

J.E. JOSEPH TRUST FUND REPORT
FOR THE PERIOD 1 APRIL 2014 TO 31 MARCH 2015

This Report is submitted in accordance with Section 6(3) of the J.E. Joseph Trust Fund Ordinance, Cap. 1067.

2. The Fund was established in 1954 under J.E. Joseph Trust Fund Ordinance for the purpose of encouraging and improving agriculture in the New Territories. It issues loans to farmers' co-operative societies and farmers for use either as development or working capital. The societies may re-lend the money to their members at low interest rates. The Fund is vested in the Registrar of Co-operative Societies (currently the Director of Agriculture, Fisheries and Conservation) as the Trustee and administered by the Agriculture, Fisheries and Conservation Department.

3. The Fund has a capital of \$4,261,107 with \$459,554 being the original amount paid to the Trustee in 1954, \$1,553 being a further payment made by the Hong Kong and Shanghai Banking (Trustee) Ltd. in 1961, \$750,000 contributed by the Hong Kong Government in July 1957 as a special relief fund following the disastrous floods in May that year, \$3,000,000 donated by a private individual in 1991 and \$50,000 donated by the agricultural industry in 1996/97. Income derived from interest on loans and on bank deposits during the year under review amounted to \$182,071. The Fund, including the aggregate surpluses of \$14,910,047 stood at \$19,171,154 on 31 March 2015.

4. Since the inception of the Fund, 16,149 loans had been issued to 60,594 borrowers. The accumulated total amount of loans issued up to 31 March 2015 stood at \$189,299,199. A total of 13 loans amounting to \$1,680,000 were approved and lent to farmers in 2014/15. As at 31 March 2015, the total outstanding balance stood at \$2,061,990.

5. A copy of the signed and audited Statement of Accounts of the Fund for the year is attached herewith.

Alan WONG
Registrar of Co-operative Societies
Trustee, J.E. Joseph Trust Fund

Encls.

J. E. Joseph Trust Fund

Financial Statements for the year ended 31 March 2015

Report of the Director of Audit



Audit Commission
The Government of the Hong Kong Special Administrative Region

Independent Audit Report

To the Legislative Council

I certify that I have audited the financial statements of the J. E. Joseph Trust Fund set out on pages 3 to 11, which comprise the balance sheet as at 31 March 2015, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Agriculture, Fisheries and Conservation's Responsibility for the Financial Statements

The Director of Agriculture, Fisheries and Conservation is responsible for the preparation of financial statements in accordance with section 6(1) of the J. E. Joseph Trust Fund Ordinance (Cap. 1067) and the accounting policies set out in note 2 to the financial statements, and for such internal control as the Director of Agriculture, Fisheries and Conservation 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 6(2) of the J. E. Joseph Trust Fund Ordinance and the Audit Commission auditing standards. Those standards require that I 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 judgment, 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 Agriculture, Fisheries and Conservation, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the J. E. Joseph Trust Fund for the year ended 31 March 2015 are prepared, in all material respects, in accordance with section 6(1) of the J. E. Joseph Trust Fund Ordinance and the accounting policies set out in note 2 to the financial statements.

Frederick T C WONG
Principal Auditor
for Director of Audit

10 June 2015

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

J. E. JOSEPH TRUST FUND

Balance Sheet as at 31 March 2015

	Note	2015 HK\$	2014 HK\$
ASSETS			
Non-current Assets			
Loans – receivable after 1 year	3	73,000	43,000
Current Assets			
Loans - receivable within 1 year	3	1,988,990	2,772,909
Interest receivable	4	57,753	22,923
Bank deposits		16,795,858	11,114,615
Cash and cash equivalents	5	255,553	5,035,636
		<u>19,098,154</u>	<u>18,946,083</u>
		<u>19,171,154</u>	<u>18,989,083</u>
FUND BALANCE			
Capital		4,261,107	4,261,107
Accumulated surplus		14,910,047	14,727,976
		<u>19,171,154</u>	<u>18,989,083</u>

The accompanying notes 1 to 9 form part of these financial statements.

(Alan WONG)
Director of Agriculture, Fisheries and Conservation
Trustee of the J. E. Joseph Trust Fund
10 June 2015

J. E. JOSEPH TRUST FUND

**Income and Expenditure Account
For the year ended 31 March 2015**

	2015 HK\$	2014 HK\$
INCOME		
Loan interest	137	216
Bank interest	181,934	133,883
	<hr/>	<hr/>
	182,071	134,099
EXPENDITURE	-	-
	<hr/>	<hr/>
SURPLUS FOR THE YEAR	182,071	134,099
OTHER COMPREHENSIVE INCOME	-	-
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<hr/> 182,071 <hr/>	<hr/> 134,099 <hr/>

The accompanying notes 1 to 9 form part of these financial statements.

J. E. JOSEPH TRUST FUND

**Statement of Changes in Equity
For the year ended 31 March 2015**

	Capital HK\$	Accumulated Surplus HK\$	Total HK\$
Balance at 1 April 2013	4,261,107	14,593,877	18,854,984
Total comprehensive income for 2013-14	-	134,099	134,099
Balance at 31 March 2014	4,261,107	14,727,976	18,989,083
Total comprehensive income for 2014-15	-	182,071	182,071
Balance at 31 March 2015	4,261,107	14,910,047	19,171,154

The accompanying notes 1 to 9 form part of these financial statements.

J. E. JOSEPH TRUST FUND
Statement of Cash Flows
For the year ended 31 March 2015

	Note	2015 HK\$	2014 HK\$
Cash flows from operating activities			
Surplus for the year		182,071	134,099
Loan interest		(137)	(216)
Bank interest		(181,934)	(133,883)
Loan interest received		1,117	3,921
Decrease in loans		753,919	1,217,002
Net cash from operating activities		<u>755,036</u>	<u>1,220,923</u>
Cash flows from investing activities			
Net (increase) / decrease in bank deposits with original maturity over 3 months		(5,681,243)	2,450,251
Bank interest received		146,124	139,906
Net cash (used in) / from investing activities		<u>(5,535,119)</u>	<u>2,590,157</u>
Net (decrease) / increase in cash and cash equivalents		(4,780,083)	3,811,080
Cash and cash equivalents at beginning of year		<u>5,035,636</u>	<u>1,224,556</u>
Cash and cash equivalents at end of year	5	<u><u>255,553</u></u>	<u><u>5,035,636</u></u>

The accompanying notes 1 to 9 form part of these financial statements.

J. E. JOSEPH TRUST FUND

Notes to the financial statements

1. GENERAL

The J. E. Joseph Trust Fund (the Fund) was established for the purpose of encouraging and improving agriculture in the New Territories by making loans to Farmers' Co-operative Societies in accordance with section 5 of the J. E. Joseph Trust Fund Ordinance (Cap. 1067) and to individual farmers in accordance with the direction made by the then Secretary for Economic Services under delegated authority under section 8 of the J. E. Joseph Trust Fund Ordinance.

The address of the Fund's principal place of business is 5th Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial reporting framework

The Fund has adopted a financial reporting framework incorporating the accounting policies approved by the Kadoorie Agricultural Aid Loan Fund Committee and applicable requirements of Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Recognition of income

(i) Interest income from loans is recognised in accordance with the terms set out in the individual loan agreements.

(ii) Interest income from bank deposits is recognised as it accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset.

(e) Loans and receivables

Loans and receivables are stated at cost. This is different from the accounting treatment required under the HKAS 39 *Financial instruments : Recognition and measurement* where loans and receivables are carried at amortised cost.

Where the repayment of a loan becomes doubtful, a provision is made and charged to the income and expenditure account.

(f) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

3. LOANS

	2015 HK\$	2014 HK\$
Loans receivable within 1 year	1,988,990	2,772,909
Loans receivable after 1 year	73,000	43,000
	<u>2,061,990</u>	<u>2,815,909</u>
Balance at beginning of year	2,815,909	4,032,911
Loans issued during the year	1,680,000	1,950,000
	<u>4,495,909</u>	<u>5,982,911</u>
Loans repaid during the year	(2,433,919)	(3,167,002)
Balance at end of year	<u>2,061,990</u>	<u>2,815,909</u>
Loans approved but not paid before the balance sheet date	<u>-</u>	<u>-</u>

4. INTEREST RECEIVABLE

	2015 HK\$	2014 HK\$
Loan interest receivable	223	1,203
Bank interest receivable	57,530	21,720
	<u>57,753</u>	<u>22,923</u>

5. CASH AND CASH EQUIVALENTS

	2015 HK\$	2014 HK\$
Bank deposits with original maturity within three months	-	4,635,118
Cash at bank	255,553	400,518
	<u>255,553</u>	<u>5,035,636</u>

6. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include loans, bank deposits and cash at bank. The major risks associated with these financial instruments are set out below.

(a) Credit risk

The Fund's maximum exposure to credit risk at the balance sheet date in relation to the financial instruments is the carrying amount of these assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from the bank deposits by transacting with reputable licensed banks in Hong Kong. The Fund considers that adequate provision has been made, where necessary, for loan amounts which are expected to be irrecoverable. Applicants for loans above HK\$130,000 are usually required to provide land-based properties as security. An ageing analysis of the loans that were past due at the balance sheet date is as follows:

Loans that were past due for:

	2015 HK\$	2014 HK\$
Less than 1 year	14,990	218,978
1 – 2 years	-	-
2 – 3 years	-	292,000
	<u>14,990</u>	<u>510,978</u>

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair value will fall when market interest rates increase. As they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

Cash flow interest rate risk is the risk that future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at floating rates.

(c) Liquidity risk

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effect of fluctuations in cash flows.

7. CAPITAL MANAGEMENT

The capital structure of the Fund consists of the capital and accumulated surplus. The Fund's objectives when managing capital are:

- (a) to comply with the J. E. Joseph Trust Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund manages its capital to ensure that the capital level is adequate to fund future issue of loans and expenditure, taking into account the projected cash flow requirements, future financial obligations and commitments.

8. ADMINISTRATION COST

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 4 of the J. E. Joseph Trust Fund Ordinance.

9. FAIR VALUES OF FINANCIAL ASSETS

All financial assets are stated in the balance sheet at amounts equal to or not materially different from their fair values.