



GOVERNMENT OF THE CAYMAN ISLANDS

Portfolio of Legal Affairs

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2012**

Financial Statements for the year ended 30 June 2012

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	9-27

Attorney General's Chambers



Ground Floor - dms House
20 Genesis Close
George Town
Grand Cayman

George Town
P.O. Box 907
Grand Cayman
Cayman Islands

Phone: (345) 949-7712
Fax: (345) 949-7183

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 2012.

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 2012;
- (b) fairly reflect the financial position as at 30 June 2012 and performance for the year ended 30 June 2012;
- (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 of Auditing.

Ms. Jacqueline Wilson
Solicitor General

Date- 16 November 2012

Ms. Kim France
Chief Financial Officer

Date- 16 November 2012

AUDITOR GENERAL'S REPORT

To the Solicitor General and the Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements of the Portfolio of Legal Affairs, which comprise the statement of financial position as at 30 June 2012, 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 notes as set out on pages 5 to 27 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 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 upon 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 audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Portfolio of Legal Affairs as of 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matter

The Portfolio of Legal Affairs was authorized under section 12 of the *Public Management and Finance Law* to incur expenses which were included in a Supplementary Appropriation Bill, as at the date of this report being issued the Supplementary Appropriation Bill has not been passed into Law by the Legislative Assembly.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
16 November 2012

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012
(Expressed in Cayman Islands Dollars)

Prior Year Actual (As Restated) CIS000		Note	Current Year Actual CIS000	Final/Original Budget CIS000	Variance (Final vs. Actual) CIS000
	Current Assets				
3,208	Cash and cash equivalents	2	2,781	1,000	(1,781)
939	Trade receivables	3, 19	1,325	297	(1,028)
16	Other receivables	3	16	-	(16)
21	Prepayments		48	40	(8)
4,184	Total Current Assets		4,170	1,337	(2,833)
	Non-Current Assets				
1,230	Property, plant and equipment	4	1,135	1,253	118
8	Other assets		8	-	(8)
1,238	Total Non-Current Assets		1,143	1,253	110
5,422	Total Assets		5,313	2,590	(2,723)
	Current Liabilities				
6	Trade payables	5	6	20	14
363	Other payables and accruals	5, 19	156	230	74
221	Employee entitlements	7	134	239	105
2,921	Surplus payable	6, 19	2,963	-	(2,963)
3,511	Total Current Liabilities		3,259	489	(2,770)
	Non-Current Liabilities				
172	Employee entitlements	7	97	105	8
172	Total Non-Current Liabilities		97	105	8
3,683	Total Liabilities		3,356	594	(2,762)
1,739	Net Assets		1,957	1,996	39
	Net Worth				
1,739	Contributed capital		1,959	1,741	(216)
-	Accumulated surpluses	19	-	255	255
1,739	Total Net Worth		1,957	1,996	39

The accounting policies and notes on pages 9-27 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012
(Expressed in Cayman Islands Dollars)**

Prior Year Actual (As Restated) CIS000		Note	Current Year Actual CIS000	Final Budget CIS000	Original Budget CIS000	Variance (Final vs. Actual) CIS000
Revenue						
7,209	Sale of outputs to Cabinet	9, 19, 20, 21	5,183	5,183	4,967	-
	Sale of outputs to other Government agencies	9, 20	26	200	200	174
779	Sale of outputs to others	9, 20	889	965	965	76
8,188	Total Revenue		6,098	6,348	6,132	250
Expenses						
5,313	Personnel costs	10, 16, 20	4,022	4,323	4,257	301
1,856	Supplies and consumables	11	1,462	1,519	1,519	57
231	Depreciation	4	264	175	175	(89)
409	Litigation costs	12	250	331	181	81
-	Provision for bad debts	3	23	-	-	(23)
-	Derecognition of interagency charges		22	-	-	(22)
24	Gains/(losses) on foreign exchange transactions		13	-	-	(13)
7,833	Total Expenses	20	6,056	6,348	6,132	292
355	Surplus for the period	19	42	-	-	(42)

The accounting policies and notes on pages 9-27 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2012
(Expressed in Cayman Islands Dollars)

	Note	Contributed Capital CIS000	Accumulated Surpluses CIS000	Total Net worth CIS000	Final/Original Budget CIS000	Variance (Final vs. Actual) CIS000
Balance at 1 July 2010 prior to restatement						
Adjustment to beginning balances relating to prior years:						
Gross annual surpluses accumulated prior to 1 July 2010		-	2,674	2,674	-	(2,674)
Surplus repayment for the periods prior to 1 July 2010		-	(2,921)	(2,921)	-	2,921
Balance at 1 July 2010, as restated	19	1,679	-	1,679	1,741	62
Equity investment from Cabinet		60	-	60	-	(60)
Surplus for the period 2010/11		-	355	355	-	(355)
Surplus repayment for the period 2010/11		-	(355)	(355)	-	355
Balance at 30 June 2011		1,739	-	1,739	1,741	2
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	1,741	(216)

The accounting policies and notes on pages 9-27 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012
(Expressed in Cayman Islands Dollars)**

Prior Year Actual (As Restated) CIS000		Note	Current Year Actual CIS000	Final Budget CIS000	Original Budget CIS000	Variance (Final vs. Actual) CIS000
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Receipts</i>						
6,938	Sale of outputs to Cabinet		5,082	5,183	4,962	101
200	Sale of outputs to other government agencies		84	200	200	116
636	Sale of outputs to others		858	965	965	107
<i>Payments</i>						
(5,305)	Personnel costs		(4,259)	(4,323)	(4,257)	(64)
(2,268)	Supplies and consumables		(2,241)	(1,850)	(1,700)	391
201	Net cash flows from operating activities	13	(476)	175	175	651
CASH FLOWS FROM INVESTING ACTIVITIES						
(208)	Purchase of property, plant and equipment		(172)	(175)	(175)	(3)
-	Transfer of property, plant and equipment to other Portfolio		3	-	-	(3)
(208)	Net cash flows from investing activities		(169)	(175)	(175)	(6)
CASH FLOWS FROM FINANCING ACTIVITIES						
60	Equity investment		-	-	-	-
-	Transfer of net liabilities to other Portfolio		218	-	-	(218)
60	Net cash flows from financing activities		218	-	-	(218)
53	Net increase in cash and cash equivalents		(427)	-	-	427
3,155	Cash and cash equivalents at beginning of period		3,208	1,000	1,000	(2,208)
3,208	Cash and cash equivalents at end of period		2,781	1,000	1,000	(1,781)

The accounting policies and notes on pages 9-27 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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 Portfolio as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2012.

In addition, the Portfolio has reported the activities and trust monies that it administers on behalf of Cabinet.

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 2012 the Portfolio had 48 employees (2011: 63).

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.

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 as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(a) Basis of Preparation (continuation)

Changes in Accounting Policies (continued)

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

Segment reporting has been included in accordance with IPSAS 18.

(b) Reporting Period

The reporting period is the year ended 30 June 2012.

(c) Budget Amounts

The 2011/12 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 2011/12 original budget was presented in the 2011/2012 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on the 27 June 2011.

(d) Judgments and Estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that 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 2012 and 30 June 2011, 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 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.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(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.

(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 as a loss in the Statement of Financial Performance.

(i) Prepayments

The portion of recognised expenditure paid in advance of receiving 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.

Asset Type

Estimated Useful life

• Computer Equipment	3 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Other equipment	5 – 20 years

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(j) Property, Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end. Assets that are subject to amortization are reviewed for impairment whenever events of 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 for use in service.

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 Pension Board (the "Board"). Contributions of 12% - 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 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 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 accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents and receivables.

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. Financial instruments comprise of accounts payable and accrued expenses.

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 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 virtually certain that the benefits will be realised.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 1: Significant Accounting Policies (continued)

(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.

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 2012**

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 2012 the Portfolio held no restricted cash balances (30 June 2011: \$0). No interest was earned during the year on the amounts held in these bank accounts (30 June 2011: \$0).

Actual Prior Year	Description	Foreign Currency	Exchange Rate	Actual Current Year
CIS000		\$000		CIS000
2,453	CIS Operational current account	1,919	1.00	1,919
488	US\$ Operational current account	736	0.83	611
267	CIS Payroll current account	251	1.00	251
3,208	TOTAL			2,781

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.

Actual Prior Year (As Restated)	Trade Receivables	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CIS000		CIS000	CIS000	CIS000
592	Sale of outputs to Cabinet	693	297	(396)
284	Outputs to other government agencies	561	-	(561)
94	Sale of goods and services	125	-	(125)
(31)	Provision for doubtful debts	(54)	-	54
939	Total trade receivables	1,325	297	1,028

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 3: Trade receivables and other receivables (continued)

As at 30 June 2012 and 30 June 2011, the ageing analysis of trade receivables is as follows:

Actual Prior Year	Trade Receivables	Current Year Actual	Current Year Impairment	Net
CIS000		CIS000	CIS000	CIS000
592	Current	693	-	693
210	Past due 1-30 days	362	-	362
43	Past due 31-60 days	45	-	45
94	Past due 61 and above	279	(54)	225
939	Total	1,379	(54)	1,325

As of 30 June 2012 and 30 June 2011, other receivables composed of:

Actual Prior Year	Other Receivables	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CIS000		CIS000	CIS000	CIS000
2	Advances (salary, official travel, etc)	2	-	(2)
14	Dishonoured cheques	14	-	(14)
16	Total other receivables	16	-	(16)

Changes in the provision of doubtful debts:

Actual Prior Year	Description	Current Year Actual
CIS000		CIS000
31	Balance at 1 July	31
-	- Additional provisions made during the year	23
-	- Receivables written off during the year	-
31	Balance at 30 June	54

As of 30 June 2012 and 30 June 2011, accounts receivable are all due within one year from financial position date.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 4: Property, plant and equipment

As at 30 June 2012						
	Vehicles \$000	Furniture and Fittings \$000	Computer Hardware and Software \$000	Office Equipment \$000	Other 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

As at 30 June 2011						
	Vehicles \$000	Furniture and Fittings \$000	Computer Hardware and Software \$000	Office Equipment \$000	Other Assets \$000	Total \$000
<u>Cost</u>						
At 1 July 2010	15	273	20	183	1,764	2,255
Additions	-	-	-	6	202	208
At 30 June 2011	15	273	20	189	1,966	2,463
<u>Accumulated depreciation</u>						
At 1 July 2010	10	141	19	108	724	1,002
Depreciation charge for the year	5	30	1	22	173	231
At June 30, 2011	15	171	20	130	897	1,233
Carrying value at 30 June 2011	-	102	-	59	1,069	1,230

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 4: Property, plant and equipment (continued)

As of 30 June 2012 and 2011, other fixed assets composed of:

Actual Prior Year	Description	2011-12 Cost	2011-12 Accumulated Depreciation	2011-12 Net book Value
CIS000		CIS000	CIS000	CIS000
882	Library books	1,716	842	874
161	Lease improvements	357	232	125
26	Forensic lab	59	41	18
1,069	Total other assets	2,132	1,115	1,017

Note 5: Trade payables, other payables and accruals

Actual Prior Year (As Restated)	Description	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CIS000		CIS000	CIS000	CIS000
43	Creditors	10	20	10
48	Creditors other government agencies	38	-	(38)
278	Accrued expenses	114	230	116
369	Total trade payables, other payables and accruals	162	250	88

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

Note 6: Surplus payable

Surplus payable represents accumulated surplus of \$2,963K as at June 30, 2012 (2011: \$2,921K). 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 2012**

Note 7: Employee entitlements

Actual Prior Year 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>			
221	Annual leave and time-in-lieu	134	239	105
221	Total current portion	134	239	105
	<i>Non-current employee entitlements are represented by:</i>			
172	Retirement and long service leave	97	105	8
393	Total employee entitlements	231	344	113

The retirement and long-service 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 2012, 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 no expense has been recognised in these financial statements.

Note 9: Revenue

Actual Prior Year (As Restated) CI\$000	Revenue Type	Current Year Actual CI\$000	Final Budget CI\$000	Original Budget CI\$000	Variance (Final vs. Actual) CI\$000
7,209	Sale of outputs to Cabinet	5,183	5,183	4,967	-
200	Sale of outputs to other government agencies	26	200	200	174
779	Law school fees	854	965	965	111
-	Others	35	-	-	(35)
8,188	Total sales of goods and services	6,098	6,348	6,132	250

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note 10: Personnel costs

Actual Prior Year	Description	Current Year Actual	Final Budget	Original Budget	Variance (Final vs Actual)
CI\$000		CI\$000	CI\$000	CI\$000	CI\$000
4,641	Salaries, wages and allowances	3,495	3,789	3,723	294
410	Health care	335	343	343	8
236	Pension	165	183	183	18
26	Other personnel related costs	27	8	8	(19)
5,313	Total personnel costs	4,022	4,323	4,257	301

Note 11: Supplies and consumables

Actual Prior Year	Description	Current Year Actual	Final/Original Budget	Variance (Final vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
839	Lease of property and equipment	624	648	24
277	Purchase of services	269	269	-
304	Utilities	223	228	5
139	Travel and subsistence	118	119	1
41	Reference materials	62	42	(20)
66	Supplies and materials	59	92	33
3	Interdepartmental expenses	32	20	(12)
52	Repairs and maintenance	30	32	2
23	General insurance	23	24	1
112	Other	22	45	23
1,856	Total supplies & consumables	1,462	1,519	57

Note 12: Litigation costs

The Attorney General's Office provides litigation services to the Portfolio. However during the year ended 30 June 2012 the use of legal services from outside of the Government were authorized by the Attorney General's Office. The costs of these services were \$250K in 2012 (2011: \$409K).

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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
355	Surplus for the period	42	-	(42)
	Non-cash movements			
231	Depreciation expense	264	175	(89)
-	Provision for bad debts	23	-	(23)
-	Derecognition of interagency charges	22	-	(22)
	Changes in current assets and liabilities:			
(420)	Increase in receivables	(431)	-	431
70	(Increase)/decrease in prepayments	(27)	-	27
(3)	Decrease/(increase) in other receivables	-	-	-
(32)	Decrease in payables	(369)	-	369
201	Net cash flows from operating activities	(476)	175	651

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				
2,264	Non-cancellable accommodation leases	628	895	-	1,523
-	Other operating commitments	-	-	-	-
2,264	Total Operating Commitments	628	895	-	1,523

The Portfolio has medium to long term accommodation leases for the premises it occupies in George Town. The annual leases range from 1 year to 5 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 2012**

NOTE 15: Explanation of major variances against budget

Explanations for major 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 some of the surplus payable to Government which did not materialized hence the increase in the actual year-end cash balances of \$1,781k.

Trade receivables

The actual year-end trade receivables balance was higher than budget due to an underestimation in the budget as notwithstanding the first time inclusion in actual an amount of \$335k due from the Office of Director of Public Prosecution for shared accommodation cost, the current actual is in line with the prior year.

Statement of financial performance

Personnel Costs

The decrease in personnel costs to final budget is primarily due to the non-fulfillment of certain budgeted positions during the year and the timing in filling replacement of others. For example budgeted positions in the Attorney General's Office of \$112k, the Solicitor General's Office of \$88k and the Law School of \$103k, were not filled during the year. In addition the vacancy created with the transfer of the Solicitor General to the Office of Director of Prosecution was not filled until during the last month of the financial year, this resulted in a difference to budget of \$138k. These reductions were however offset by the non-transfer of budgeted staff between the Solicitors General and the Office of the Director of Public Prosecution and the 3.2% reinstatement of COLA.

Supplies and consumables

The decrease in actual to budget is primarily due to decreases in supplies and materials of \$33k, lease of property and equipment of \$24k and other expenses of \$23k offset by increases in reference materials of \$20k and interdepartmental expenses of \$12k.

The decrease in the other expenses is a result of the non-undertaking of the specialist Human Rights training included in the training budget.

Depreciation

The decrease in actual to budget is due to an underestimation in the budget as the current actual is in line with the prior year.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 15: Explanation of major variances against budget (continued)

Statement of financial performance (continued)

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.

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 and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2012 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, defined as Ministers of the Government, are also considered to be related parties.

There are 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 senior management in 2012 was \$711k (2010-11: \$709k). There were no loans made to key management personnel or their close family members in 2011-12 (2010-11: \$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 a 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 accounts receivable.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 17: Financial instrument risks (continued)

Credit risks (continued)

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 2012 and 2011, no provision for doubtful debts has been made on these receivable as none of these accounts are impaired and management considers these debts to be recoverable in full.

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 in 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 2012 and 2011, all of the financial liabilities were due within three months of the year end dates.

NOTE 18: Financial instruments – fair values

As at 30 June 2012 and 30 June 2011, the carrying values of cash and cash equivalents, accounts receivable, accounts 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 2012**

NOTE 19: Prior period adjustments

For reporting periods prior to the current financial year, the Portfolio's annual net surplus/deficit consistently reported \$Nil. This was achieved by charging or crediting Outputs Sold to Cabinet during any of those financial period's closing process any such resulting net surplus or net deficit. Management has decided to correct this error by restating affected financial statement line items presented as prior year actual corresponding figures in these financial statements. The amount of restatement is based on the correction of error required had from the beginning such net surplus/deficit of every annual period was not adjusted so as to achieve \$Nil annual surplus/deficit. The original and restated balances and amounts, including the effects on each financial statement item affected by the restatement, are detailed below:

Financial statement areas	As reported in the 30 June 2011 audited financial statements	Adjustments arising from current year restatement	Restated 30 June 2011 balances reflected as prior year figures in current year financial statements
	CI\$000	CI\$000	CI\$000
Statement of financial position:			
Assets			
Trade receivable	347	592	939
Total assets	4,830	592	5,422
Liabilities			
Other payables and accruals	2,445	(2,082)	363
Surplus payable	-	2,921	2,921
Total liabilities	2,844	839	3,683
Net Worth			
Accumulated surplus	247	2,674	2,921
Surplus repayment	-	(2,921)	(2,921)
Total net worth	1,986	(247)	1,739
Statement of financial performance:			
Sale of outputs to Cabinet	6,854	355	7,209
Total revenue	7,833	355	8,188
Surplus for the period	-	355	355

Part of the effects of this restatement are figures presented in the statement of changes in net worth on page 7 providing information on restated annual results of operations, and where applicable, surplus repayments:

- Gross annual surpluses accumulated prior to 1 July 2010
- Repayments of surpluses recognised in each annual period prior to 1 July 2010

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 20: Segment reporting

	Legal Drafting & Review & Modernization of Laws	Prosecution Advice & International	Ministerial Advice to the Attorney General	Financial Intelligence Services	Law School
	\$000	\$000	\$000	\$000	\$000
Revenue					
Sale of outputs to Cabinet	1,272	1,785	708	628	790
Sale of outputs to other Government agencies	-	26	-	-	-
Sale of outputs to others	-	11	-	-	878
Total Revenue	1,272	1,822	708	628	1,668
Expenses					
Personnel costs	991	1,192	267	535	1,037
Other expenses	269	816	233	65	651
Total Expenses	1,260	2,008	500	600	1,688
Surplus/(Deficit) for the period	12	(186)	208	28	(20)

The Portfolio does not maintain a separate Balance Sheet for each segment.

The Portfolio segment report is prepared on the basis of 5 major areas:

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.
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 a Attorney of Law certificate for which there are approximately 7 attendees.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 21: Appropriations used

Appropriation Description (including Output number and name)	Final Budget Amount Appropriated CI\$000	Original Budget Amount Appropriated CI\$000	Appropriation Used CI\$000	Variance CI\$000
LGA 4 Drafting Legislation & LGA 7 Review and Modernization of Laws	1,272	1,258	1,272	-
LGA 2 Prosecution, LGA 1 Legal Advice & International	1,785	1,614	1,785	-
LGA 5 Policy Advise to Attorney General	708	702	708	-
LGA 6 Financial Intelligence Services	628	619	628	-
LGA 3 Law Teaching	790	774	790	-
Total	5,183	4,967	5,183	-