



Currency Fund

Financial Statements

2014-2015



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Currency Fund

Annual Financial Statements for the year ended 31 March 2015

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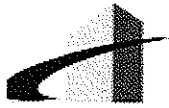
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SAINT HELENA AUDIT SERVICE

External Auditors

Saint Helena Currency Fund

Financial Statements for the Year Ended 31 March 2015

Independent Auditor's report to the Currency Commissioners

I have audited the financial statements of the Saint Helena Currency Fund for the year ended 31 March 2015 under the Public Finance Ordinance 2010 and the Currency Ordinance CAP 124. The Currency Fund financial statements comprise the Statement of Financial Performance, the Statement of Financial Position, the Statement of Changes in Net Assets and Reserves, the Statement of Cash Flows, and the related notes.

Respective responsibilities of the Commissioners and the Chief Auditor

The Commissioners of Currency are responsible for preparing the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and being satisfied that they present fairly the financial position, financial performance, and cash flows of the Currency Fund. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the APBs Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioners; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the appendices to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

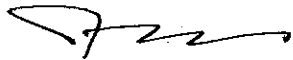
I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion due to Inventory Verification

The Commissioners of Currency did not perform a physical count of notes and coin held as inventory at the start of the financial year. Accordingly I was unable to observe the count or satisfy myself by alternative means on inventory quantities held at 1 April 2014. Since inventories enter into the determination of the financial performance, I was unable to determine whether adjustments may have been necessary in respect of the deficit for the year reported in the Statement of Financial Performance.

Qualified Opinion on the Financial Statements

In my opinion, except for any adjustments that may be required in respect of inventory, the financial statements present fairly, in all material respects, the financial position of the Currency Fund as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with IPSAS.



Phil Sharman CPFA
Chief Auditor for Saint Helena
Saint Helena Audit Service, Jamestown, St Helena

30 March 2016



Saint Helena Commissioner's of Currency Report

INTRODUCTION

The Currency Commissioners have pleasure in presenting their Report on the Currency Fund transactions for the year ended 31 March 2015.

These financial statements are reported under the authority of the Currency Ordinance, section 22. The financial statements are prepared in accordance with the International Public Sector Accounting Standards, Accruals Basis.

The Commissioners of Currency are the officers carrying out the duties of the following positions:

Chief Secretary	Chairperson
Financial Secretary	Commissioner
Assistant Chief Secretary (Support)	Commissioner
Assistant Financial Secretary	Commissioner

PRINCIPAL ACTIVITIES

The activities of the Currency Fund are governed by the Currency Ordinance. The Commissioners of Currency are primarily responsible for the printing and minting of circulation currency, and controlling the issue and withdrawal of circulation currency within Saint Helena.

The main source of income for Currency Fund activities is derived from the investment of surplus funds. This is supplemented by royalties from the issue of commemorative coins.

FINANCIAL PERFORMANCE

The Currency Fund remains in a positive financial position with net assets totalling £1.47m. Liquid assets represent 29% of the demand liabilities, exceeding the statutory minimum requirement of 10%.

The Statement of Financial Performance reflects a deficit of £2k before accounting for capital gains and losses on investments. Interest receivable remains at a similar level to 2014 but royalties on commemorative coins have decreased from £24k to £10k.

The Statement of Financial Position shows growth in net assets of £193k (15%) in comparison with the previous year. The performance on investments has improved significantly. The market value of the investment portfolio has increased resulting in capital gains for the year of £195k, compared with capital losses of £176k reported in 2014.

Colin Owen
Financial Secretary
On behalf of the Commissioners of Currency



Currency Fund

Statement of Financial Performance for the year ended 31 March 2015

	Note	2014-2015 £	2013-2014 £
REVENUE			
Interest Receivable	2	71,054	70,224
Royalties on Commemorative Coins	3	9,913	24,189
Sale of Coins	5	576	1,678
Other Income		5,201	397
Total Revenue		86,744	96,488
EXPENDITURE			
Investment Management Charges	7	29,946	29,484
Circulation Currency		52,651	69,608
Audit Fees		6,200	6,200
Other Expenses		15	20
Total Expenditure		88,812	105,312
SURPLUS/ (DEFICIT) BEFORE GAIN/ (LOSS) ON INVESTMENTS		(2,068)	(8,824)
GAIN/ (LOSS) ON INVESTMENTS			
Net Realised Gain/ (Loss)		63,402	(84,366)
Unrealised Gain/ (Loss)		131,317	(91,486)
Total Gain/ (Loss) on Investments		194,719	(175,852)
SURPLUS/ (DEFICIT) AFTER GAIN/ (LOSS) ON INVESTMENTS		192,651	(184,676)



Currency Fund

Statement of Financial Position as at 31 March 2015

	Note	2015 £	2014 £
ASSETS			
Non Current Assets			
Investments	9	3,720,222	4,532,267
Current Assets			
Inventories	10	240,244	292,895
Receivables	11	541,390	234,667
Investments	9	1,000,290	-
Cash and Cash Equivalents	12	1,610,234	1,562,608
		<u>3,392,158</u>	<u>2,090,170</u>
Total Assets		7,112,380	6,622,437
LIABILITIES			
Non Current Liabilities			
Currency in Circulation	13	(5,619,232)	(5,328,328)
Current Liabilities			
Payables	16	(22,336)	(15,948)
Total Liabilities		(5,641,568)	(5,344,276)
NET ASSETS		1,470,812	1,278,161
RESERVES			
General Reserve		1,481,704	1,286,985
Retained Surplus/ (Deficit)		(10,892)	(8,824)
		<u>1,470,812</u>	<u>1,278,161</u>

Colin Owen
Financial Secretary
on behalf of the Commissioners of Currency

Date



Currency Fund

Statement of Changes in Net Assets and Reserves for the year ended 31 March 2015

	General Reserve £	Retained Surplus/ (Deficit) £	Total Reserves £
Balance as at 1 April 2013	1,580,060	82,777	1,662,837
(Deficit) for the period	(175,852)	(8,824)	(184,676)
Transfer between Reserves	82,777	(82,777)	-
Transfer to the Government of Saint Helena Revenue	(200,000)	-	(200,000)
Balance as at 31 March 2014	1,286,985	(8,824)	1,278,161
Surplus/ (Deficit) for the period	194,719	(2,068)	192,651
Balance as at 31 March 2015	1,481,704	(10,892)	1,470,812



Currency Fund

Statement of Cash Flows

for the year ended 31 March 2015

2013-2014			2014-2015
£	Note	£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
(6,964) Surplus/(Deficit) for the year		(2,068)	
(70,224) Interest Receivable		(71,054)	
<u>(77,188)</u>		<u>(73,122)</u>	
Non Cash Movements			
(172,002) (Increase) in Receivables	11	(306,723)	
68,247 Decrease in Inventories	10	52,651	
(108) Increase/(Decrease) in Payables	16	6,388	
349,737 Increase in Currency in Circulation	13	290,904	
(200,000) Transfer to SHG Revenue		-	
<u>(31,314)</u> Net Cash Flows from Operating Activities			(29,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
(4,603,434) Purchase of Investments	8	(864,558)	
3,639,143 Sale of Investments	8	871,032	
70,224 Interest Receivable		71,054	
<u>(894,067)</u> Net Cash Flows from Investing Activities			77,528
<u>(925,381)</u> NET CASH FLOW FOR THE FINANCIAL YEAR			47,626
2,487,989 Cash & Cash Equivalents as at 1 April			1,562,608
(925,381) Net Cash Flows			47,626
<u>1,562,608</u> Cash & Cash Equivalents as at 31 March			<u>1,610,234</u>



Currency Fund

Notes to the Accounts for the year ended 31 March 2015

NOTE 1

ACCOUNTING POLICIES

a) Accounting Basis

These Financial Statements of the Currency Fund are prepared in accordance with the requirements of section 22 of the Currency Ordinance.

The Financial Statements are prepared on an accruals basis in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants. This is the first year of the adoption of this financial reporting framework. The Financial Statements have also been prepared in accordance with the specific disclosure and accounting requirements of the Currency Fund Ordinance.

The Financial Statements are prepared under the historical cost convention with the exception of those specific assets and liabilities described below and have been prepared on a going concern basis.

The accounting policies have been applied consistently throughout the period.

b) Financial Instruments

A financial instrument, as defined by IPSAS 28, is "any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity". The financial assets and liabilities of the Currency Fund comprise accounts receivable and payable, investments and cash and cash equivalents. In each case, one party's contractual right to receive (or obligation to pay) cash is matched by the other party's corresponding obligation to pay (or right to receive).

Recognition and basis of measurement

Trade receivables and payables are carried at the original invoice cost.

The fair value of deposits and investments held with Crown Agents Asset Investment Management Ltd is the amount payable on demand at the reporting date.

c) Investments

Investments are in the form of securities issued or guaranteed by the Government of the United Kingdom and maturing within ten years. All investments are defined as "Financial assets at fair value through surplus or deficit." The portfolio of investments is acquired principally for the purpose of generating income.

Investments are recorded at historical cost throughout the year applying the first in first out basis and are valued at the mid market value as at the reporting date. Income and capital gains and losses are accounted for through Surplus and Deficit. Interest accrues to the Retained Surplus and Deficit account. Capital gains and losses are allocated to the General Reserve in accordance with section 19 of the Currency Ordinance.

d) Inventories

Inventories are new circulation currency which will be issued as part of the Currency Fund's ordinary business. Inventories are valued at the lower of cost and face value, applying the first in first out basis. Cost represents printing and minting costs in accordance with IPSAS 12.

e) Cash and Cash Equivalents

Cash and Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents of the Currency Fund comprise the funds held with Crown Agents Investment Management Ltd. Cash and cash equivalents are recorded at historical cost.

f) Payables

Currency and commemorative coins in circulation are disclosed as a liability on the basis that it reflects the promise to pay the bearer on demand, the face value of notes and coins which are legal tender in Saint Helena.

The liability in respect of currency and commemorative coins in circulation is disclosed net of the bullion value of precious metal (gold, silver and platinum) coins in circulation. The bullion value is based upon the mid market price at the reporting date, subject to the value not exceeding the face value of coins in accordance with section 13(4) of the Currency Ordinance.

The lower of the bullion and face values of precious metal commemorative coins in circulation is deducted from the liability on the basis that the likelihood of these coins being returned to the Commissioners is low and should they be returned, a gain is predicted on the basis that the monetary value the coins exceed their face value.

g) Funds and Reserves

There is statutory authority for the Currency Fund to maintain only two forms of funds and reserves, the Surplus Fund and General Reserve.

The Currency Fund Ordinance sets out the transactions that should pass through the Surplus Fund. The surplus of the Currency Fund for any financial year shall be determined by calculating the amount of all dividends, interest or other revenue derived from investments of the Fund or from the employment in any manner of the moneys of the Fund and all commissions paid to the Commissioners, and deducting all expenses incurred by the Commissioners and their agents for the purposes of this Ordinance together with such provision for contingencies as the Commissioners, with the approval of the Governor acting in his discretion, may determine.

The surplus shall be applied firstly, to the redemption of any securities issued by the Government of Saint Helena, secondly, to the General Reserve of the Currency Fund as directed by the Governor and any remaining surplus transferred to the General Revenue of St. Helena.

Expenditure of an exceptional nature may be charged directly to the General Reserve. Any capital profit or loss on securities shall be charged directly to the General Reserve. The balance on the General Reserve at the reporting date, in excess of ten percent of the liabilities of the Currency Fund, may be transferred in whole or in part to the General Revenue of the Government of Saint Helena.

h) Revenue and Expenditure Recognition

Revenue and expenditure is accounted for on an accruals basis meaning that the revenue is recognised when goods and services are supplied. Expenditure is recognised when it is incurred, upon delivery of goods or when services are employed.

Revenue generated during the financial year but not received by the year end has been recognised as accrued income. Monies received in this financial year which relates to next financial year have been recognised as income received in advance.

Goods and services paid for during the financial year but not yet received at the year end have been accounted as prepayments. Goods and services received during the year that have not been paid by the financial year end have been accounted for as accrued expenses. Inventories are expensed when new circulation currency notes and coins are issued into circulation.

i) Foreign Currencies

No transactions or balances are denominated in foreign currencies.

j) Standards, amendments and interpretations in issue but not yet effective or adopted

International Public Sector Accounting Standard 3, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosure in respect of new IPSASs, amendments and interpretations that are, or will be, applicable after the accounting period. There are a number of IPSASs and amendments issued by the IPSAS Board that are effective after this accounting period.

The following standards and amendments have not been adopted early in these accounts. The Currency Commissioners currently have no plan to early adopt any of these standards.

<u>Standard, amendment or interpretation</u>	<u>Effective</u>
Annual Improvements 2014	2015/16
IPSAS 33 First Time Adoption of Accruals Basis IPSAS	2017/18

These amendments are not currently anticipated to have future material impact on the financial statements of the Currency Fund.

	2015	2014
	£	£
NOTE 2		
INTEREST RECEIVABLE		
Investments	58,610	57,917
Cash Deposits and on Call	12,444	12,307
	<u>71,054</u>	<u>70,224</u>

	2015	2014
	£	£
NOTE 3		
ROYALTIES ON COMMEMORATIVE COINS		
Royal Mint	474	5,147
East India Company	6,620	18,176
Commonwealth Mint	5,479	3,118
	<u>12,573</u>	<u>26,441</u>
Face value of Non-Precious Metal Coins	(2,660)	(2,252)
	<u>9,913</u>	<u>24,189</u>

NOTE 4
ANALYSIS OF ROYALTIES BY COIN THEME

East India Company	6,620	18,176
Napoleon	605	176
Royal Airforce	15	155
Royal Family	2,477	4,992
Other	196	690
	<u>9,913</u>	<u>24,189</u>

NOTE 5
SALE OF COINS

Government of Saint Helena	270	1,555
Ascension Island Government	306	123
	<u>576</u>	<u>1,678</u>

NOTE 6
ANALYSIS OF SALES BY COIN THEME

Saint Helena	459	1,023
Royal Family	95	542
World Wildlife	-	54
World War	-	29
Other	22	30
	<u>576</u>	<u>1,678</u>

NOTE 7
INVESTMENT MANAGEMENT CHARGES

Crown Agents Investment Management Ltd manages the investment of funds in accordance with a management agreement. Management fees are based upon the market value of the funds held at the end of each quarter. Charges comprise of an investment management fee of 0.5% per annum and a safe custody fee of 0.02% per annum.

	UK Bonds £	Other £	Total £
NOTE 8			
INVESTMENTS			
Balance as at 1 April 2013:			
Nominal Value	3,546,000	140,000	3,686,000
Historical Cost	3,568,435	139,301	3,707,736
Market Value	3,602,302	141,526	3,743,828
Purchases	3,453,166	1,150,268	4,603,434
Sales	(3,449,909)	(189,234)	(3,639,143)
Realised Gains and (Losses)	(84,696)	330	(84,366)
Unrealised (Losses)	(86,816)	(4,670)	(91,486)
Balance as at 31 March 2014:			
Nominal Value	3,540,000	1,100,000	4,640,000
Historical Value	3,499,511	1,101,301	4,600,812
Market Value	3,434,047	1,098,220	4,532,267
Purchases	864,558	-	864,558
Sales	(871,032)	-	(871,032)
Realised Gains	63,402	-	63,402
Unrealised Gains	128,665	2,652	131,317
Balance as at 31 March 2015:			
Nominal Value	3,540,000	1,100,000	4,640,000
Historical Value	3,556,800	1,101,301	4,658,101
Market Value	3,619,640	1,100,872	4,720,512

	2015 £	2014 £
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NOTE 9
INVESTMENT MATURITY ANALYSIS

Maturity period from reporting year end:

One Year	1,000,290	-
Two to Three Years	686,730	1,000,250
Four to Five Years	1,735,479	2,281,276
More than Five Years	1,298,013	1,250,741
	4,720,512	4,532,267
Current Investments	1,000,290	-
Non-Current Investments	3,720,222	4,532,267
	4,720,512	4,532,267

	2015 £	2014 £
NOTE 10		
INVENTORIES		
Circulation Currency Notes	223,599	266,929
Circulation Currency Coins	16,645	25,966
	240,244	292,895

NOTE 11
RECEIVABLES

Amounts Falling Due Within One Year

Trade Debtor:

Saint Helena Government	524,654	206,819
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Accrued Income:

Royalties on Commemorative Coins	9,759	19,595
Interest Due	6,977	8,253
	16,736	27,848
	541,390	234,667

NOTE 12
CASH & CASH EQUIVALENTS

Cash on Deposit	1,500,000	1,500,000
Cash on Call	110,234	61,689
Cash with Crown Agents	-	919
	1,610,234	1,562,608

NOTE 13
NOTES AND COINS IN CIRCULATION

Currency Notes	14	4,529,970	4,271,970
Currency Coins	14	856,639	826,419
Commemorative Coins	15	675,144	670,341
		6,061,753	5,768,730
Precious Metal Commemorative Coins	15	(442,521)	(440,402)
		5,619,232	5,328,328

	2015 £	2014 £
NOTE 14		
CURRENCY IN CIRCULATION		
Notes:		
£20	2,273,980	2,148,980
£10	1,929,000	1,804,000
£5	326,990	318,990
	<u>4,529,970</u>	<u>4,271,970</u>
Coins:		
£2	118,796	118,796
£1	383,558	373,558
50p	124,387	116,387
20p	84,384	76,384
10p	64,244	62,144
5p	40,189	38,789
2p	20,690	20,250
1p	20,391	20,111
	<u>856,639</u>	<u>826,419</u>
	<u>5,386,609</u>	<u>5,098,389</u>

NOTE 15
COMMEMORATIVE COINS IN CIRCULATION

	Non- Precious Face Value £	Precious Face Value £	Total Face Value £
Balances as at 31 March 2014:			
East India Company	-	1,998	1,998
Napoleon	11,120	220,900	232,020
Royal Air Force	12,500	95,695	108,195
Royal Family	197,636	115,765	313,401
Saint Helena	1,469	1,392	2,861
World Wars	2,059	1,933	3,992
World Wildlife	4,790	1,545	6,335
Other	365	1,174	1,539
	<u>229,939</u>	<u>440,402</u>	<u>670,341</u>
Balances as at 31 March 2015:			
East India Company	-	2,600	2,600
Napoleon	11,963	221,301	233,264
Royal Air Force	12,500	95,725	108,225
Royal Family	198,647	116,701	315,348
Saint Helena	1,469	1,392	2,861
World Wars	2,059	1,933	3,992
World Wildlife	5,590	1,545	7,135
Other	395	1,324	1,719
	<u>232,623</u>	<u>442,521</u>	<u>675,144</u>

	2015	2014
	£	£
NOTE 16		
PAYABLES		
Accruals:		
Investment Management Charges	7,571	7,383
Audit Fee	12,400	6,200
	<u>19,971</u>	<u>13,583</u>
Income Received in Advance:		
Royalties	2,365	2,365
	<u>22,336</u>	<u>15,948</u>

NOTE 17
RELATED PARTY TRANSACTIONS

Related party means that parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related party relationships may arise when an individual is part of the key management personnel of a reporting entity. Related party relationships may also arise through external operating relationships between the Currency Fund and the related party. The definition of related party also includes entities owned by key management personnel or close family members of such individuals of the Currency Fund and where a reporting entity is economically dependent on another entity.

Disclosure of certain related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes, and enables users to better understand the Financial Statements of the reporting entity because:

- Related party relationships can influence the way in which an entity operates with other entities in achieving its individual objectives, and the way in which it co-operates with other entities in achieving common or collective objectives;
- Related party relationships might expose an entity to risks, or provide opportunities that would not have existed in the absence of the relationship; and
- Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties.

Key Management Personnel

The key management personnel of the Currency Fund (as defined by IPSAS 20, Related Party Disclosures) are the Commissioners of Currency, who together constitute the governing body of Currency Fund. The Commissioners of Currency are the Chief Secretary, Financial Secretary, Assistant Chief Secretary (Support) and Assistant Financial Secretary.

The Commissioners of Currency receive no remuneration from the Currency Fund.

Controlled Entities

The Currency Fund does not have a controlling interest in any reporting body.

The Currency Fund is administered by the Currency Commissioners and Currency Officers who are all employees of SHG. SHG provide a number of services to the St Helena Currency Fund at no cost. These services include staff salaries for the keeping of accounting records, the preparation of financial statements, the issuing and ordering of notes and coins, and sale of commemorative coins. In addition to these services, SHG Treasury also provide a cash holding facility for the Currency Fund.

NOTE 18

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The activities of the Currency Fund expose it to certain financial risks, the main relevant risks are:

Credit risk – the possibility that other parties might fail to pay amounts due.

Credit risk arises from deposits with Crown Agents Investment Management Limited (CAIML). This risk is minimised by ensuring that deposits are not made with financial institutions unless they meet minimum investment criteria.

The Currency Fund's maximum exposure to credit risk in relation to its funds invested by CAIML is subject to institutions failing to make interest payments or repay the deposit or principal sum will be specific to each individual institution. There was no evidence at the reporting date that such entities would be unable to meet their commitments. 77% of the investment portfolio is invested in UK Bonds. The maximum exposure to credit risk before any credit enhancements at 31 March is the carrying amount of the financial assets as set out in Note 9.

Liquidity risk – the possibility that the Currency Fund has insufficient funds to meet its commitments to make payments.

The Currency Fund Ordinance sets a minimum liquidity ratio of not be less than 10%. Sufficient cash balances are maintained throughout the year. There is no significant risk that the Currency Fund will be unable to meet its commitments.

NOTE 19

EVENTS AFTER THE REPORTING DATE

The Financial Statements are authorised for issue on the date when they are signed by the Commissioners of Currency.

There were no material events before the date of issue of the financial statements which provided information about conditions existing as at 31 March 2015, or non-adjusting events after the reporting period date.