RM'000	Smallholders' fund (Note 19) RM'000	Special projects fund (Note 20) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO Group							
2019							
At 1 July 2018		9,500	11,651	13,049	34,200	3,520	37,720
Surplus of income over expenditure for the financial year		6,974	-	-	6,974	-	6,974
Other comprehensive income							
- Currency translation differences		-	-	-	-	389	389
Total comprehensive income		6,974	-	-	6,974	389	7,363
Project disbursements for the financial year		-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019		16,474	8,580	9,268	34,322	3,909	38,231

The notes on pages 17 to 58 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Note	Members' fund RM'000	Smallholders' fund (Note 19) RM'000	Special projects fund (Note 20) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO							
2020							
At 1 July 2019		15,696	8,580	9,268	33,544	3,909	37,453
Surplus of income over expenditure for the financial year		11,511	-	-	11,511	-	11,511
Other comprehensive loss							
- Currency translation differences		-	-	-	-	235	235
Total comprehensive loss		11,511	-	-	11,511	235	11,746
Project disbursements for the financial year		-	(1,881)	(3,585)	(5,466)	-	(5,466)
		27,207	6,699	5,683	39,589	4,144	43,733
Transfer to Smallholders' fund	19	(1,000)	1,000	-	-	-	-
Transfer to Special Projects' fund	20	(4,000)	-	4,000	-	-	-
At 30 June 2020		22,207	7,699	9,683	39,589	4,144	43,733

The notes on pages 17 to 58 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	Note	Members' fund RM'000	Smallholders' fund (Note 19) RM'000	Special projects fund (Note 20) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
RSPO							
2019							
At 1 July 2018		8,914	11,651	13,049	33,614	3,520	37,134
Surplus of income over expenditure for the financial year		6,782	-	-	6,782	-	6,782
Other comprehensive loss							
- Currency translation differences		-	-	-	-	389	389
Total comprehensive loss		6,782	-	-	6,782	389	7,171
Project disbursements for the financial year		-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019		15,696	8,580	9,268	33,544	3,909	37,453

The notes on pages 17 to 58 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	RSPO Group		RSPO	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus of income over expenditure for the financial year before taxation	12,268	7,332	11,728	6,892
Adjustments for non-cash items:				
Depreciation - PPE	327	419	-	-
Depreciation - ROU	679	-	-	-
Finance costs	127	-	-	-
Unrealised foreign exchange losses/(gains)	59	(17)	-	-
PPE written off	51	6	-	-
Gain on disposals of PPE	(2)	-	-	-
Allowance for/(Reversal of) impairment on receivables	456	(145)	456	(145)
Bad debts written off	13	270	13	270
Interest income	(444)	(485)	(443)	(485)
Operating surplus before working capital changes and fund disbursements	13,534	7,380	11,754	6,532
Smallholder fund disbursements	(1,881)	(3,071)	(1,881)	(3,071)
Special projects fund disbursements	(3,585)	(3,781)	(3,585)	(3,781)
Changes in working capital:				
Membership subscription fee receivable	(587)	970	(587)	970
Other receivables, deposits and prepayments	(4,069)	3,132	(6,394)	1,881
Deferred subscription income	553	1,037	553	1,036
Prepaid membership fees	(212)	(147)	(212)	(147)
Other payables and accruals	(1,838)	1,998	(1,227)	2,966
Sponsorship fund	-	117	-	117
Cash generated from/(used in) operations	1,915	7,635	(1,579)	6,503
Interest received	321	359	321	359
Tax paid	(782)	(322)	-	(171)
Net cash flow generated from/(used in) operating activities	1,454	7,672	(1,258)	6,691

The notes on pages 17 to 58 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

	RSPO Group		RSPO	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (PPE)	(1,184)	(171)	-	-
Proceeds from disposal of PPE	6	-	-	-
Net cash flow used in investing activities	(1,178)	(171)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of principal portion of lease liabilities	(626)	-	-	-
Payment of finance costs	(127)			
Net cash flow used in financing activities	(753)	-	-	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(477)	7,501	(1,258)	6,691
Effect of foreign exchange rate changes	290	263	291	109
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	39,356	31,592	38,274	31,474
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	39,169	39,356	37,307	38,274
Analysis of cash and cash equivalents:				
Cash and bank balances	31,456	31,744	29,594	30,662
Deposits placed with a licensed bank	16,477	16,253	16,477	16,253
Less: Deposits with maturity more than 90 days	(8,764)	(8,641)	(8,764)	(8,641)
	39,169	39,356	37,307	38,274

The notes on pages 17 to 58 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

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 RM'000
Group	
At 1 July 2019, as previously stated	-
Effects of adoption of MFRS 16 (Note 28)	963
At 1 July 2019, as restated	963
Cash flows	(753)
Non-cash items:	
- Finance costs	127
- Addition of lease liabilities	1,863
At 30 June 2020	2,200

The notes on pages 17 to 58 form an integral part of these 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 “not-for-profit” organisation.

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

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 preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Board of Governors to exercise their judgment in the process of applying the RSPO Group and RSPO’s accounting policies. Although these estimates and judgment are based on the Board of Governors’ best knowledge of current events and actions, actual results may differ. There is no area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

During the financial year, the RSPO Group has considered the new accounting pronouncements in the preparation of the financial statements, as follows:

(i) Accounting pronouncements that have been adopted in preparing these financial statements:

The RSPO Group has applied the following standards, amendments and interpretation for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment features with negative compensation”
- IC Interpretation 23 “Uncertainty over income tax treatments”
- Annual Improvements to MFRSs 2015 – 2017 Cycle, which include Amendments to MFRS 3 “Business Combination”, MFRS 112 “Income Taxes” and MFRS 123 “Borrowing Costs”

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Accounting pronouncements that have been adopted in preparing these financial statements: (continued)

The RSPO Group has adopted MFRS 16 for the first time in the financial statements for the financial year ended 30 June 2020, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 28 to the financial statements.

Other than that, the adoption of amendments and interpretation listed above did not have any material impact on the current period or any prior period and is not likely to have a material effect for future periods.

(ii) Standards early adopted by the RSPO Group

There were no standards early adopted by RSPO Group.

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2020. The RSPO Group intends to adopt the following pronouncements that are applicable to the RSPO Group when they become effective:

<u>Effective for financial year beginning on or after 1 July 2020</u>

- The Conceptual Framework for Financial Reporting (Revised 2018)

  The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS and does not override any IFRSs.

  Key changes to the Framework are as follows:

  ➢ Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management’s stewardship.

  ➢ Qualitative characteristics of useful financial information - reinstatement of the concept of prudence when making judgement of uncertain conditions and “substance over form” concept to ensure faithful representation of economic phenomenon.

  ➢ Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2020. The RSPO Group intends to adopt the following pronouncements that are applicable to the RSPO Group when they become effective: (continued)

Effective for financial year beginning on or after 1 July 2020 (continued)

- The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

  - Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.

  - Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on derecognition of asset and liability have been added.

  - Measurement - explanation of factors to consider when selecting a measurement basis have been provided.

  - Presentation and disclosure - clarification that statement of profit or loss (‘P&L’) is the primary source of information about an entity’s financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to MFRS 101 “Presentation of Financial Statements” and MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”

  The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

  The definition of “material” has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2020. The RSPO Group intends to adopt the following pronouncements that are applicable to the RSPO Group when they become effective: (continued)

<u>Effective for financial year beginning on or after 1 July 2020</u> (continued)

- Amendments to MFRS 101 “Presentation of Financial Statements” and MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors” (continued)

  The amendments also:
  - clarify that an entity assesses materiality in the context of the financial statements as a whole.
  - explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating that information.
  - clarify the meaning of “primary users of general purpose financial statements” to whom those financial statements are directed, by defining them as “existing and potential investors, lenders and other creditors” who must rely on general purpose financial statements for much of the financial information they need.

- Amendments to MFRS 3 “Definition of a Business”.

  The amendments revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term “outputs” is narrower, focuses on goods or services provided to customers, generating investment returns and other income but exclude returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as “concentration test” that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The above amendments shall be applied prospectively.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2020. The RSPO Group intends to adopt the following pronouncements that are applicable to the RSPO Group when they become effective: (continued)

- Amendments to MFRS 16 “Leases” provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments by applying paragraph 38 of MFRS 16 that is the lessee to recognise the reduction in lease payments in profit or loss in the period in which the event or condition that triggers those payments occurs with corresponding adjustment to the lease liability to reduce the part of the lease liability that has been waived.

  The practical expedient only applies to lessees’ rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments due on or before 30 June 2021; and
  - there is no substantive change to other terms and conditions of the lease.

  The above amendment is to be applied retrospectively. However, the lessees are not required to restate comparative amounts.

<u>Effective for financial year beginning on or after 1 July 2022</u>

- Amendments on MFRS 101 on classification of liabilities as current or non-current

  The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

  The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2020. The RSPO Group intends to adopt the following pronouncements that are applicable to the RSPO Group when they become effective: (continued)

Effective for financial year beginning on or after 1 July 2022 (continued)

- Amendments on MFRS 101 on classification of liabilities as current or non-current (continued)

  Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 "Financial Instruments: Presentation". Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

  These amendments should be applied retrospectively.

The RSPO Group has started a preliminary assessment on the effects of the above amendments and the impact is still being assessed.

(b) Basis of consolidation

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.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Subsidiaries (continued)

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.

In RSPO's separate financial statements, 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 (d) on impairment of non-financial 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.

(c) 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 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 2(d) on impairment of non-financial assets.

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 (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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 expects 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.

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

(a) Subscription income

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income recognition (continued)

(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.

(f) 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. Impairment loss is the difference between the carrying amount of the receivables and the present value of estimated cash flows discounted at the receivables' original effective interest rate and is recognised in statement of income and expenditure.

(g) Cash and cash equivalents

For purposes of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments 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.

(h) 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.

(i) Payables

Payables represent liabilities for goods or services provided to the RSPO Group prior to the end of financial year which are unpaid. Payables are recognised initially at fair value net of transaction costs incurred.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 is US Dollar and Ringgit Malaysia respectively.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statements of income and expenditure, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(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 profit or loss within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in 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:

- assets and liabilities for each statement of assets, liabilities and fund balances presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of income and expenditure 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
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

(l) Lease

Accounting by lessee

<u>Accounting policies applied from 1 July 2019</u>

From 1 July 2019, 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Lease (continued)

Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

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 is 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.

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:

Equipment	5 years

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

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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Lease (continued)

Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

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 are 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 profit or loss 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 profit or loss in the statement of income and expenditure.

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.

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 profit or loss.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Lease (continued)

Accounting by lessee (continued)

Accounting policies applied until 30 June 2019

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on the straight-line basis over the lease periods.

(m) Financial assets

(i) Classification

The RSPO Group classifies 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 commits 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 has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the RSPO Group measures 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 profit or loss.

Debt instruments

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

The RSPO Group measures 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 profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income and expenditure.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

(iv) Subsequent measurement – Impairment

Impairment for debt instruments

The RSPO Group assesses 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.

The RSPO Group has four 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.

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 expects 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 applies 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 measures 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

The RSPO Group considers 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 compares 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.

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
- 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 defines 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:

- Quantitative criteria:

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

- Qualitative criteria:

  The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The RSPO Group considers 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 reorganization; 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.

Impairment losses on trade and other receivables are presented as net impairment losses within (loss)/profit from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

(n) 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 comprises 'Other payables and accruals' in the statements of assets, liabilities and fund balances (Notes 18).

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Fair value estimation for disclosure purposes

In assessing the fair value of non-traded financial instruments, the RSPO Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the RSPO Group.

The face values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate the fair values.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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.

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

<u>Defined contribution plans</u>

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

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

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The RSPO Group'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 operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Governors. Financial risk management is carried out through internal control system and adherence to RSPO Group financial risk management policies. RSPO Group is exposed mainly to market risk, credit risk, liquidity and cash flow risk, financial risk, and seasonality. Information on the management of the related exposures are detailed below:

(a) Market risk

RSPO Group is exposed to market risk from fluctuation in foreign currency exchange rates, which could affect its financial position, results of operations and cash flows. RSPO Group manages its exposure to market risk through its regular operating activities.

(b) 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.

<u>Measurement of ECL</u>

(i) Trade receivables using simplified approach

The expected loss rates are based on the payment profiles of income over a period of 24 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.

(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:

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Measurement of ECL (continued)

(ii) Non-trade receivables using general 3-stage approach

Category	**RSPO 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 months ECL
Underperforming	Debtors for which there is a significant increase in credit risk	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 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 months 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.

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

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.

(c) 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.

It 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	Between 1 and 5 years	Over 5 years	Total
	RM	RM	RM	RM
2020				
RSPO Group				
Other payables and accruals	5,987	-	-	5,987
Lease liabilities	902	1,298	-	2,200
RSPO				
Other payables and accruals	6,737	-	-	6,737

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM	Between 1 and 5 years RM	Over 5 years RM	Total RM
2019				
RSPO Group				
Other payables and accruals	7,891	-	-	7,891
RSPO				
Other payables and accruals	8,098	-	-	8,098

(d) Capital risk management policies and procedures

The primary objective of the RSPO's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The capital structure of RSPO consists of equity of RSPO (comprising share capital and retained earnings as disclosed in the statement of changes in equity). RSPO manages its capital structure and makes adjustments to it, in light of changes in economic conditions. RSPO is not subject to any externally imposed capital requirements.

1 SUBSCRIPTION INCOME

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Revenue from contracts with customers:		
Ordinary members	16,454	15,335
Affiliate members	130	126
Supply chain associate	1,235	1,041
	17,819	16,502

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 2020 is 4,831 (2019: 4,349), including associate members of 2,814 (2019: 2,470).

2 CONTRIBUTIONS FROM SUSTAINABLE PALM OIL TRADE

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Revenue from contracts with customers:		
Certificate trading	7,994	8,343
Segregated and mass balance trading	27,385	21,996
	35,379	30,339

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.

3 STAFF COSTS

	RSPO Group	
	2020	2019
	RM'000	RM'000
Wages, salaries and bonuses	12,691	11,346
Defined contribution plan	1,305	885
Other employee benefits and compensations	1,223	1,031
	15,219	13,262

Included in staff costs is the remuneration of 3 Executive Directors (2019: 2) of RSPO Secretariat Sdn Bhd of RM1,569,078 (2019: RM1,341,783). During the financial year, 1 Director resigned.

4 ROUNDTABLE MEETING DEFICIT/(SURPLUS)

During the financial year, only 1 Roundtable event was held by the RSPO (2019: 1).

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Annual Roundtable Meetings		
Collections and sponsorships	(2,311)	(2,211)
Expenses	2,314	2,040
	3	(171)
Total deficit/(surplus)	3	(171)

5 NET FOREIGN EXCHANGE LOSSES

	RSPO Group		RSPO	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	120	374	12	286

6 PROJECT COSTS

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Certification	424	444
Supply Chain	(200)	191
Other assurance and regional offices	993	1,293
Biodiversity High Conservation Value	2,081	1,721
Greenhouse Gas	141	482
Smallholder	573	240
Social	595	439
Standard development	915	2,478
Impact	1,997	802
Communications agency fees	2,019	3,223
Outreach activities	2,771	2,502
Communication campaigns	345	289
Media and others	573	326
Complaints	234	377
Dispute Settlement Facility	63	156
Investigation and monitoring	626	94
Strategic Projects	1,793	1,651
Secretariat Projects	579	617
Overseas Offices	434	305
	16,956	17,630

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

7 TAXATION

	RSPO Group		RSPO	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax:				
- current financial year	456	571	240	157
- under/(over) provision in prior financial year	165	41	(3)	(1)
	621	612	237	156
Deferred tax (Note 10):				
- origination and reversal of temporary differences	93	(254)	(20)	(46)
Total tax expense	714	358	217	110

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Surplus of income over expenditure before taxation	12,268	7,332	11,728	6,892
Tax calculated at Malaysian tax rate for associations of 26% (2019: 26%)	3,190	1,906	3,049	1,792
Tax effects of:				
- income not subject to tax	(13,458)	(11,855)	(13,458)	(11,855)
- expenses not deductible for tax purposes	10,822	10,231	10,651	10,196
- foreign tax expense	53	33	-	-
- effects of scale tax rate	(58)	2	(22)	(22)
- under/(over) provision of tax in prior financial year	165	41	(3)	(1)
Tax expense	714	358	217	110

8 PROPERTY, PLANT AND EQUIPMENT

	Computers and software	Furniture and fittings	Office equipment	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
RSPO Group					
2020					
Cost					
At 1 July 2019	992	443	253	603	2,291
Additions	99	235	48	802	1,184
Disposals	-	(122)	(2)	-	(124)
Write off	-	(149)	(70)	(381)	(600)
At 30 June 2020	1,091	407	229	1,024	2,751
Less: Accumulated depreciation					
At 1 July 2019	696	286	170	550	1,702
Charge for the year	193	69	39	26	327
Disposals	-	(118)	(2)	-	(120)
Write off	-	(109)	(70)	(370)	(549)
At 30 June 2020	889	128	137	206	1,360
Net book value					
At 30 June 2020	202	279	92	818	1,391
2019					
Cost					
At 1 July 2018	845	448	246	678	2,217
Additions	148	16	7	-	171
Write off	-	(21)	-	(75)	(96)
At 30 June 2019	993	443	253	603	2,292
Less: Accumulated depreciation					
At 1 July 2018	507	250	135	481	1,373
Charge for the year	189	51	35	144	419
Write off	-	(15)	-	(75)	(90)
At 30 June 2019	696	286	170	550	1,702
Net book value					
At 30 June 2019	297	157	83	53	590

9 RIGHT-OF-USE ASSETS

The RSPO Group leases several office buildings and office space for a period of between 1 to 3 years. The lease agreement do not contain extension options.

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.

	Office buildings and office space
	RM'000
RSPO Group	
Effects of adoption of MFRS 16 at 1 July 2019 (Note 28)	963
Addition during the financial year	1,863
Depreciation during the financial year	(679)
At 30 June 2020	2,147

10 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Subject to income tax				
- Deferred tax assets	311	404	184	164
At start of financial year	404	150	164	118
(Charged)/credited to statements of income and expenditure (Note 7)				
- Property, plant and equipment	(2)	12	-	-
- Other payables and accruals	(91)	242	20	46
	(93)	254	20	46
At end of financial year	311	404	184	164
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Other payables and accruals	313	404	184	164
Offsetting	(2)	-	-	-
Deferred tax assets (after offsetting)	311	404	184	164
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(2)	-	-	-
Offsetting	2	-	-	-
Deferred tax liabilities (after offsetting)	-	-	-	-

11 INVESTMENT IN SUBSIDIARIES

	RSPO	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost	500	500

Details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective ownership interest 2020 %	2019 %	Principal activities
RSPO Secretariat Sdn Bhd	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.
Subsidiary of RSPO Secretariat Sdn Bhd				
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.

12 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Membership subscription fee receivable	2,963	2,393
Less: Impairment on receivables	(1,134)	(651)
	1,829	1,742

12 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

Trade receivables using simplified approach

The reconciliation of the loss allowance for trade receivables as at 30 June 2020 to the opening loss allowance is as follows:

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
At 1 July	651	1,597
Charged/(Credited) to statements of income and expenditure	456	(145)
Provision written off	27	(801)
At 30 June	1,134	651

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	Loss allowance	Net carrying amount
	%	RM'000	RM'000	RM'000
2020				
Current – 30 days	-	1,021	-	1,021
31 – 60 days past due	-	500	-	500
61 – 180 days past due	33	457	149	308
181 – 365 days past due	100	547	547	-
More than 365 days past due	100	438	438	-
		2,963	1,134	1,829
2019				
Current – 30 days	-	927	132	795
31 – 60 days past due	-	292	49	243
61 – 180 days past due	23	550	125	425
181 – 365 days past due	24	363	84	279
More than 365 days past due	100	261	261	-
		2,393	651	1,741

13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RSPO Group		RSPO	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Receivable from supply chain fees of sustainable palm oil trade	6,113	1,927	6,113	1,927
Other receivables	543	344	4,229	1,323
Deposits	686	375	128	125
	7,342	2,646	10,470	3,375
Goods and services tax ("GST") receivable	352	643	352	643
Prepayments	213	483	-	356
	7,907	3,772	10,822	4,374

Other receivables using general 3-stage approach

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 2020, none of the other receivables and deposits of the RSPO Group and RSPO respectively were past due or impaired (2019: nil).

14 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	6,914	1,607	5,791	1,294
United States Dollar	16,101	23,064	16,028	23,039
Euro	7,775	6,329	7,775	6,329
Colombian Peso	166	490	-	-
Indonesian Rupiah	263	184	-	-
Others	237	70	-	-
	31,456	31,744	29,594	30,662

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

15 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 1.7% and 2.9% (2019: 2.75% and 3.15%) per annum and the average maturity period is between 30 days to 365 days (2019: 30 days to 365 days).

16 LEASE LIABILITIES

	RSPO Group	
	2020	2019
	RM'000	RM'000
Current	902	-
Non-current	1,298	-
	2,200	-

	RSPO Group	
	2020	2019
	RM'000	RM'000
Maturity analysis of lease liabilities:		
- not later than 1 year	902	-
- later than 1 year but not later than 2 years	904	-
- later than 2 years	394	-
	2,200	-

Total cash outflow for leases during the current financial year for the Group amounted to RM753,000.

The 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.

17 CONTRACT LIABILITIES

	RSPO Group and RSPO	
	2020	2019
Current	RM'000	RM'000
Deferred subscription income (a)	8,670	7,909
Prepaid membership fees (b)	295	501
	8,965	8,410

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

	2020	2019
	RM'000	RM'000
At 1 July	8,410	7,609
Income recognised that was included in the contract liability balance at the beginning of the financial year	(8,115)	(7,108)
Increase from cash received or due, excluding amounts recognised as income during the financial year	8,670	7,909
At 30 June	8,965	8,410

(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.

18 OTHER PAYABLES AND ACCRUALS

	RSPO Group		RSPO	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Project costs payables	3,957	4,043	3,957	4,043
Project costs accruals	699	1,436	699	1,436
Amount due to a subsidiary	-	-	1,985	2,550
Other payables	130	309	50	15
Other accruals	1,201	2,103	46	54
	5,987	7,891	6,737	8,098

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

19 SMALLHOLDERS' FUND

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

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
As at beginning of financial year	8,580	11,651
Less: Project disbursements paid during the financial year	(1,881)	(3,071)
Add: Addition to fund	1,000	-
As at end of financial year	7,699	8,580

An allocation of RM1,000,000 (2019: nil) was made to the Smallholders' Fund during the financial year.

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Commitments due to be disbursed:		
Within 1 year	2,360	2,130
Later than 1 year but not later than 3 years	3,361	6,283
	5,721	8,413

This relates to projects that were approved by the Smallholder Fund Panel.

20 SPECIAL PROJECTS FUND

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
As at beginning of financial year	9,268	13,049
Less: Project disbursements paid during the financial year		
- Outreach to Intermediary Organisations	(1,585)	(2,381)
- SEnSOR impacts project - Year 3	(600)	(1,400)
- SEnSOR impacts project – Year 4	(1,400)	-
Add: Addition to fund	4,000	-
As at end of financial year	9,683	9,268

An allocation of RM4,000,000 (2019: nil) was made to the Special Projects Fund during 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.

	RSPO Group and RSPO	
	2020	2019
	RM'000	RM'000
Commitments due to be disbursed:		
Within 1 year		
- SEnSOR impacts project - Year 3	-	600
- SEnSOR impacts project - Year 4	600	-
- Outreach to Intermediary Organisations	757	2,666
	1,357	3,266
Approved but not contracted:		
Outreach to Intermediary Organisations	4,267	5,982

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

21 INDONESIAN LIAISON OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") 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 financial year are as follows:

	2020 RM'000	2019 RM'000
Staff costs	1,726	1,428
Other operating expenses	763	765
	2,489	2,193

Included in other operating expense are unrealised foreign exchange loss of RM320,990 (2019: RM295,109).

22 UNITED KINGDOM ESTABLISHMENT UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") 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 financial year are as follows:

	2020 RM'000	2019 RM'000
Staff costs	314	598
Other operating expenses	78	23
	392	621

Included in other operating expenses are unrealised foreign exchange loss of RM31,438 (2019: gain of RM65,881).

23 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has a registered a Representative Office in China ("China Representative Office").

China Representative Office expenses incurred in the Company during the financial year are as follows:

	2020 RM'000	2019 RM'000
Other operating expenses	911	337

Included in other operating expense are unrealised foreign exchange loss of RM13,525 (2019: gain of RM5,925).

24 COLOMBIAN BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has an office in Colombia, the RSPO Secretariat Sdn Bhd Sucursal Colombia, and is registered as a Colombia Branch Office.

The Colombia Branch Office expenses incurred in the Company during the financial year are as follows:

	2020 RM'000	2019 RM'000
Staff costs	582	464
Other operating expenses	216	174
	798	638

Included in other operating expense are unrealised foreign exchange gain of RM13,132 (2019: RM16,530).

25 NETHERLANDS BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd has a registered office in the Netherlands in the form of a branch office ("Netherlands Branch Office")

The Netherlands Branch Office expenses incurred in the Company during the year are as follows:

	2020 RM'000	2019 RM'000
Staff costs	1,094	662
Other operating expenses	129	45
	1,223	707

Included in other operating expense are unrealised foreign exchange loss of RM51,755 (2019: RM1,767).

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

	RSPO	
	2020 RM'000	2019 RM'000
Expenses for provision of services by the subsidiary:		
- Management fees	21,535	17,450

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

27 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	
	2020 RM'000	2019 RM'000
RSPO Group		
Current assets		
Membership subscription fees receivables	1,829	1,742
Other receivables and deposits (excludes prepayments and GST receivable)	7,342	2,646
Fixed deposits with a licensed bank	16,477	16,253
Cash and bank balances	31,456	31,744
	57,104	52,385

27 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at amortised cost	
	2020	2019
	RM'000	RM'000
RSPO		
Current assets		
Membership subscription fees receivables	1,829	1,742
Other receivables and deposits (excludes prepayments and GST receivable)	10,470	3,375
Fixed deposits with a licensed bank	16,477	16,253
Cash and bank balances	29,594	30,662
	58,370	52,032

	Financial liabilities at amortised cost	
	2020	2019
	RM'000	RM'000
RSPO Group		
Current liabilities		
Other payables and accruals	5,987	7,891
RSPO		
Current liabilities		
Other payables and accruals	6,737	8,098

28 EFFECTS OF ADOPTION OF MFRS 16 "LEASES"

MFRS 16 is effective for annual periods beginning on or after 1 July 2019. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117 "Leases".

28 EFFECTS OF ADOPTION OF MFRS 16 "LEASES" (CONTINUED)

The RSPO Group as lessees

Leases previously accounted for as operating leases

The RSPO Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases of less than 1 year and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. On a lease-by-lease basis, the RSPO Group measures the associated ROU asset on a retrospective basis at its carrying amount as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 30 June 2019.

The RSPO Group has also applied the available practical expedients wherein it:

(i) relied on its assessment of whether leases are onerous before the date of initial application;
(ii) accounted for operating leases with a remaining lease term of less than 12 months as at the date of initial application as short-term leases;
(iii) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In applying MFRS 16 for all leases, the RSPO Group as lessees:

(i) recognise ROU assets and lease liabilities in the statement of assets, liabilities and fund balances;
(ii) recognise amortisation and impairment losses, if any, of ROU assets and finance cost on lease liabilities in profit or loss; and
(iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and finance cost arising from lease liabilities (presented within financing activities) in the statement of cash flows.

Financial impact of the adoption of MFRS 16

The RSPO Group has applied MFRS 16 with the date of initial application of 1 July 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the RSPO Group are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

In addition, the RSPO Group has assessed whether a contract is or contains a lease based on the definition of a lease and related guidance set out in MFRS 16. However, for contracts entered into before the transition date, the RSPO Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

28 EFFECTS OF ADOPTION OF MFRS 16 "LEASES" (CONTINUED)

The impact to the opening balance as at 1 July 2019 is set out below:

(a) Statements of financial position

	Carrying amount as at 1 July 2019 RM'000	Effects of adoption of MFRS 16 RM'000	MFRS 16 carrying amount as at 1 July 2019 RM'000
Group			
Right-of-use assets	-	963	963
Lease liabilities:			
- current	-	286	286
- non-current	-	677	677

(b) Reconciliation between the operating lease commitments disclosed when applying MFRS 117 as at 30 June 2019 to the lease liabilities recognised at 1 July 2019 as follows:

	Group and Company RM'000
Operating lease commitments disclosed as at 30 June 2019	-
Contract reassessed as lease contracts upon initial application of MFRS 16	963
Lease liabilities recognised as at 1 July 2019	963
Analysed into:	
Current	286
Non-current	677
	963

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 9.25% per annum.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 23 October 2020.