

S.P. 40/19



**St Helena
Government**

**ST HELENA GOVERNMENT
CURRENCY FUND ANNUAL FINANCIAL STATEMENTS
2018/19**



St Helena Government Currency Fund

**Annual Financial Statements
2018/19**

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Saint Helena Commissioners of Currency Report

INTRODUCTION

The Commissioners of Currency have pleasure in presenting their report on the Currency Fund transactions for the year ended 31 March 2019. 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 holding the following positions:

Chief Secretary	Chairperson
Financial Secretary	Commissioner
Deputy Chief Secretary	Commissioner
Deputy 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 £1.009m. Liquid assets represent 56% of the demand liabilities, complying with the statutory minimum requirement of 10%. The significant proportion of liquid assets at the year-end is due to £3.224m of cash being held in overseas Call Accounts. Overall, investments fell slightly by £13k which was due to net losses on investment market values.

The Statement of Financial Performance reflects a surplus of £58k before accounting for capital losses on investments. Interest receivable has increased slightly to £79k, in comparison to £72k in the previous year and investment management charges remain at a similar level to the previous year (£31k). Expenditure has decreased by £20k in comparison with the previous year mainly due to a decrease in the issue of new currency into circulation. Revenue has increased slightly by £3k because of increased royalties and sales in relation to commemorative coins, however other income has decreased significantly (£11k) as the fund had benefited from a large scale currency order to an overseas customer in the prior year and there were no such transactions in this year.

The Statement of Financial Position shows an overall decline in net assets of £13k (1%) in comparison with the previous year. Payables have increased by £84k as the balance on the SHG account reflects a payables position at year end, whereas in the prior year it reflected a receivables position. The reason for this is because there has been a higher surplus made in 2018/19 compared to 2017/18 due to less expenditure on circulation currency and higher royalties being received on Commemorative Coins. Contributing to the overall decline in net assets is the result of losses on investments mainly attributable to a reduction of the market value of investments held by Crown Agents on our behalf. Overall the value of balances held with Crown Agents has increased by £34k and consequently assets have increased.

Nicholas Yon
Acting Financial Secretary - Commissioner of Currency
on behalf of the Commissioners of Currency

14/11/2019

Date



INDEPENDENT AUDITOR'S REPORT

To the Commissioners of Currency

Report on the Audit of the Financial Statements

Opinion

I have audited the Financial Statements of the Currency Fund (the Fund), which comprise the Statement of Financial Position as at 31 March 2019, and the Statement of Financial Performance, Statement of Changes in Net Assets, and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethical Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 1.7 to the financial statements and the material judgement applied by management in interpreting the provisions of the Currency Ordinance to determine the accounting policy used for the calculation of the surplus on the Fund. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IPSAS and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Commissioners, being those charged with governance, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of the auditor's responsibilities for the audit of the Financial Statements is located in Annex A. This description forms part of my auditor's report.



Phil Sharman CA CPFA
Chief Auditor

Audit St Helena
New Porteous House, Jamestown, St Helena Island, STHL 1ZZ

14 November 2019

Annex A to the Independent Auditor's Report***Further description of the auditor's responsibilities for the audit of the financial statements***

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Currency Fund Statement of Financial Performance for the year ended 31 March 2019

	Note	2018/19 £	2017/18 £
REVENUE			
Interest Receivable	3	78,523	71,887
Royalties on Commemorative Coins	4	24,610	18,167
Sale of Coins	5	1,005	33
Other Income	7	657	12,114
Total Revenue		104,795	102,201
EXPENDITURE			
Investment Management Charges	8	30,940	31,273
Circulation Currency	9	8,617	27,361
Audit Fees		7,400	7,700
Other Expenses		42	515
Total Expenditure		46,999	66,849
SURPLUS BEFORE LOSS ON INVESTMENTS		57,796	35,352
LOSS ON INVESTMENTS			
Net Realised Loss	10	0	(2,967)
Unrealised Loss	10	(12,669)	(100,016)
Total Loss on Investments		(12,669)	(102,983)
SURPLUS / (DEFICIT) AFTER LOSS ON INVESTMENTS		45,127	(67,631)



Currency Fund Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £	31 March 2018 £
ASSETS			
Current Assets			
Inventories	12	239,752	249,326
Receivables	13	13,130	12,679
Investments	10	3,334,205	3,346,874
Cash and Cash Equivalents	14	3,223,963	3,177,067
		<u>6,811,050</u>	<u>6,785,946</u>
Total Assets		6,811,050	6,785,946
LIABILITIES			
Non-Current Liabilities			
Currency in Circulation	15	(5,698,574)	(5,744,943)
Current Liabilities			
Payables	18	(103,710)	(19,568)
Total Liabilities		(5,802,284)	(5,764,511)
NET ASSETS		1,008,766	1,021,435
RESERVES			
General Reserve		1,008,766	1,021,435
		<u>1,008,766</u>	<u>1,021,435</u>

Nicholas Yon
Acting Financial Secretary - Commissioner of Currency
on behalf of the Commissioners of Currency

14/11/2019

Date



Currency Fund Statement of Changes in Net Assets/Reserves for the year ended 31 March 2019

	General Reserve £	Retained Surplus/ (Deficit) £	Total Reserves £
Balance as at 1 April 2017	1,699,418	0	1,699,418
Surplus / (Deficit) for the period	(102,983)	35,352	(67,631)
Transfer to the Government of Saint Helena Revenue	(575,000)	(35,352)	(610,352)
Balance as at 31 March 2018	1,021,435	0	1,021,435
Surplus / (Deficit) for the period	(12,669)	57,794	45,125
Transfer to the Government of Saint Helena Revenue	0	(57,794)	(57,794)
Balance as at 31 March 2019	1,008,766	0	1,008,766



Currency Fund Statement of Cash Flows for the year ended 31 March 2019

	Note	2018/19 £	2017/18 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		57,794	35,352
Interest Receivable		(78,523)	(71,887)
Investment Management Charges		30,939	31,273
		10,210	(5,262)
Non Cash Movements			
Increase in Inventories	12	9,574	14,008
Decrease / (Increase) in Receivables	13	(451)	194,584
Decrease in Currency in Circulation	15	(46,369)	(93,125)
Increase/(Decrease) in Payables	18	84,143	(655)
Transfer to SHG Consolidated Fund		(57,794)	(610,352)
		(10,897)	(495,540)
Net Cash Flows from Operating Activities		(687)	(500,802)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments	10	0	680,000
Interest Receivable		78,523	71,887
Investment Management Charges		(30,940)	(31,273)
		47,583	720,614
Net Cash Flows from Investing Activities		47,583	720,614
NET CASH FLOW FOR THE FINANCIAL YEAR		46,896	219,812
Cash & Cash Equivalents as at 1 April		3,177,067	2,957,255
Net Cash Flows		46,896	219,812
Cash & Cash Equivalents as at 31 March		3,223,963	3,177,067



Currency Fund Notes to the Financial Statements for the year ended 31 March 2019

NOTE 1 ACCOUNTING POLICIES

1.1 Accounting Basis

The Currency Fund was established as a Fund under the Currency Fund Ordinance 1975. 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. The Financial Statements have also been prepared in accordance with the specific disclosure and accounting requirements of the Currency 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.

1.2 Financial Instruments

A financial instrument, as defined by IPSAS 28 *Financial Instruments: Presentation*, 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).

1.2.1 Recognition and basis of measurement

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

The portfolio of investments is acquired principally for the purpose of generating income. All investments are defined as "Financial assets at fair value through surplus or deficit." 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. All investments are therefore level 1 instruments in the fair value hierarchy, that is, the value is based upon "Quoted prices (unadjusted) in active markets for identical assets".

1.3 Investments

Investments are in the form of securities issued or guaranteed by the Government of the United Kingdom and maturing within ten years. The maturity dates of these investments vary and may be more than 12 months from the reporting date but as they are readily convertible to cash they are classed as Current Investments on the Statement of Financial Position.

Investments are categorised as being financial assets held at fair value through surplus/deficit and as such, are recorded at fair value at the reporting date with income and unrealised gains/losses accounted for through the Statement of Financial Performance. Interest accrues to the surplus for the

period. Capital gains and losses are allocated to the General Reserve in accordance with section 19 of the Currency Ordinance.

1.4 Inventories

Inventories are new circulation currency which will be issued as part of the Currency Fund's ordinary business. Inventories also include Commemorative Coins, which by their nature are generally held as collectors items, but which are still classified as legal tender. 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 *Inventories*.

1.5 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.

1.6 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 of these coins exceed their face value.

1.7 Funds and Reserves

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

Commissioners have exercised judgement when interpreting section 18(1) of the Currency Ordinance so that the surplus of the 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 (to include royalties, income from sale of coins and any other income) of the monies 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/her 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.

1.8 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.

1.9 Foreign Currencies

No transactions or balances are denominated in foreign currencies.

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

IPSAS 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.

As at 31 March 2019, there were no known new IPSASs, amendments or interpretations that are, or will be, applicable after the accounting period.

1.11 Key Estimations and Assumptions

Key assumptions about the future and other key sources of estimation uncertainty that have a significant likelihood of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

1.11.1 Cost of Inventory

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors states that: as a result of the uncertainties inherent in delivering services, conducting trading, or other activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available, reliable information.

The cost of the old currency held as inventory is based on estimates of costs derived from invoices that were available from 2012/13 as those applicable prior to the adoption of IPSAS were not readily available. Therefore, the cost of inventory in these financial statements represents a significant estimate as the inventory balance is material by amount and by nature.

1.11.2 Currency in Circulation

There is an assumption that all the Currency in Circulation is actually all still in circulation and is actually payable to the bearer. However, due to the uncertainty that all the cash assumed to be in circulation is actually still usable, we are disclosing this as significant estimate in accordance with *IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTE 2 RESTATEMENT OF PRIOR YEAR BALANCES

No prior period adjustments were needed.

NOTE 17 COMMEMORATIVE COINS IN CIRCULATION

The table below shows the total value of commemorative coins in circulation analysed by coin theme. The values are the lower of bullion or face values.

	Non-Precious £	Precious £	Total £
Balances as at 31 March 2018:			
East India Company	0	5,942	5,942
Napoleon	12,000	222,119	234,119
Royal Air Force	12,500	95,735	108,235
Royal Family	198,651	118,433	317,084
Saint Helena	1,469	147,026	148,495
World Wars	2,059	1,933	3,992
World Wildlife	5,836	1,545	7,381
Other	501	1,324	1,825
	233,016	594,057	827,073
Balances as at 31 March 2019:			
East India Company	0	51,960	51,960
Napoleon	12,000	222,221	234,221
Royal Air Force	12,500	95,735	108,235
Royal Family	198,694	120,315	319,009
Saint Helena	1,469	280,658	282,127
World Wars	2,059	1,933	3,992
World Wildlife	5,836	1,545	7,381
Other	501	1,325	1,826
	233,059	775,692	1,008,751

NOTE 18 PAYABLES

	31 March 2019 £	31 March 2018 £
Trade Creditor:		
Saint Helena Government	84,026	0
Accruals:		
Investment Management Charges	7,639	7,622
Audit Fee	8,700	8,600
	16,339	16,222
Income Received in Advance:		
Royalties	3,345	3,346
	103,710	19,568

NOTE 19 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.

19.1 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 the Currency Fund. The Commissioners of Currency are the Chief Secretary, Financial Secretary, Deputy Chief Secretary and Deputy Financial Secretary.

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

19.2 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 the Saint Helena Government (SHG). The Currency Fund is controlled by St Helena Government as the Commissioners are appointed by the Governor. SHG provides a number of services to the St Helena Currency Fund at no cost. These services include staff for maintaining 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 provides a cash holding facility for the Currency Fund.

NOTE 20 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

A Financial Instrument is a contract that gives rise to both a financial asset of one entity and a financial liability of another entity. The activities of the Currency Fund expose it to certain financial risks. The main relevant risks are credit risk and liquidity.

20.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

SHGs maximum exposure to credit risk in relation to its investments with banks and financial institutions was £3.2 million as at 31 March 2019 and cannot be assessed generally because the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of SHGs deposits regardless of the type of investment held, i.e. cash, certificates of deposit, bonds, gilts, etc., but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. This risk is minimised by ensuring that deposits are not made with financial institutions unless they meet minimum investment criteria. Our Investment Strategy includes a policy that limits credit risk exposure by restricting authorised investments to the following criteria.

Deposits may only be placed:

- with credit institutions with a minimum short-term credit rating of A-2 as determined by Standard and Poor's or P-2 as determined by Moody's;
- with institutions authorised and regulated by the UK's Financial Conduct Authority or equivalent authority in the EEA or United States of America;
- in Treasury Bills, fixed rate, inflation index-linked and zero coupon bonds issued or guaranteed by the Government of the United Kingdom; and
- for a maximum maturity of 10 years.

The credit quality of investments held at 31 March 2019 is A-2.

The carrying amount of cash and cash equivalents of £3.2m as at 31 March 2019 represents the maximum credit exposure in relation to deposits in banks and financial institutions. There was no evidence at the reporting date that such entities would be unable to meet their commitments.

20.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Currency 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 21 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 2019.

Material events, which occurred after the reporting date but for which it cannot be shown that the conditions existed before the reporting date, are non-adjusting events. For these 2018/19 Financial Statements, there are no non-adjusting events.