



GOVERNMENT OF THE CAYMAN ISLANDS

PORTFOLIO OF LEGAL AFFAIRS

FINANCIAL STATEMENTS 30 JUNE 2013

Portfolio of Legal Affairs

Financial Statements for the year ended 30 June 2013

CONTENTS

	Page
Statement of Responsibility for Financial Statements	2
Auditor General's Report	3-4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Worth	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-26



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Portfolio of Legal Affairs in accordance with the provisions of the *Public Management and Finance Law (2012 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2012 Revision)*.

As Chief Officer I am responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Portfolio of Legal Affairs.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Portfolio of Legal Affairs financial statements, representation and judgments made in these statements.

The financial statements fairly present the Financial Position, Financial Performance and Cash Flows for the financial year ended 30 June 2013.

To the best of our knowledge we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Portfolio of Legal Affairs for the year ended 30 June 2013;
- (b) fairly reflect the financial position as at 30 June 2013 and performance for the year ended 30 June 2013;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Ms. Jacqueline Wilson
Solicitor General

Date

24/10/13

Ms. Kim France
Chief Financial Officer

Date

29/10/2013

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Solicitor General

I have audited the accompanying financial statements of the Portfolio of Legal Affairs, which comprise the statement of financial position as at 30 June 2013 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 26 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, 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.

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 International Standards on Auditing. 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 and fair presentation of the financial statements 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 management, 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 qualified audit opinion.

Basis for Qualified Opinion

Property, plant and equipment

The Portfolio has not been maintaining a complete, detailed register of its property, plant and equipment. Due to this, I have not been able to verify the fairness of the amount reported in the statement of financial position of \$1.0 million at 30 June 2013.

The Portfolio has presented for audit a schedule of payable transactions that have been charged to property, plant and equipment accounts in the current year, but not a complete register that accounts for all items of property, plant and equipment.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion the financial statements present fairly, in all material respects, the financial position of Portfolio of Legal Affairs as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

29 October 2013
Cayman Islands

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013
(Expressed in Cayman Islands Dollars)

Prior Year Actual CI\$000		Note	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
Current Assets					
2,781	Cash and cash equivalents	2	3,708	840	(2,868)
1,339	Trade receivables	3	598	646	48
2	Other receivables	3	21	-	(21)
48	Prepayments		131	30	(101)
4,170	Total Current Assets		4,458	1,516	(2,942)
Non-Current Assets					
1,135	Property, plant and equipment	4	1,031	1,270	239
8	Other assets		8	-	(8)
1,143	Total Non-Current Assets		1,039	1,270	231
5,313	Total Assets		5,497	2,786	(2,711)
Current Liabilities					
6	Trade payables	5	6	30	24
156	Other payables and accruals	5	163	200	37
134	Employee entitlements	7	146	280	134
2,963	Surplus payable	6	2,988	-	(2,988)
3,259	Total Current Liabilities		3,303	510	(2,793)
Non-Current Liabilities					
97	Employee entitlements	7	109	90	(19)
97	Total Non-Current Liabilities		109	90	(19)
3,356	Total Liabilities		3,412	600	(2,812)
1,957	Net Assets		2,085	2,186	101
Net Worth					
1,957	Contributed capital		2,085	2,186	101
-	Accumulated surpluses		-	-	-
1,957	Total Net Worth		2,085	2,186	101

The accounting policies and notes on pages 9-26 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013
(Expressed in Cayman Islands Dollars)

Prior Year Actual CI\$000		Note	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
Revenue					
5,183	Sale of outputs to Cabinet	9	5,194	5,194	-
26	Sale of outputs to other Government agencies	9	13	75	62
889	Sale of outputs to others	9	816	899	83
6,098	Total Revenue		6,023	6,168	145
Expenses					
4,022	Personnel costs	10, 16	3,844	4,129	285
1,462	Supplies and consumables	11	1,449	1,553	104
264	Depreciation	4	234	165	(69)
250	Litigation costs	12	462	321	(141)
23	(Recovery) provision for bad debts	3	(6)	-	6
22	Derecognition of assets		14	-	(14)
13	Gains/(losses) on foreign exchange transactions		1	-	(1)
6,056	Total Expenses		5,998	6,168	170
42	Surplus for the year		25	-	(25)

The accounting policies and notes on pages 9-26 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2013
(Expressed in Cayman Islands Dollars)

	Contributed Capital	Accumulated Surpluses	Total Net Worth	Final/Original Budget	Variance (Final vs. Actual)
Note	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Balance at 30 June 2011	1,739	-	1,739	1,986	247
Transfer of net liabilities to the Office of the Director of Public Prosecutions	218	-	218	-	(218)
Surplus for the period 2011/12	-	42	42	-	(42)
Surplus repayment for the period 2011/12	-	(42)	(42)	-	42
Balance at 30 June 2012	1,957	-	1,957	1,986	29
Equity investment from Cabinet	128	-	128	200	72
Surplus for the period 2012/13	-	25	25	-	(25)
Surplus repayment for the period 2012/13	-	(25)	(25)	-	25
Balance at 30 June 2013	2,085	-	2,085	2,186	101

The accounting policies and notes on pages 9-26 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013
(Expressed in Cayman Islands Dollars)

Prior Year Actual CI\$000		Note	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Receipts</i>					
5,082	Sale of outputs to Cabinet		5,468	5,194	(274)
84	Sale of outputs to other government agencies		123	75	(48)
858	Sale of outputs to others		840	899	59
<i>Payments</i>					
(4,259)	Personnel costs		(3,748)	(4,129)	(381)
(2,241)	Supplies and consumables		(1,755)	(1,874)	(119)
(476)	Net cash flows from operating activities	13	928	165	(763)
CASH FLOWS FROM INVESTING ACTIVITIES					
(172)	Purchase of property, plant and equipment	4	(129)	(225)	(96)
3	Transfer of property, plant and equipment to other Portfolio		-	-	-
(169)	Net cash flows used in investing activities		(129)	(225)	(96)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	Equity investment		128	200	72
218	Transfer of net liabilities to other Portfolio		-	-	-
218	Net cash flows from financing activities		128	200	72
(427)	Net increase (decrease) in cash and cash equivalents		927	140	(787)
3,208	Cash and cash equivalents at beginning of year		2,781	700	(2,081)
2,781	Cash and cash equivalents at end of year		3,708	840	(2,868)

The accounting policies and notes on pages 9-26 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Description and principal activities

The Portfolio of Legal Affairs (the "Portfolio") is a Government-owned entity as defined by section 2 of *the Public Management and Finance Law (2012 Revision)* and is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Cabinet as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2013.

The principal office of the Portfolio is located on the ground floor, DMS House, 20 Genesis Close, George Town, Grand Cayman. As of 30 June 2013, the Portfolio had 47 employees (2012: 48).

Note 1: Significant Accounting Policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards ("IPSAS") issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Preparation

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars and the measurement base applied to these financial statements is the historical cost basis.

Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(b) Reporting Period

The reporting period is the year ended 30 June 2013.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Significant Accounting Policies (continued)

(c) Budget Amounts

The 2012/13 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The 2012/13 original budget was presented in the 2012/2013 Annual Budget Statement.

(d) Judgments and Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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 reporting period that is affected by those revisions. As at 30 June 2013, no reliable fair value estimate of contributed goods and services provided to the Portfolio by Government entities could be made and therefore no estimated amounts (2012: none) are recorded in these financial statements.

(e) Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

The Portfolio derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

(f) Expenses

Expenses are recognised when incurred on the accrual basis of accounting. In addition, an expense is recognised for the consumption of the estimated fair value of contributed goods and services received, when an estimate can realistically be made.

(g) Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognised as expenses on a straight-line basis over the lease term.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Significant Accounting Policies (continued)

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months at the date of acquisition.

When there is objective evidence that a financial asset or group of financial assets is impaired the losses are recognised in the Statement of Financial Performance.

(i) Prepayments

The portion of amounts paid for goods and services in advance of receiving goods and services has been recognised as a prepayment.

(j) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognised initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates stipulated below to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

<u>Asset Type</u>	<u>Estimated Useful life</u>
• Computer Equipment	3 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Other equipment	5 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use in service.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Significant Accounting Policies (continued)

(j) Property, Plant and Equipment (continued)

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

(k) Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the Portfolio are paid to the Public Service Pension Fund and administered by the Public Service Pensions Board (the "Board"). Contributions of 12% of pensionable employee earnings—employer 6% and employee 6%—are made to the fund by the Portfolio.

Prior to 1 January 2000, the Board operated a defined benefit scheme. With effect from 1 January 2000, the Board continued to operate a defined benefit scheme for existing defined benefit employees and a defined contribution scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial Performance as they are earned by employees. Obligations for defined benefit retirement plans in excess of amounts that would have been paid under the defined contribution scheme, are centralized in the Government and therefore, reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

(l) Financial Instruments

The Portfolio is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, trade and other receivables, trade and other payable, accruals, employee entitlements and surplus payables, all of which are recognised in the Statement of Financial Position.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, or exchange financial instruments under conditions that are potentially favourable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

Recognition

The Portfolio recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the Statements of Financial Performance.

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

De-recognition

A financial asset is derecognised when the Portfolio realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or has expired.

(m) Provisions and Contingencies

Provisions are recognised when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but are disclosed in the financial statements when an inflow of economic benefits is probable that the benefits will be realised.

(n) Foreign Currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Significant Accounting Policies (continued)

(n) Foreign Currency (continued)

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:-

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate at year-end date;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

(o) Comparative Figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(p) Revenue from Non-Exchange Transactions

The Portfolio receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodation in the central government building, computer repairs and software maintenance by the Computer Services Department and human resources management by the Portfolio of the Civil Service. The Portfolio has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23- Revenue from non-exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognised in the cost of the fixed asset.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank accounts in the name of Portfolio maintained at Royal Bank of Canada. As at 30 June 2013 the Portfolio held no restricted cash balances (30 June 2012: \$0). No interest was earned during the year on the amounts held in these bank accounts (30 June 2012: \$0).

Prior Year Actual	Description	Amount in Actual Currency	Exchange Rate	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		\$000		CI\$000	CI\$000	CI\$000
1,919	CI\$ Operational current account	2,968	1.00	2,968	840	(2,128)
611	US\$ Operational current account	833	0.83	691	-	(691)
251	CI\$ Payroll current account	49	1.00	49	-	(49)
2,781	Total cash and cash equivalents			3,708	840	(2,868)

Note 3: Trade receivables and other receivables

At year end all overdue receivables have been assessed and appropriate provisions made. The provision for doubtful debts has been calculated based on expected losses for the Portfolio and review of specific debtors. Expected losses have been determined based on an analysis of the Portfolio losses in previous periods.

Prior Year Actual	Description	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
693	Sale of outputs to Cabinet	419	511	92
561	Outputs to other government agencies	113	75	(38)
125	Sale of goods and services	76	60	(16)
(40)	Provision for doubtful debts	(10)	-	10
1,339	Total trade receivables	598	646	48

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 3: Trade receivables and other receivables (continued)

As at 30 June 2013, the ageing analysis of trade receivables is as follows:

Actual Prior Year	Trade Receivables	Current Year Actual	Current Year Impairment	Net
CI\$000		CI\$000	CI\$000	CI\$000
693	Current	419	-	419
362	Past due 1-30 days	2	-	2
45	Past due 31-60 days	41	-	41
239	Past due 61 and above	146	10	136
1,339	Total	608	10	598

As of 30 June 2013 and 30 June 2012, other receivables composed of:

Actual Prior Year	Descriptions	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
2	Advances (salary, official travel, etc)	4	-	(4)
14	Dishonoured cheques	21	-	(21)
-	Other	10	-	(10)
(14)	Provision for doubtful debts	(14)	-	14
2	Total other receivables	21	-	(21)

Changes in the provision of doubtful debts, in total for trade and other receivables, during the year ended 30 June 2013 are as follows:

Prior Year Actual	Description	Current Year Actual
CI\$000		CI\$000
31	Balance at 1 July	54
23	(Recovery) provisions for bad debts	(6)
-	Receivables written off during the year	(24)
54	Balance at 30 June	24

As of 30 June 2013, accounts receivable are all due within one year (2012: all current) from the financial position date.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 4: Property, plant and equipment

	Vehicles \$000	Furniture and Fittings \$000	Computer Hardware & Software \$000	Office Equipment \$000	Other Fixed Assets \$000	Total \$000
<u>Cost</u>						
At 1 July 2012	15	273	20	175	2,132	2,615
Additions	-	6	-	6	118	130
At 30 June 2013	15	279	20	181	2,250	2,745
<u>Accumulated depreciation</u>						
At 1 July 2012	15	196	20	134	1,115	1,480
Depreciation charge for the year	-	25	-	19	190	234
At 30 June 2013	15	221	20	153	1,305	1,714
Carrying value at 30 June 2013	-	58	-	28	945	1,031

	Vehicles \$000	Furniture and Fittings \$000	Computer Hardware & Software \$000	Office Equipment \$000	Other Fixed Assets \$000	Total \$000
<u>Cost</u>						
At 1 July 2011	15	273	20	189	1,966	2,463
Additions	-	-	-	6	166	172
Transfer to other Department*	-	-	-	(20)	-	(20)
At 30 June 2012	15	273	20	175	2,132	2,615
<u>Accumulated depreciation</u>						
At 1 July 2011	15	171	20	130	897	1,233
Depreciation charge for the year	-	25	-	21	218	264
Transfer to other Department*	-	-	-	(17)	-	(17)
At 30 June 2012	15	196	20	134	1,115	1,480
Carrying value at 30 June 2012	-	77	-	41	1,017	1,135

* Refer to Note 20 to the Financial Statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 4: Property, plant and equipment (continued)

As of 30 June 2013, other fixed assets are composed of:

Prior Year Actual CI\$000	Description	At at 30 June 2013		
		Cost CI\$000	Accumulated Depreciation CI\$000	Carrying Value CI\$000
874	Library books	1,832	989	843
125	Lease improvements	359	268	91
18	Forensic lab	59	48	11
1,017	Total other fixed assets	2,250	1,305	945

Note 5: Trade payables, other payables and accruals

Prior Year Actual CI\$000	Description	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual CI\$000)
10	Creditors	8	30	22
38	Creditors other government agencies	40	-	(40)
-	Unearned revenue	3	-	(3)
114	Accrued expenses	118	200	82
162	Total trade payables, other payables and accruals	169	230	61

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 6: Surplus payable

Under the *Public Management & Finance Law (2012 Revision)* section 39 (3)(f), the Portfolio may “retain such part of its net operating surplus as is determined by the Financial Secretary”. The Financial Secretary has not confirmed whether the Portfolio can retain the surplus achieved during the year and in prior years.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 7: Employee entitlements

Prior Year Actual CI\$000	Description	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
	<i>Current employee entitlements are represented by:</i>			
134	Annual leave and time-in-lieu	146	280	134
134	Total current portion	146	280	134
	<i>Non-current employee entitlements are represented by:</i>			
97	Retirement and long service leave	109	90	(19)
231	Total employee entitlements	255	370	115

The leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 8: Revenue from Non-Exchange Transactions

During the year ended 30 June 2013, the Portfolio received services in-kind in the form of accommodation in the central government building, computer repairs and software maintenance by the Computer Services Department and human resources management by the Portfolio of the Civil Service. The fair value of these services cannot be determined and therefore and therefore were not recognised as revenues and expenses in these financial statements.

Note 9: Revenue

Prior Year Actual CI\$000	Revenue Type	Current Year Actual CI\$000	Final/Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
5,183	Sale of outputs to Cabinet	5,194	5,194	-
26	Sale of outputs to other government agencies	13	75	62
854	Law school fees	782	899	117
35	Others	34	-	(34)
6,098	Total revenues	6,023	6,168	145

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 10: Personnel costs

Prior Year Actual	Description	Current Year Actual	Final/Original Budget	Variance (Final vs Actual)
CI\$000		CI\$000	CI\$000	CI\$000
3,495	Salaries, wages and allowances	3,308	3,546	238
335	Health care	341	393	52
165	Pension	173	181	8
27	Other personnel-related costs	22	9	(13)
4,022	Total personnel costs	3,844	4,129	285

Note 11: Supplies and consumables

Prior Year Actual	Description	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
624	Lease of property and equipment	616	636	20
269	Purchase of services	277	270	(7)
223	Utilities	226	297	71
118	Travel and subsistence	115	101	(14)
62	Reference materials	79	65	(14)
59	Supplies and materials	36	63	27
32	Interdepartmental expenses	30	32	2
30	Repairs and maintenance	28	36	8
23	General insurance	22	25	3
22	Other	20	28	8
1,462	Total supplies & consumables	1,449	1,553	104

Note 12: Litigation costs

The Attorney General's Office provides litigation services to the Government and its ministries, portfolios and other offices. During the year ended 30 June 2013, the use of legal services from outside of the Government was authorized by the Attorney General's Office to augment in such litigation services. The costs of these services were \$462 thousand in 2013 (2012: \$250 thousand).

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 13: Reconciliation of net cash flows from operating activities to surplus

Actual Prior year	Description	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
42	Surplus for the period	25	-	(25)
	Non-cash movements			
264	Depreciation expense	234	165	(69)
23	(Recovery)provision for bad debts	(6)		6
22	Derecognition of assets	14		(14)
	Changes in current assets and liabilities:			
(431)	Decrease/(increase) in receivables	732	-	(732)
(27)	(Increase)/decrease in prepayments	(83)	-	83
-	(Increase)/decrease in other receivables	(19)	-	19
(369)	Increase/(decrease) in payables	31	-	(31)
(476)	Net cash flows from operating activities	928	165	(763)

Note 14: Commitments

Prior Year Actual	Type	One year or less	One to five Years	Over five Years	Total
CI\$000		CI\$000	CI\$000	CI\$000	CI\$000
	Operating Commitments				
1,523	Non-cancellable accommodation leases	296	124	-	420
-	Other operating commitments	-	-	-	-
1,523	Total Operating Commitments	296	124	-	420

The Portfolio has medium- to long-term accommodation leases for the premises it occupies in George Town. The annual leases range from one to five years. The amounts disclosed above as future commitments are based on the current rental rates.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 15: Explanation of major variances against budget

Explanations for material variances for the Portfolio performance against the final budget are as follows:

Statement of financial position

Cash and cash equivalents

The budgeted figure presumed a repayment of the surplus payable to Government which did not materialize hence the excess in the actual year-end balances of \$2.868 million over budget.

Trade receivables

The actual year-end trade receivables balance is lower than budget due mainly to write off of \$39k of receivables during the year.

Statement of financial performance

Personnel Costs

The excess in budgeted personnel costs to the actual figures is primarily due to the non-fulfillment of budgeted positions during the year.

Supplies and consumables

The excess in budgeted supplies and consumables to the actual figures is primarily due to an over estimation in utilities of \$71 thousand and lease of property of \$20 thousand. Actual figures for lease of property is lower than budget primarily because of a rent rebate of \$12 thousand for non-occupancy as a result of flood damage.

Litigation costs

Professional fees are budgeted as contingencies for the defense of all government departments and vary from year to year depending on the type of cases. This expense was \$141 thousand higher than budgeted.

Depreciation

The excess of actual to budget is due to an over estimation in the budget as the current actual is more in line with the prior year.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 16: Related party and key management personnel disclosures

Related party disclosure

The Portfolio is a wholly-owned entity of the Government from which it derives a major source of its revenue. The Portfolio transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2013 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

Key management personnel are also considered to be related parties.

For the year ended 30 June 2013, there are eight (2012: eight) full-time equivalent personnel considered at the senior management level. The total remuneration includes: regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for the members of senior management for the year ended 30 June 2013 was \$912 thousand (2012: \$746 thousand). There were no loans made to key management personnel or their close family members in 2012-13 (2011-12: \$0).

Note 17: Financial instrument risks

The Portfolio is exposed to a variety of financial risks including credit risk and liquidity risk. The Portfolio's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up-to-date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2010 Revision).

Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Portfolio. Financial assets which potentially expose the Portfolio to credit risk comprise cash and cash equivalents and trade and other receivables.

The Portfolio is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well-managed.

The Portfolio is also exposed to a significant concentration of credit risk in relation to accounts receivable, significant of which are due from other Government entities. No credit limits have been established. As at 30 June 2013, no provision for doubtful debts (2012: \$0) has been made on these receivable as none of these accounts are impaired and management considers these debts to be recoverable in full.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 17: Financial instrument risks (continued)

Credit risks (continued)

The carrying amount of financial assets recorded in the financial statements represents the Portfolio's maximum exposure to credit risk. No collateral is required from debtors.

Liquidity risk

Liquidity risk is the risk that the Portfolio is unable to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the Portfolio to meet its debts and obligation is dependent upon its ability to collect the debts outstanding to the Portfolio on a timely basis. In the event of being unable to collect its outstanding debts, it is expected that the Government would temporarily fund any shortfalls the Portfolio would have with its own cash flows. As at 30 June 2013, all of the financial liabilities were due within three months of the year end dates (2012: three months).

Note 18: Financial instruments – fair values

As at 30 June 2013 and 30 June 2012, the carrying values of cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 19: Segment reporting

	Legal Drafting & Review & Modernization of Laws CI\$000	Prosecution Advice & International CI\$000	Ministerial Advice to the Attorney General CI\$000	Financial Intelligence Services CI\$000	Law School CI\$000	Total CI\$000
Revenue						
Sale of outputs to Cabinet	1,300	1,942	581	619	752	5,194
Sale of outputs to other Government agencies	-	13	-	-	-	13
Sale of outputs to others		8	2	-	806	816
Total Revenue	1,300	1,963	583	619	1,558	6,023
Expenses						
Personnel costs	891	1,156	239	546	1,012	3,844
Other expenses	100	854	499	48	653	2,154
Total Expenses	991	2,010	738	594	1,665	5,998
Surplus/(Deficit) for the period	309	(47)	(155)	25	(107)	25

The Portfolio does not maintain a separate monitoring of total assets, total liabilities and capital cost for each segment. The Portfolio segment report is prepared on the basis of five major department activities:

1. Legal drafting and the review and modernization of laws. This includes the drafting of legislation and regulations for the Government and the study and review of statutes and other laws comprising the law of the Cayman Islands with a view to its systematic development and reform.
2. Prosecution advice and international: This includes the provision of prosecution services relating to criminal matters, the provision of legal advice on civil matters to Government, Ministries and Portfolios and the provision of International legal assistance.
3. Ministerial advice to the Attorney General: This includes secretarial, administrative, law revision and policy advice.
4. Financial Intelligence services: This includes receipt of financial intelligence (suspicious activity reports (SAR's)) under the proceeds of criminal conduct law, the misuse of drugs law, and anti-terrorism legislation. Handling requests for financial intelligence from overseas counterparts.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 19: Segment reporting (continued)

5. Law School: The Portfolio operates a Law School. LLB degrees are from the University of Liverpool. There are approximately 71 full time students and 28 part time students. In addition the school offers an Attorney of Law certificate for which there are approximately seven attendees.

Note 20: Transfer of Net Liabilities to the Office of the Director of Public Prosecutions

The Office of the Director of Public Prosecutions ("DPP") was created, and organized by 1 May 2011. On such date, the Portfolio has transferred certain assets and liabilities to the DPP.

The net book value of the assets and liabilities transferred from the Portfolio to DPP on 1 May 2011 amounted to a net liability of \$218 thousand. The amount is considered to be a transaction with the common owner of DPP and the Portfolio, which is the Government of the Cayman Islands, and is reflected as an addition to contributed capital during the year ended 30 June 2012 in the statement of changes in net worth.