

VEGETABLE MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTOR OF MARKETING**

(Vegetable Marketing Organization is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277)

We have audited the financial statements of Vegetable Marketing Organization (the "Organization") set out on pages 3 to 37, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Marketing's Responsibility for the Financial Statements

The Agricultural Products (Marketing) Ordinance, Chapter 277, requires the Director of Marketing to keep proper accounts. The Director of Marketing is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Director of Marketing determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director of Marketing, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTOR OF MARKETING (CONTINUED)**

(Vegetable Marketing Organization is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Organization as at 31 March 2014, and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2014

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET

	Note	As at 31 March		As of 1 April
		2014	2013 (Restated)	2012 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	17,139,748	18,998,167	14,173,038
Assets under defined benefit plan	17	8,530,000	7,192,000	6,370,000
Vegetable Marketing Organization (“VMO”) Loans	6(a)	-	58,958	-
		<u>25,669,748</u>	<u>26,249,125</u>	<u>20,543,038</u>
Current assets				
Inventories	9(a)	631,068	621,962	296,702
Biological assets	9(b)	70,767	69,494	-
VMO Loans	6(a)	1,651,492	1,633,404	1,144,549
Trade and other receivables	10	10,110,710	12,983,541	10,848,074
Bank deposits with original maturities over three months	11	326,600,678	341,120,000	355,450,000
Cash and cash equivalents	12	28,401,913	27,540,297	27,742,934
		<u>367,466,628</u>	<u>383,968,698</u>	<u>395,482,259</u>
Total assets		<u><u>393,136,376</u></u>	<u><u>410,217,823</u></u>	<u><u>416,025,297</u></u>
FUNDS				
VMO General Fund				
Accumulated surplus	13	204,489,091	175,327,667	152,808,410
Specific funds				
VMO Loan Fund	6(a)	12,206,175	12,033,743	11,973,958
VMO Agricultural Development Fund	7	144,452,278	183,830,326	216,474,488
Funds provided from external sources for capital expenditure	14	1,764,104	1,764,104	1,764,104
Total funds		<u>362,911,648</u>	<u>372,955,840</u>	<u>383,020,960</u>
LIABILITIES				
Non-current liabilities				
Provisions for other liabilities	16	9,575,173	11,895,297	10,618,915
Current liabilities				
Trade and other payables	15	11,778,154	16,615,062	14,736,739
Provisions for other liabilities	16	2,210,771	2,521,282	2,077,240
Vegetable buyers’ deposits		6,660,630	6,230,342	5,574,443
		<u>20,649,555</u>	<u>25,366,686</u>	<u>22,385,422</u>
Total liabilities		<u><u>30,224,728</u></u>	<u><u>37,261,983</u></u>	<u><u>33,004,337</u></u>
Total funds and liabilities		<u><u>393,136,376</u></u>	<u><u>410,217,823</u></u>	<u><u>416,025,297</u></u>

The notes on pages 8 to 37 are an integral part of these financial statements.

The financial statements on pages 3 to 37 were approved by the Director of Marketing on 25 August 2014.

LEUNG Siu-fai

Director of Marketing

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2014	2013 (Restated)
INCOME			
Operating income			
Commission		105,263,129	100,861,041
Rebates		(36,710,577)	(35,175,871)
		<u>68,552,552</u>	<u>65,685,170</u>
Net income from sales of premium vegetables	18	<u>8,528,404</u>	<u>9,244,264</u>
Other operating income		<u>1,405,411</u>	<u>1,721,803</u>
Non-trading income			
Interest income on bank deposits		1,502,598	1,930,637
Other income		803	62,615
Gain on disposals of property, plant and equipment	27(b)	-	103,693
		<u>1,503,401</u>	<u>2,096,945</u>
Total income		<u>79,989,768</u>	<u>78,748,182</u>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	19(a)	<u>(36,289,057)</u>	<u>(38,718,010)</u>
General working expenses			
Rent, rates and permit fees	20	(2,261,592)	(2,096,748)
Printing and stationery		(446,259)	(511,711)
Utility services		(1,011,739)	(1,155,275)
Maintenance and minor improvements		(2,053,318)	(3,406,380)
Vegetable baskets		(7,800)	-
Stores and equipment		(955,367)	(1,071,727)
Miscellaneous expenses		(196,999)	(230,018)
Staff welfare		(421,410)	(372,245)
Staff training		(25,548)	(26,773)
Travelling expenses		(137,654)	(131,792)
Protective clothing and uniforms		(69,865)	(34,879)
Insurance		(1,721,674)	(1,895,967)
Auditor's remuneration		(327,400)	(312,400)
Market security		(530,644)	(507,323)
		<u>(10,167,269)</u>	<u>(11,753,238)</u>

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME (Continued)

		<u>Year ended 31 March</u>	
	Note	2014	2013 (Restated)
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(10,167,269)	(11,753,238)
Transportation expenses		(3,062,716)	(3,067,644)
Depreciation - markets and depots	5	(1,989,525)	(3,099,367)
Subsidy to federation and co-operative societies		(939,227)	(891,304)
Grants-in-aid		(30,000)	(335,943)
Publication and publicity		(7,471)	(28,069)
Bank charges		(9,068)	(3,050)
		<u>(16,205,276)</u>	<u>(19,178,615)</u>
Total operating expenditure		<u>(52,494,333)</u>	<u>(57,896,625)</u>
Other expenditure			
Loss on disposals of property, plant and equipment	27(b)	(59,011)	-
Miscellaneous expenses		-	(6,300)
		<u>(59,011)</u>	<u>(6,300)</u>
Total expenditure		<u>(52,553,344)</u>	<u>(57,902,925)</u>
Operating surplus for the year		<u>27,436,424</u>	<u>20,845,257</u>
Net surplus/(deficit) from:			
- VMO Agricultural Development Fund	21	(39,378,048)	(32,644,162)
- VMO Loan Fund	22	172,432	59,785
		<u>(39,205,616)</u>	<u>(32,584,377)</u>
Deficit for the year		<u>(11,769,192)</u>	<u>(11,739,120)</u>
Other comprehensive income for the year			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	17	1,725,000	1,674,000
Total comprehensive loss for the year	13	<u>(10,044,192)</u>	<u>(10,065,120)</u>

The notes on pages 8 to 37 are an integral part of these financial statements.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS

	Note	<u>Total funds</u>
Balance at 1 April 2012, as previously reported		384,138,960
Effect of changes in Hong Kong Accounting Standard (“HKAS”) 19	2.1(a)	(1,118,000)
		<hr/>
Balance at 1 April 2012, as restated		383,020,960
		<hr/>
Deficit for the year, as restated		(11,739,120)
Other comprehensive income		
- Remeasurements for defined benefit plan	17(b)	1,674,000
		<hr/>
Total comprehensive loss, as restated		(10,065,120)
		<hr/>
Balance at 31 March 2013, as restated		372,955,840
		<hr/> <hr/>
Balance at 1 April 2013, as previously reported		374,331,840
Effect of changes in HKAS 19	2.1(a)	(1,376,000)
		<hr/>
Balance at 1 April 2013, as restated		372,955,840
		<hr/>
Deficit for the year		(11,769,192)
Other comprehensive income		
- Remeasurements for defined benefit plan	17(b)	1,725,000
		<hr/>
Total comprehensive loss		(10,044,192)
		<hr/>
Balance at 31 March 2014		362,911,648
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The notes on pages 8 to 37 are an integral part of these financial statements.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

		<u>Year ended 31 March</u>	
	Note	2014	2013
Cash flows from operating activities			
Net cash used in operations	27(a)	(14,572,982)	(11,912,255)
VMO Loans interest received		43,468	1,416
		<u> </u>	<u> </u>
Net cash used in operating activities		(14,529,514)	(11,910,839)
		<u> </u>	<u> </u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,024,465)	(7,146,863)
Proceeds from disposals of property, plant and equipment	27(b)	1,600	122,200
Net uplift of bank deposits with original maturities over three months		14,519,322	14,330,000
Bank interest received		2,894,673	4,402,865
		<u> </u>	<u> </u>
Net cash generated from investing activities		15,391,130	11,708,202
		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents			
		861,616	(202,637)
Cash and cash equivalents at beginning of the year		27,540,297	27,742,934
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	12	<u>28,401,913</u>	<u>27,540,297</u>

The notes on pages 8 to 37 are an integral part of these financial statements.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Vegetable Marketing Organization (the “Organization”) is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277), which requires that, in the Kowloon Area and in the New Territories Area, vegetables be bought or sold wholesale at the wholesale vegetable market operated by the Organization. A vegetable seller shall pay to the Organization, for the services provided in respect of such sale, a commission at the rate of ten per cent of the price for which the vegetables are sold.

The principal activity of the Organization is to provide services to the vegetable sellers in return of commission calculated based on the price of the vegetable concluded in the Organization’s market.

The amount of commission income accruing to the Organization therefore depends significantly on:

- the degree of the vegetable sellers’ compliance with the Agricultural Products (Marketing) Ordinance by bringing their products into the Organization’s market for sale; and
- the conditions prevailing in the market which influence the selling prices of the vegetables.

The address of the Organization is 757 Lai Chi Kok Road, Cheung Sha Wan Wholesale Vegetable Market, Cheung Sha Wan, Kowloon.

These financial statements are presented in Hong Kong dollars unless otherwise stated. These financial statements have been approved for issue by the Director of Marketing on 25 August 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Organization have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and under the historical cost convention, except for biological assets, which have been measured at fair value less costs to sell.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Organization’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

- (a) The following amendments and standards have been adopted by the Organization for the first time for the Organization’s financial year beginning on 1 April 2013:

Amendment to Hong Kong Accounting Standard (“HKAS”) 1, “Financial statement presentation” regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in “other comprehensive income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The adoption of this new amendment has resulted in certain additional disclosures.

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (a) The following amendments and standards have been adopted by the Organization for the first time for the Organization's financial year beginning on 1 April 2013: (Continued)

Amendment to HKFRS 7, "Financial instruments: Disclosures", on asset and liability offsetting. The amendment requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This new amendment does not have any impact on these financial statements as the Organization has not offset any financial instruments, nor has it entered into master netting or similar arrangements which are subject to the disclosures of HKFRS 7.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. This new standard does not have any significant impact on these financial statements.

HKAS 19, "Employee Benefits" was revised in June 2011. The changes on the Organization's accounting policies have been as follows: to immediately recognize all past service costs, if any; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

The changes of HKAS 19 have been applied retrospectively and the effect of the changes is as follows:

	At 31 March 2013	At 1 April 2012
Decrease in assets under defined benefit plan	1,376,000	1,118,000
Decrease in accumulated surplus	1,376,000	1,118,000
	<u> </u>	<u> </u>
		Year ended 31 March 2013
Increase in employee benefit expenditure		1,932,000
Increase in other comprehensive income		1,674,000
		<u> </u>

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) New standards, amendments and interpretations (collectively, the “Amendments”) to existing HKFRS that are not yet effective and have not been early adopted by the Organization

Certain Amendments have been published that are mandatory for the Organization’s accounting periods commencing on or after 1 April 2014

The following Amendments are relevant and applicable to the Organization; however, they have not been early adopted in these financial statements:

		Effective for the Organization’s accounting periods commencing on or after
HKAS 16 (Amendment)	Clarification of Acceptable Methods of Depreciation	1 April 2016
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 April 2014
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures	1 April 2014
HKFRS 15	Revenue from Contracts with Customers	1 April 2017
HKFRS 19 (2011) (Amendment)	Employee Benefits	1 July 2014
HKFRS 9	Financial instruments	1 April 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 April 2015

The Organization will apply these Amendments in the year of initial application. The Organization is currently assessing the impact of the adoption of the Amendments and is not yet in a position to state whether they would have a significant impact on the Organization’s results of operations and financial position.

2.2 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Organization are measured using the currency of the primary economic environment in which the Organization operates (“the functional currency”). The financial statements are presented in Hong Kong dollars, which is the Organization’s functional and presentation currency.

- (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and valuation where items are remeasured. 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 recognized in the statement of comprehensive income.

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment

Land and buildings comprise mainly offices and market buildings. Leasehold land classified as a finance lease and all other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, and contingent price, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Organization and that cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on all other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the unexpired period of the lease
Leasehold improvements	Shorter of the lease period and the useful lives of 10 years
Buildings	
- Cheung Sha Wan Vegetable Market	20 years
- Buildings at depots	10 years
Furniture, fixtures and computer equipment	5 to 10 years
Motor vehicles	5 years
Machinery and others	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

2.4 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.5 Inventories

Inventories comprise seeds and vegetables and are stated at the lower of cost and net realizable value. Cost, determined using the first-in first-out method, mainly comprises invoiced cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Biological assets

Biological assets are living plants managed by the Organization which are involved in the agricultural activity of the transformation of biological assets into hydroponic vegetable produce for sales.

Biological assets are measured at their fair values less costs to sell, where the fair values are based on their market prices with similar size and species. The fair values less costs to sell of biological assets at the time of harvest are deemed as the cost of hydroponic vegetable produce for sales.

Management reviews the progress of biological assets on an ongoing basis and should these be deemed to be unsuitable for further planting, full provision for impairment losses is made at that time.

Gains or losses arising from initial recognition of biological assets at fair values less costs to sell and from a change in fair values less costs to sell of biological assets are included in the statement of comprehensive income in the period in which it arises.

2.7 Financial assets

The Organization classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Organization's loans and receivables comprise those financial assets that are detailed in note 8.

2.8 VMO Loans and trade and other receivables

VMO Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

VMO Loans and trade and other receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method, less provision for impairment.

2.9 Impairment of financial assets carried at amortized cost

The Organization assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Impairment of financial assets carried at amortized cost (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits with original maturities of three months or less.

2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and service providers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.12 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Retirement plan obligations

The Organization operates a defined benefit plan, a defined contribution plan and a mandatory provident fund scheme ("MPF scheme") in Hong Kong, the assets of which are held in separate trustee-administered funds. All three retirement plans are funded by payments from employees and by the Organization. For the defined benefit plan, payments are made after taking into account the recommendations of independent qualified actuary.

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Employee benefits (Continued)

(b) Retirement plan obligations (Continued)

Defined contribution plan and MPF scheme

The Organization's contributions to the defined contribution plan and MPF scheme are based on a certain percentage of the employees' income. The Organization's contributions to both the defined contribution plan and the MPF scheme are expensed as incurred.

The Organization's contributions to the defined contribution plan are reduced by contributions forfeited by those employees who leave the defined contribution plan prior to vesting fully in the contributions.

The Organization has no further payment obligations once the contributions to both the defined contribution plan and the MPF scheme have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognized in the balance sheet in respect of defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at each balance sheet date. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are charged immediately to the statement of comprehensive income.

(c) Provision for long service payments

The Organization recognizes provision for long service payments to its employees in accordance with the Employment Ordinance (Cap. 57) upon the termination of the employment, or retirement when the employees fulfil certain conditions and the termination meets the required circumstances. The provision is calculated based on the long service payments that are required to be made to the employees by the Organization in respect of their services up to the year-end date as reduced by certain benefits arising from the Organization's retirement plans.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Provisions

Provisions are recognized when the Organization has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Organization's activities. Revenue is recognized as follows:

- (a) Commission income relating to the provision of services to the vegetable sellers is recognized based on the price of the vegetable transactions concluded in the Organization's market on an accruals basis, and is reduced by rebates which are recognized at a rate of 3.5% based on the price of the same vegetable transactions.
- (b) Sales of vegetables is recognized upon delivery of vegetables to the customer, who has accepted the vegetables and collectability of the related receivables is reasonably assured.
- (c) Commission income relating to the sales of premium vegetables is recognized when the relevant sales transactions have been concluded.
- (d) Interest income on bank deposits and VMO Loans is recognized on a time proportion basis using the effective interest method.
- (e) FarmFest income, other income and other operating income are recognized on an accruals basis.

2.15 VMO Loan Fund and VMO Agricultural Development Fund ("Funds")

The VMO Loan Fund was set up for making loans to farmers for productive purposes.

The VMO Agricultural Development Fund was set up for promoting local agriculture.

The income and expenditure relating to these Funds are directly dealt with in the statement of comprehensive income of the Organization. Any net surplus or deficit relating to these Funds is transferred from VMO General Fund to the respective Funds.

2.16 Operating leases (as the lessee)

Leases in which 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 (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management

3.1 Financial risk factors

The Organization's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Organization's overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Organization's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Organization's functional currency. In the opinion of the Director of Marketing, the Organization has minimal exposure to foreign exchange risk as its transactions are mainly denominated in Hong Kong dollars and no sensitivity analysis is performed accordingly.

(b) Credit risk

The Organization has policies in place for the control and monitoring of its credit risk. The credit risk of the Organization is primarily attributable to the VMO Loans, trade and other receivables and deposits and balances placed with banks.

In respect of VMO Loans, individual evaluations are performed on all borrowers. For each loan granting, the Organization has policies to assess the eligibility of the granting to farmers and request each borrower to provide third party personal guarantee for the loan. Besides, the Organization will make specific provision for those balances which cannot be recovered.

In respect of trade and other receivables, which are arisen from the sales of vegetables and the commission receivables from credit customers, the Organization has policies in place to ensure they are with appropriate credit history and to limit the amount of credit exposure to credit customers so as to minimise credit risk resulting from counterparties default. The Organization will also make specific provision for those balances which cannot be recovered. The Organization does not obtain collateral from credit customers.

The credit risk on liquid funds is limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. In the opinion of the Director of Marketing, the Organization's overall credit risk is considered to be low.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank deposits and bank balances. In the opinion of the Director of Marketing, the Organization does not have any significant liquidity risk.

The table below analyses the Organization's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 March 2014 and 2013, the maturity analysis of the financial liabilities is as follows:

	2014	2013
Less than one year		
Trade and other payables (note 15)	11,730,782	16,576,385
Vegetable buyers' deposits	6,660,630	6,230,342
	<u>18,391,412</u>	<u>22,806,727</u>

(d) Cash flow and fair value interest rate risk

The Organization's cash flow and fair value interest rate risk is primarily arisen from bank deposits. Other than that, the Organization has no other significant interest-bearing assets or liabilities.

As at 31 March 2014, if interest rates on the bank deposits had been 20 basis points (2013: 29 basis points) higher/lower with all other variables held constant, deficit for the year would have been \$668,000 (2013: \$999,000) lower/higher, as a result of higher/lower interest income on the bank deposits.

3.2 Fund risk management

The Organization's objectives when managing funds are to safeguard the Organization's ability to continue as a going concern and to have sufficient funding for future operations. The Organization's overall strategy remains unchanged from prior year.

The total funds of the Organization comprises VMO General Fund, VMO Loan Fund, VMO Agricultural Development Fund and Funds provided from external sources for capital expenditure.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Organization has no financial instruments that are measured at fair value on the three-level hierarchy basis in the balance sheet.

The carrying value less impairment provision of loans and receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Organization for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

The Organization makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Organization's management determines the estimated useful lives of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions or the relevant projected product life cycle, whenever appropriate. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charges where useful lives are less than the previously estimated lives, or will write-off obsolete assets that have been abandoned.

(b) Impairment of VMO Loans

The Organization makes provision for impairment of VMO Loans based on an assessment of the recoverability of the VMO Loans. Provisions are applied to VMO Loans where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of VMO Loans requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of VMO Loans and impairment of VMO Loans is recognized in the year in which such estimates have been changed.

(c) Defined benefit plan

This applies where the Organization's accounting policy is to recognize any actuarial gains or losses over the average remaining working lives of employees through the statement of comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

The actuary, Mercer (Hong Kong) Limited, determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit liability.

Other key assumptions for defined benefit obligation are based in part on current market conditions. Additional information is disclosed in note 17(d).

(d) Provision for long services payments

Provision for long services payments of are made based on best estimates that take into consideration the historical turnover rate, investment returns and projected salary increment percentage.

Where the final outcome of the above matters are different from the amounts that were initially recorded, such differences will impact the relevant expense item in the statement of comprehensive income and the corresponding provision account in the balance sheet in the year in which such estimates are changed.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Markets and depots					VMO Agricultural Development Fund (note 7)				
	Land and buildings	Furniture, fixtures and computer equipment	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others (note)	Subtotal	Total
At 1 April 2012										
Cost	4,446,130	25,814,099	6,888,756	37,488	37,186,473	4,126,083	7,101,553	-	11,227,636	48,414,109
Accumulated depreciation	(3,826,129)	(19,235,560)	(5,984,122)	(34,134)	(29,079,945)	(2,130,653)	(3,030,473)	-	(5,161,126)	(34,241,071)
Net book amount	<u>620,001</u>	<u>6,578,539</u>	<u>904,634</u>	<u>3,354</u>	<u>8,106,528</u>	<u>1,995,430</u>	<u>4,071,080</u>	<u>-</u>	<u>6,066,510</u>	<u>14,173,038</u>
Year ended 31 March 2013										
Opening net book amount	620,001	6,578,539	904,634	3,354	8,106,528	1,995,430	4,071,080	-	6,066,510	14,173,038
Additions	-	1,267,304	923,851	2,800	2,193,955	-	181,950	6,982,358	7,164,308	9,358,263
Disposals (note 27(b))	-	(18,507)	-	-	(18,507)	-	(9,660)	-	(9,660)	(28,167)
- Cost	-	(270,814)	(736,490)	(1,550)	(1,008,854)	-	(53,200)	-	(53,200)	(1,062,054)
- Accumulated depreciation	-	252,307	736,490	1,550	990,347	-	43,540	-	43,540	1,033,887
Depreciation	<u>(17,630)</u>	<u>(2,303,960)</u>	<u>(775,279)</u>	<u>(2,498)</u>	<u>(3,099,367)</u>	<u>(412,608)</u>	<u>(708,563)</u>	<u>(284,429)</u>	<u>(1,405,600)</u>	<u>(4,504,967)</u>
Closing net book amount	<u>602,371</u>	<u>5,523,376</u>	<u>1,053,206</u>	<u>3,656</u>	<u>7,182,609</u>	<u>1,582,822</u>	<u>3,534,807</u>	<u>6,697,929</u>	<u>11,815,558</u>	<u>18,998,167</u>
At 31 March 2013										
Cost	4,446,130	26,810,589	7,076,117	38,738	38,371,574	4,126,083	7,230,303	6,982,358	18,338,744	56,710,318
Accumulated depreciation	(3,843,759)	(21,287,213)	(6,022,911)	(35,082)	(31,188,965)	(2,543,261)	(3,695,496)	(284,429)	(6,523,186)	(37,712,151)
Net book amount	<u>602,371</u>	<u>5,523,376</u>	<u>1,053,206</u>	<u>3,656</u>	<u>7,182,609</u>	<u>1,582,822</u>	<u>3,534,807</u>	<u>6,697,929</u>	<u>11,815,558</u>	<u>18,998,167</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment (Continued)

	Markets and depots					VMO Agricultural Development Fund (note 7)				Total
	Land and buildings	Furniture, fixtures and computer equipment	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others (note)	Subtotal	
Year ended										
31 March 2014										
Opening net book amount	602,371	5,523,376	1,053,206	3,656	7,182,609	1,582,822	3,534,807	6,697,929	11,815,558	18,998,167
Additions	-	1,196,894	295,420	3,050	1,495,364	-	474,621	67,657	542,278	2,037,642
Disposals (note 27(b))	-	(60,163)	-	(448)	(60,611)	-	-	-	-	(60,611)
- Cost	-	(535,458)	-	(18,510)	(553,968)	-	-	-	-	(553,968)
- Accumulated depreciation	-	475,295	-	18,062	493,357	-	-	-	-	493,357
Depreciation	(17,631)	(1,464,684)	(505,444)	(1,766)	(1,989,525)	(412,608)	(730,111)	(703,206)	(1,845,925)	(3,835,450)
Closing net book amount	<u>584,740</u>	<u>5,195,423</u>	<u>843,182</u>	<u>4,492</u>	<u>6,627,837</u>	<u>1,170,214</u>	<u>3,279,317</u>	<u>6,062,380</u>	<u>10,511,911</u>	<u>17,139,748</u>
At 31 March 2014										
Cost	4,446,130	27,472,025	7,371,537	23,278	39,312,970	4,126,083	7,704,924	7,050,015	18,881,022	58,193,992
Accumulated depreciation	(3,861,390)	(22,276,602)	(6,528,355)	(18,786)	(32,685,133)	(2,955,869)	(4,425,607)	(987,635)	(8,369,111)	(41,054,244)
Net book amount	<u>584,740</u>	<u>5,195,423</u>	<u>843,182</u>	<u>4,492</u>	<u>6,627,837</u>	<u>1,170,214</u>	<u>3,279,317</u>	<u>6,062,380</u>	<u>10,511,911</u>	<u>17,139,748</u>

Note: The additions for the year of \$67,657 include the contingent price of equipment of \$13,177 (2013: \$2,211,400) for Controlled Environment Hydroponic Research and Development Project as described in note 16.

Depreciation expenses of \$1,989,525 and \$1,845,925 (2013: \$3,099,367 and \$1,405,600) have been charged in the operating expenditure and net deficit from VMO Agricultural Development Fund respectively on page 5 and note 21, respectively. The Organization's leasehold land and buildings are situated in Hong Kong and the leasehold land classified as finance lease is held under a medium term lease of between 10 to 50 years.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

6 VMO Loan Fund

(a) Balance sheet

The VMO Loan Fund is represented by the following assets which have been included in the assets of the Organization in the balance sheet on page 3:

	Note	2014	2013
ASSETS			
Non-current assets			
VMO Loans			
- Loans to farmers		1,845,940	2,107,890
- Interest receivable		61,572	99,216
		<u>1,907,512</u>	<u>2,207,106</u>
Less: Provision for impairment of VMO Loans		(173,445)	(427,031)
		<u>1,734,067</u>	<u>1,780,075</u>
Less: Accumulated amortization at 1 April		(87,713)	(57,247)
Premium/(discount) on amortization of VMO Loans	22	5,138	(30,466)
		<u>(82,575)</u>	<u>(87,713)</u>
VMO Loans – net		1,651,492	1,692,362
Less: Current portion		(1,651,492)	(1,633,404)
Non-current portion		-	58,958
Current assets			
Current portion of VMO Loans		1,651,492	1,633,404
Other receivables		11,268	6,981
Bank deposits with original maturities over three months	11	5,722,621	6,500,000
Cash and cash equivalents	12	4,820,794	3,834,400
		<u>12,206,175</u>	<u>11,974,785</u>
Total assets		<u>12,206,175</u>	<u>12,033,743</u>
FUNDS			
Capital account transferred from VMO General Fund		2,608,000	2,608,000
Accumulated surplus at 1 April		9,425,743	9,365,958
Net surplus for the year transferred from VMO General Fund	13&22	172,432	59,785
Accumulated surplus at 31 March		<u>9,598,175</u>	<u>9,425,743</u>
Total funds		<u>12,206,175</u>	<u>12,033,743</u>
LIABILITIES			
Current and total liabilities		-	-
Total funds and liabilities		<u>12,206,175</u>	<u>12,033,743</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

6 VMO Loan Fund (Continued)

(b) VMO Loans

The VMO Loan Fund was set up for making loans to farmers for productive purposes.

The VMO Loans bear interests at rates from 0.007% to 1.917% (2013: 0.007% to 1.938%) per annum and are repayable within one to two years (2013: one to two years) with third party personal guarantees. As at 31 March 2014, the effective interest rate of the VMO Loans is 0.045% (2013: 0.117%) per annum.

As at 31 March 2014, VMO Loans of \$173,445 (2013: \$427,031) were past due and impaired and full provisions have been made. The individually impaired receivables mainly related to borrowers, which were in unexpectedly difficult economic situations. The ageing of these VMO Loans is as follows:

	2014	2013
<u>Past due by:</u>		
Up to 30 days	2,000	38,000
31 to 60 days	-	6,000
61 to 90 days	-	6,000
Over 90 days	171,445	377,031
	<u>173,445</u>	<u>427,031</u>

The remaining balances of VMO Loans were not past due or impaired.

Movement on provision for impairment of VMO Loans is as follows:

	Note	2014	2013
At 1 April		427,031	394,912
Provision written-off as uncollectible (Credited)/charged to the statement of comprehensive income		(170,966)	-
- (Write-back of provision for)/provision for impairment	22	(82,620)	32,119
At 31 March		<u>173,445</u>	<u>427,031</u>

The creation and release of provisions for impaired VMO Loans have been included in the net surplus from VMO Loan Fund in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying values of the VMO Loans. The carrying values of VMO Loans approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

7 VMO Agricultural Development Fund

The VMO Agricultural Development Fund is represented by the following assets and liabilities which have been included in the assets and liabilities of the Organization in the balance sheet on page 3:

	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,511,911	11,815,558
Current assets			
Inventories	9(a)	421,242	376,329
Biological assets	9(b)	70,767	69,494
Trade and other receivables		1,378,965	3,334,454
Bank deposits with original maturities over three months	11	134,500,413	171,600,000
Cash and cash equivalents	12	1,374,004	395,893
		<u>137,745,391</u>	<u>175,776,170</u>
Total assets		<u>148,257,302</u>	<u>187,591,728</u>
FUNDS			
Capital account			
At 1 April and 31 March		350,000,000	350,000,000
Accumulated deficit at 1 April		(166,169,674)	(133,525,512)
Net deficit for the year transferred from VMO General Fund	13&21	(39,378,048)	(32,644,162)
Accumulated deficit at 31 March		(205,547,722)	(166,169,674)
Total funds		<u>144,452,278</u>	<u>183,830,326</u>
LIABILITIES			
Non-current liabilities			
Provisions for other liabilities		2,190,875	2,298,369
Current liabilities			
Other payables		951,556	820,465
Provisions for other liabilities		662,593	642,568
		<u>1,614,149</u>	<u>1,463,033</u>
Total liabilities		<u>3,805,024</u>	<u>3,761,402</u>
Total funds and liabilities		<u>148,257,302</u>	<u>187,591,728</u>

The VMO Agricultural Development Fund was set up for promoting local agriculture through financing or subsidizing various agricultural research and development projects, agricultural land rehabilitation scheme, construction and improvement of communal agricultural facilities, vocational training for farmers and agricultural workers, introduction of new agricultural technique, exhibitions and other publicity means to promote agriculture.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

8 Financial instruments by category

The Organization's financial instruments include the following:

	Note	2014	2013
Financial assets - loans and receivables			
VMO Loans	6	1,651,492	1,692,362
Trade and other receivables	10	6,503,475	7,436,001
Bank deposits with original maturities over three months	11	326,600,678	341,120,000
Cash and cash equivalents	12	28,401,913	27,540,297
		<u>363,157,558</u>	<u>377,788,660</u>
Financial liabilities - other financial liabilities at amortized cost			
Trade and other payables	15	11,730,782	16,576,385
Vegetable buyers' deposits		6,660,630	6,230,342
		<u>18,391,412</u>	<u>22,806,727</u>

9 Inventories and biological assets

(a) Inventories

	2014	2013
Premium vegetables	133,491	153,750
Others	498,623	492,088
	<u>632,114</u>	<u>645,838</u>
Less: Provision for impairment of inventories	(1,046)	(23,876)
	<u>631,068</u>	<u>621,962</u>
Represented by:		
- General fund	209,826	245,633
- VMO Agricultural Development Fund (note 7)	421,242	376,329
	<u>631,068</u>	<u>621,962</u>

The Organization had directly written off obsolete inventories of \$252,881 (2013: \$276,280) during the year ended 31 March 2014.

(b) Biological assets

	2014	2013
At 1 April	69,494	-
Additions	1,929,222	877,219
Harvested hydroponic vegetable produce	(1,637,904)	(765,907)
Write off (note 26)	(290,045)	(41,818)
	<u>70,767</u>	<u>69,494</u>
At 31 March	<u>70,767</u>	<u>69,494</u>
<u>Analysis of biological assets</u>		
Mature	-	-
Immature	70,767	69,494
	<u>70,767</u>	<u>69,494</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

9 Inventories and biological assets

(b) Biological assets (Continued)

As at 31 March 2014, the Organization had 367 kg (2013: 202 kg) of biological assets. During the year, the quantity of hydroponic vegetable produce harvested for sales is 1,767 kg (2013: 1,649 kg).

10 Trade and other receivables

	2014	2013
Trade receivables	5,311,512	6,244,665
Interest receivables	804,477	878,463
Other receivables	387,486	312,873
	<hr/>	<hr/>
Financial assets	6,503,475	7,436,001
Prepayments for:		
- insurance expense	2,539,105	2,315,809
- other operating expenses	1,068,130	3,231,731
	<hr/>	<hr/>
Total	<u>10,110,710</u>	<u>12,983,541</u>

As at 31 March 2014, trade receivables of \$476,801 (2013: \$627,493) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Organization does not hold any collateral over these balances and the ageing analysis of these trade receivables is as follows:

	2014	2013
<u>Past due by:</u>		
Up to 30 days	465,289	589,769
31 to 60 days	1,847	37,408
61 to 90 days	1,504	276
Over 90 days	8,161	40
	<hr/>	<hr/>
	<u>476,801</u>	<u>627,493</u>

Trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The carrying values of trade and other receivables approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

11 Bank deposits with original maturities over three months

	Note	2014	2013
VMO General Fund		186,377,644	163,020,000
VMO Loan Fund	6	5,722,621	6,500,000
VMO Agricultural Development Fund	7	134,500,413	171,600,000
		<hr/>	<hr/>
Maximum exposure to credit risk		<u>326,600,678</u>	<u>341,120,000</u>

The carrying values of bank deposits are denominated in Hong Kong dollars.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12 Cash and cash equivalents

	Note	2014	2013
<u>VMO General Fund</u>			
Cash at banks and in hand		20,047,115	23,310,004
Bank deposits with original maturities of three months or less		2,160,000	-
		<u>22,207,115</u>	<u>23,310,004</u>
<u>VMO Loan Fund</u>			
Cash at banks		499,748	484,400
Bank deposits with original maturities of three months or less		4,321,046	3,350,000
	6	<u>4,820,794</u>	<u>3,834,400</u>
<u>VMO Agricultural Development Fund</u>			
Cash at banks and in hand		544,004	395,893
Bank deposits with original maturities of three months or less		830,000	-
	7	<u>1,374,004</u>	<u>395,893</u>
Total		<u>28,401,913</u>	<u>27,540,297</u>
Maximum exposure to credit risk		<u>26,628,209</u>	<u>19,683,497</u>

The carrying values of cash and cash equivalents are denominated in Hong Kong dollars.

13 VMO General Fund

	Note	Accumulated surplus
Balance at 1 April 2012, as previously reported		153,926,410
Effect of changes in HKAS 19	2.1(a)	(1,118,000)
Balance at 1 April 2012, as restated		<u>152,808,410</u>
Net deficit transferred from statement of comprehensive income, as restated		(11,739,120)
Remeasurement for defined benefit plan, as restated	17(b)	1,674,000
Total comprehensive loss, as restated		<u>(10,065,120)</u>
Net surplus transferred to VMO Loan Fund	6(a)	(59,785)
Net deficit transferred to VMO Agricultural Development Fund	7	32,644,162
Balance at 31 March 2013, as restated		<u>175,327,667</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

13 VMO General Fund (Continued)

	Note	Accumulated surplus
Balance at 1 April 2013, as previously reported		176,703,667
Effect of changes in HKAS 19	2.1(a)	(1,376,000)
Balance at 1 April 2013, as restated		<u>175,327,667</u>
Net deficit transferred from statement of comprehensive income		(11,769,192)
Remeasurement for defined benefit plan	17(b)	1,725,000
Total comprehensive loss		<u>(10,044,192)</u>
Net surplus transferred to VMO Loan Fund	6(a)	(172,432)
Net deficit transferred to VMO Agricultural Development Fund	7	39,378,048
Balance at 31 March 2014		<u><u>204,489,091</u></u>

14 Funds provided from external sources for capital expenditure

	2014	2013
Colonial Development Welfare Fund Grants		
- Scheme D994-Village agricultural depots	144,000	144,000
- Scheme D1066-Purchase of lorries	150,000	150,000
- Scheme D5250-Cheung Sha Wan Vegetable Market	1,470,104	1,470,104
	<u>1,764,104</u>	<u>1,764,104</u>
At 1 April and 31 March	<u>1,764,104</u>	<u>1,764,104</u>

15 Trade and other payables

	2014	2013
Trade payables	8,141,388	13,088,043
Other payables	2,660,519	2,551,307
Vegetable sellers' and other deposits	928,875	937,035
	<u>11,730,782</u>	<u>16,576,385</u>
Financial liabilities	11,730,782	16,576,385
Receipts in advance	47,372	38,677
	<u>11,778,154</u>	<u>16,615,062</u>

The carrying values of trade and other payables approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

16 Provisions for other liabilities

	Unused annual leave	Long service payments	Contingent price of equipment (note)	Total
At 1 April 2012	1,348,386	11,347,769	-	12,696,155
Payments for the year	-	(838,024)	-	(838,024)
	<u>1,348,386</u>	<u>10,509,745</u>	<u>-</u>	<u>11,858,131</u>
(Write-back of)/additional provision for the year				
- General Fund (note 19(a))	12,612	320,093	-	332,705
- Agricultural Development Fund (note 19(b))	37,815	(23,472)	-	14,343
- Property, plant and equipment (note 5)	-	-	2,211,400	2,211,400
	<u>50,427</u>	<u>296,621</u>	<u>2,211,400</u>	<u>2,558,448</u>
At 31 March 2013 and 1 April 2013	1,398,813	10,806,366	2,211,400	14,416,579
Payments for the year	-	(904,521)	-	(904,521)
	<u>1,398,813</u>	<u>9,901,845</u>	<u>2,211,400</u>	<u>13,512,058</u>
(Write-back of)/additional provision for the year				
- General Fund (note 19(a))	(47,043)	(1,604,972)	-	(1,652,015)
- Agricultural Development Fund (note 19(b))	65,898	169,490	(322,664)	(87,276)
- Property, plant and equipment (note 5)	-	-	13,177	13,177
	<u>18,855</u>	<u>(1,435,482)</u>	<u>(309,487)</u>	<u>(1,726,114)</u>
At 31 March 2014	<u>1,417,668</u>	<u>8,466,363</u>	<u>1,901,913</u>	<u>11,785,944</u>
Analysis of total provisions:				
<u>At 31 March 2014</u>				
Non-current	-	8,000,144	1,575,029	9,575,173
Current	1,417,668	466,219	326,884	2,210,771
	<u>1,417,668</u>	<u>8,466,363</u>	<u>1,901,913</u>	<u>11,785,944</u>
<u>At 31 March 2013</u>				
Non-current	-	10,069,372	1,825,925	11,895,297
Current	1,398,813	736,994	385,475	2,521,282
	<u>1,398,813</u>	<u>10,806,366</u>	<u>2,211,400</u>	<u>14,416,579</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

16 Provisions for other liabilities (Continued)

Note:

During the year ended 31 March 2013, the Organization entered into an agreement (the “Agreement”) with an independent third party (the “Third Party”) to set up and operate a factory for growing hydroponic vegetable produce (the “Vegetable Factory”) in Hong Kong. The duration of the Agreement is five years. In accordance with the Agreement,

- (i) the Organization and the Third Party have to share their respective costs of the equipment of the Vegetable Factory (“Equipment”), amounting to \$4,696,350 and \$1,565,450 respectively;
- (ii) the Organization is responsible for operating the Vegetable Factory and bears all the relevant operating costs;
- (iii) during the duration of the Agreement, the Organization has to grant to the Third Party a pre-agreed percentage of the daily production output of the Vegetable Factory free of charge (“Free Hydroponic Vegetables”); and
- (iv) at the end of the duration of the Agreement, the Organization can opt to pay a pre-agreed amount (“Continuous Consideration”) to the Third Party to continue to operate the Vegetable Factory.

Accordingly, as at 31 March 2014, a provision is recognized for the present value of costs of Free Hydroponic Vegetables and the Continuous Consideration (collectively, the “contingent price of equipment”), totaling \$1,901,913 (2013: \$2,211,400). It is expected that \$326,884 will be utilized next year and \$1,575,029 will be utilized or paid during the remaining duration of the Agreement.

17 Assets under defined benefit plan

	Note	2014	2013 (Restated)
Balance sheet assets for:			
- Defined benefit plan	(a)	<u>8,530,000</u>	<u>7,192,000</u>
Statement of comprehensive income charged for:			
- Defined benefit plan	19(a)	<u>387,000</u>	<u>852,000</u>
Remeasurements for:			
- Defined benefit plan	(b)	<u>1,725,000</u>	<u>1,674,000</u>

The Organization’s defined benefit plan is a final salary defined benefit plan. The assets of the funded plan are held independently of the Organization’s assets in separate trustee administered funds. The Organization’s plan is valued by a qualified actuary annually using the project unit cost method. The following details are based on the valuations as at 31 March 2014 and 2013 carried out by Mercer (Hong Kong) Limited, who holds a recognized professional qualification.

- (a) The amounts recognized in the balance sheet are determined as follows:

	Note	2014	2013 (Restated)
Present value of the funded obligations	(b)	(20,735,000)	(24,756,000)
Fair value of plan assets	(b)	<u>29,265,000</u>	<u>31,948,000</u>
Assets in the balance sheet, as restated		<u>8,530,000</u>	<u>7,192,000</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Assets under defined benefit plan (Continued)

- (b) The movements in assets under defined benefit plan and present value of defined benefit obligations over the year are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 April 2012, as restated	(26,315,000)	32,685,000	6,370,000
Current service costs	(892,000)	-	(892,000)
Interest (expense)/income	(172,000)	218,000	46,000
	<u>(27,379,000)</u>	<u>32,903,000</u>	<u>5,524,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	2,219,000	2,219,000
- Loss from change in financial assumption changes	(122,000)	-	(122,000)
- Experience losses	(423,000)	-	(423,000)
	<u>(545,000)</u>	<u>2,219,000</u>	<u>1,674,000</u>
Plan participants contributions	(356,000)	356,000	-
Benefit payments	3,524,000	(3,524,000)	-
Administrative cost	-	(6,000)	(6,000)
	<u>3,168,000</u>	<u>(3,174,000)</u>	<u>(6,000)</u>
At 31 March 2013, as restated	<u>(24,756,000)</u>	<u>31,948,000</u>	<u>7,192,000</u>
At 1 April 2013, as restated	(24,756,000)	31,948,000	7,192,000
Current service costs	(425,000)	-	(425,000)
Interest (expense)/income	(144,000)	188,000	44,000
	<u>(25,325,000)</u>	<u>32,136,000</u>	<u>6,811,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	707,000	707,000
- Gain from change in financial assumption changes	1,363,000	-	1,363,000
- Experience losses	(345,000)	-	(345,000)
	<u>1,018,000</u>	<u>707,000</u>	<u>1,725,000</u>
Plan participants contributions	(306,000)	306,000	-
Benefit payments	3,878,000	(3,878,000)	-
Administrative cost	-	(6,000)	(6,000)
	<u>3,572,000</u>	<u>(3,578,000)</u>	<u>(6,000)</u>
At 31 March 2014	<u>(20,735,000)</u>	<u>29,265,000</u>	<u>8,530,000</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Assets under defined benefit plan (Continued)

(c) The plan assets at the balance sheet date are held in the following forms:

	2014 %	2013 %
Equities	80	81
Bonds	17	17
Money instruments	3	2
	<u>100</u>	<u>100</u>

(d) The principal actuarial assumptions used are as follows:

	2014 %	2013 %
Discount rate	1.8	0.6
Expected rate of future salary increases	<u>4.0</u>	<u>4.0</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<u>Impact on defined benefit obligation</u>		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.2%	Decrease by 6.1%	Increase by 6.5%
Salary growth rate	1.0%	Increase by 4.5%	Decrease by 4.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the balance sheet dates) has been applied as when calculating the liability recognized within the balance sheet.

18 Net income from sales of premium vegetables

The income and expenditure on the sales of premium vegetables for the year are as follows:

	2014	2013
Sales of premium vegetables	31,486,787	32,883,361
Cost of inventories sold	(24,041,871)	(24,690,823)
Gross profit	<u>7,444,916</u>	<u>8,192,538</u>
Commission income	1,125,275	1,195,292
Direct operating expenses		
Rebates	(6,833)	(93,903)
Sales commission	(16,015)	(29,583)
Sundry expenses	(18,939)	(20,080)
	<u>(41,787)</u>	<u>(143,566)</u>
Net income for the year	<u><u>8,528,404</u></u>	<u><u>9,244,264</u></u>

The cost of inventories sold includes inventory written-off of \$1,452,705 (2013: \$1,645,328).

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**19 Employee benefit expenditure**

(a) Employee benefit expenditure in the VMO General Fund is analysed as below:

	Note	2014	2013
Salaries and wages		35,727,563	35,787,646
(Write back of provision for)/additional provision for unused annual leave	16	(47,043)	12,612
(Write back of provision for)/additional provision for long service payments	16	(1,604,972)	320,093
Retirement benefit costs			
- defined contribution plan and MPF scheme		1,826,509	1,745,659
- defined benefit plan	17	387,000	852,000
		<u>36,289,057</u>	<u>38,718,010</u>

(b) In addition to the above, employee benefit expenditure amounting to \$12,781,568 (2013: \$11,204,349) as listed below has been included in certain expenditure items in the VMO Agricultural Development Fund in note 21.

	Note	2014	2013
Salaries and wages		11,956,462	10,666,417
Provision for unused annual leave	16	65,898	37,815
Additional provision for/(write-back of) long service payments	16	169,490	(23,472)
Retirement benefit costs - MPF scheme		589,718	523,589
		<u>12,781,568</u>	<u>11,204,349</u>

20 Rent, rates and permit fees

Included in the amount, \$630,500 (2013: \$630,500) represents operating lease rentals for market premises.

21 Net deficit from VMO Agricultural Development Fund

The income and expenditure of VMO Agricultural Development Fund for the year are as follows:

	2014	2013
Income		
FarmFest income	3,429,165	2,249,175
Interest income on bank deposits	1,236,546	1,919,176
Other income	28,040	102,827
	<u>4,693,751</u>	<u>4,271,178</u>
	-----	-----

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

**21 Net deficit from VMO Agricultural Development Fund (Continued)
Expenditure**

	Note	2014	2013
Land rehabilitation scheme			
- Repairs and maintenance		(241,711)	(281,599)
- Depreciation		(93,023)	(101,098)
- Recreational Farming		(710,251)	(653,287)
- Miscellaneous expenditure		(27,328)	(27,100)
Construction and improvement of communal agricultural facilities		(168,300)	(463,500)
Crop Development Programmes Promotion			
- Depreciation		(11,743)	(11,743)
- Net deficit from sales of accredited local vegetables	24	(329,750)	(266,277)
- Grants to a third party organization		(2,265,000)]	(1,170,000)
- Other expenses		(4,121,488)	(2,545,013)
Controlled Environment Greenhouse Production			
- Depreciation		(6,042)	(5,147)
- Purchase of tools		(1,431,000)	-
- Other expenses		(3,018,555)	(2,861,261)
Promotion of Organic Farming			
- Depreciation		(12,350)	(12,350)
- Net deficit from sales of organic vegetables	25	(428,845)	(200,082)
- Grants to third party organizations		(12,619,849)	(10,396,810)
- Other expenses		(5,266,895)	(4,661,801)
Voluntary Registration Scheme of Local Vegetable Farms			
- Depreciation		(10,452)	(3,275)
- Other expenses		(3,103,946)	(2,817,314)
Promotion of Local Agricultural and Fisheries Products			
- FarmFest expenses		(5,006,354)	(4,671,759)
Improvement to VMO's wholesale marketing facilities and services			
- Depreciation		(1,007,349)	(987,558)
- Other expenses		(1,637,240)	(1,469,717)
Controlled Environment Hydroponic Research and Development Project			
- Consultancy fees		-	(900,000)
- Depreciation		(220,310)	(91,247)
- Net deficit from sales of hydroponic vegetables	26	(2,136,768)	(1,331,541)
- Other expenses		(195,268)	(975,051)
Loss on disposals of property, plant and equipment	27(b)	-	(9,660)
Miscellaneous expenses		(1,982)	(1,150)
		<u>(44,071,799)</u>	<u>(36,915,340)</u>
Net deficit for the year	7	<u><u>(39,378,048)</u></u>	<u><u>(32,644,162)</u></u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

22 Net surplus from VMO Loan Fund

	Note	2014	2013
Income			
Interest on bank deposits		81,543	110,056
Interest on VMO Loans		5,824	12,314
Premium on amortization of VMO Loans	6(a)	5,138	-
Write-back of provision for impairment of VMO Loans	6(b)	82,620	-
		<u>175,125</u>	<u>122,370</u>
		-----	-----
Expenditure			
Bad debts written off		(2,663)	-
Bank charges		(30)	-
Discount on amortization of VMO Loans	6(a)	-	(30,466)
Provision for impairment of VMO Loans	6(b)	-	(32,119)
		<u>(2,693)</u>	<u>(62,585)</u>
		-----	-----
Net surplus for the year		<u><u>172,432</u></u>	<u><u>59,785</u></u>

23 Taxation

No Hong Kong profits tax has been provided as the Organization is exempted under Section 87 of the Inland Revenue Ordinance, Cap 112 from any tax chargeable under the Ordinance.

24 Crop Development Programmes Promotion

The income and expenditure on the sales of accredited local vegetables for the year are as follows:

	Note	2014	2013
Sales of accredited local vegetables			
Cost of inventories sold		315,298	536,120
		<u>(159,742)</u>	<u>(273,674)</u>
		-----	-----
Gross profit		155,556	262,446
		-----	-----
Direct operating expenses			
Employee benefit expenditure		(306,026)	(322,351)
Sales commission		(94,589)	(160,836)
Transportation charges		(11,649)	(11,198)
Stores and equipment		(58,411)	(15,827)
Miscellaneous expenses		(14,631)	(18,511)
		<u>(485,306)</u>	<u>(528,723)</u>
		-----	-----
Net deficit for the year	21	<u><u>(329,750)</u></u>	<u><u>(266,277)</u></u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

25 Promotion of Organic Farming

The income and expenditure on the sales of organic vegetables for the year are as follows:

	Note	2014	2013
Sales of organic vegetables		3,896,418	3,481,654
Cost of inventories sold		(1,498,133)	(1,306,284)
		<u>2,398,285</u>	<u>2,175,370</u>
Gross profit		2,398,285	2,175,370
Direct operating expenses			
Employee benefit expenditure		(1,591,956)	(1,233,667)
Sales commission		(835,496)	(735,177)
Transportation charges		(38,938)	(67,568)
Stores and equipment		(148,463)	(159,076)
Miscellaneous expenses		(210,517)	(179,964)
Depreciation		(1,760)	-
		<u>(2,827,130)</u>	<u>(2,375,452)</u>
Net deficit for the year	21	<u>(428,845)</u>	<u>(200,082)</u>

26 Controlled Environment Hydroponic Research and Development Project

The income and expenditure on the sales of hydroponic vegetables for the year are as follows:

	Note	2014	2013
Sales of hydroponic vegetables		847,324	33,705
Cost of hydroponic vegetables sold		(1,527,772)	(769,135)
		<u>(680,448)</u>	<u>(735,430)</u>
Gross loss		(680,448)	(735,430)
Other income		18,453	-
Direct operating expenses			
Publication and publicity		(997,043)	(488,796)
Packing materials		(170,626)	(49,700)
Employee benefit expenditure		(125,612)	(32,803)
Miscellaneous expenses		(181,492)	(24,812)
		<u>(1,474,773)</u>	<u>(596,111)</u>
Net deficit for the year	21	<u>(2,136,768)</u>	<u>(1,331,541)</u>

The cost of hydroponic vegetables sold includes biological assets written off of \$290,045 (2013: \$41,818), inventories written off of \$252,881 (2013: \$276,280), provision for impairment of inventories of \$1,046 (2013: \$23,876) and depreciation of \$482,896 (2013: \$193,182).

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the statement of cash flows

(a) Net cash used in operations

	2014	2013 (Restated)
Deficit for the year	(11,769,192)	(11,739,120)
Adjustments for:		
- Interest income on bank deposits	(2,820,687)	(3,959,869)
- Interest income on VMO Loans	(5,824)	(12,314)
- Depreciation (note 5)	3,835,450	4,504,967
- Inventories written off (notes 18 and 26)	1,705,586	1,921,608
- Biological assets written off (notes 9(b) and 26)	290,045	41,818
- Provision for impairment of inventories (note 9(a))	(22,830)	23,876
- (Write-back of provision for)/provision for impairment of VMO Loans (note 22)	(82,620)	32,119
- Loss/(gain) on disposals of property, plant and equipment (note (b) below)	59,011	(94,033)
- VMO loan written off (note 22)	2,663	-
- (Premium)/discount on amortization of VMO Loans (note 22)	(5,138)	30,466
- Additional provision for unused annual leave (note 16)	18,855	50,427
- (Write back of)/additional provision for long service payments (note 16)	(1,435,482)	296,621
- Write back of provision of produce to the joint venturer (note 16)	(322,664)	-
	<u>(10,552,827)</u>	<u>(8,903,434)</u>
Changes in working capital:		
- Inventories	(1,691,862)	(2,270,744)
- Biological assets	(291,318)	(111,312)
- VMO Loans	88,321	(599,500)
- Trade and other receivables	2,798,845	(2,578,463)
- Trade and other payables	(4,836,908)	1,878,323
- Provisions for other liabilities	(904,521)	(838,024)
- Vegetable buyers' deposits	430,288	658,899
- Assets under defined benefit plan	387,000	852,000
	<u>(14,572,982)</u>	<u>(11,912,255)</u>

VEGETABLE MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the statement of cash flows (Continued)

(b) In the statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Note	2014	2013
Net book amount	5	60,611	28,167
(Loss)/gain on disposals of property, plant and equipment recognized in:			
- (other expenditure)/non-trading income	pages 4&5	(59,011)	103,693
- net deficit from VMO Agricultural Development Fund	21	-	(9,660)
		<u>(59,011)</u>	<u>94,033</u>
Proceeds from disposals of property, plant and equipment		<u>1,600</u>	<u>122,200</u>

28 Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating lease in respect of market premises are as follows:

	2014	2013
No later than one year	<u>157,625</u>	<u>157,625</u>

29 Key management compensation

	2014	2013
Salaries and other short-term employee benefits	<u>440,058</u>	<u>412,476</u>