

GOVERNMENT OF THE CAYMAN ISLANDS

Portfolio of Legal Affairs

FINANCIAL STATEMENTS

30 JUNE 2014



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Financial Statements for the year ended 30 June 2014

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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 (2013 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 (2013 Revision)*.

As Chief Officer I am responsible for establishing; and have established and maintained 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 (except for property, plant and equipment) the Financial Position, Financial Performance and Cash Flows for the financial year ended 30 June 2014.

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 2014;
- (b) fairly reflect the financial position as at 30 June 2014 and performance for the year ended 30 June 2014;
- (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 which is carried out by its agent. The Office of the Auditor General and its agent has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Ms. Jacqueline Wilson
Chief Officer

Date- October 31, 2014

Ms. Kim France
Chief Financial Officer

Date- October 31, 2014

AUDITOR GENERAL'S REPORT

To the Solicitor General and the Members of the Legislative Assembly

I have audited the accompanying financial statements of Portfolio of Legal Affairs, which comprise the statement of financial position as at 30 June 2014, and the statements of financial performance, cash flows, and changes in net assets/equity for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 5 to 23 in accordance with the Section 60(a)(i) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibility for the Consolidated 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.

Auditors' 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 we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion. In rendering my audit opinion on the financial statements of the Portfolio of Legal Affairs, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

AUDITOR GENERAL'S REPORT (continued)

Basis for Qualified Opinion

A detailed fixed asset register was not maintained by the Portfolio and was therefore not available at 30 June 2014. As a result, we were unable to form an opinion on the completeness, existence, accuracy and valuation of the property, plant and equipment recorded at 30 June 2014, as well as the depreciation expense for the year then ended and the related impact this would have on the equity of the Portfolio at 30 June 2014.

Qualified Opinion

In my opinion, except for the effects of such adjustments, if any, as might have determined to be necessary in respect if the matters discussed in the "Basis for Qualified Opinion" paragraph above, the financial statements present fairly, in all material respects, the financial position of the Portfolio of Legal Affairs as at 30 June 2014 and of 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

31 October 2014
Cayman Islands

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS000		Note	Current Year Actual CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
Current Assets					
3,708	Cash and cash equivalents	2, 15	1,164	4,037	2,873
598	Receivables from exchange transactions	3, 15	743	605	(138)
21	Other receivables	3	55	32	(23)
131	Prepayments		32	65	33
4,458	Total Current Assets		1,994	4,739	2,745
Non-Current Assets					
1,031	Property, plant and equipment	4, 15	959	1,113	154
8	Other assets		8	-	(8)
1,039	Total Non-Current Assets		967	1,113	146
5,497	Total Assets		2,961	5,852	2,891
Current Liabilities					
6	Payables under exchange transactions	5	1	6	5
163	Other payables and accruals	5, 15	325	162	(163)
146	Employee entitlements	7	150	140	(10)
2,988	Surplus payable	6, 15	147	3,006	2,859
3,303	Total Current Liabilities		623	3,314	2,691
Non-Current Liabilities					
109	Employee entitlements	7	121	121	-
109	Total Non-Current Liabilities		121	121	-
3,412	Total Liabilities		744	3,435	2,691
2,085	Net Assets		2,217	2,417	200
Net Assets/Equity					
2,085	Contributed capital	15	2,217	2,417	200
2,085	Total Net Assets/Equity		2,217	2,417	200

The accounting policies and notes on pages 9-23 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS000		Note	Current Year Actual CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
Revenue					
5,194	Sale of outputs to Cabinet	9	5,870	5,870	-
13	Sale of outputs to other Government Agencies	9	35	50	15
816	Sale of outputs to others	9	760	724	(36)
6,023	Total Revenue		6,665	6,644	(21)
Expenses					
3,844	Personnel costs	10, 15, 16	3,983	4,322	339
1,449	Supplies and consumables	11	1,404	1,496	92
234	Depreciation	4	232	250	18
462	Litigation costs	12, 15	903	576	(327)
(6)	(Recovery)/provision for bad debts	3	4	-	(4)
14	Derecognition of assets		-	-	-
-	Debts written off	3	14	-	(14)
1	Losses on foreign exchange transactions		3	-	(3)
5,998	Total Expenses		6,543	6,644	101
25	Surplus for the year		122	-	122

The accounting policies and notes on pages 9-23 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2014
(Expressed in Cayman Islands Dollars)

	Contributed Capital CIS000	Accumulated Surpluses CIS000	Total Net Assets/Equity CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
Balance at 30 June 2012	1,957	-	1,957	1,957	-
Equity investment from Cabinet	128	-	128	128	-
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	2,085	-
Equity investment from Cabinet	132	-	132	332	200
Surplus for the period 2013/14	-	122	122	-	(122)
Surplus repayment for the period 2013/14	-	(122)	(122)	-	122
Balance at 30 June 2014	2,217	-	2,217	2,417	200

The accounting policies and notes on pages 9-23 form part of these financial statements

**PORTFOLIO OF LEGAL AFFAIRS
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014
(Expressed in Cayman Islands Dollars)**

Prior Year Actual CIS000		Note	Current Year Actual CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Receipts</i>					
5,468	Sale of outputs to Cabinet		5,790	5,801	11
123	Sale of outputs to other government agencies		3	100	97
840	Sale of outputs to others		710	725	15
<i>Payments</i>					
(3,748)	Personnel costs		(3,967)	(4,304)	(337)
(1,755)	Supplies and consumables		(2,089)	(1,993)	96
<u>928</u>	Net cash flows from operating activities	13	<u>447</u>	<u>329</u>	<u>(118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
(129)	Purchase of property, plant and equipment	4	(160)	(332)	(172)
<u>(129)</u>	Net cash flows used in investing activities		<u>(160)</u>	<u>(332)</u>	<u>(172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
128	Equity investment		132	332	200
-	Repayment Surplus		(2,963)	-	2,963
<u>128</u>	Net cash flows from financing activities		<u>(2,831)</u>	<u>332</u>	<u>3,163</u>
927	Net increase/(decrease) in cash and cash equivalents		(2,544)	329	2,873
2,781	Cash and cash equivalents at beginning of year		3,708	3,708	-
<u>3,708</u>	Cash and cash equivalents at end of year		<u>1,164</u>	<u>4,037</u>	<u>2,873</u>

The accounting policies and notes on pages 9-23 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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 (2013 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 2014.

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 2014, the Portfolio had 56 employees (2013: 47).

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. There have been no significant changes to the accounting policies during the year ended 30 June 2014.

(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.

(b) Reporting Period

The reporting period is the year ended 30 June 2014.

(c) Budget Amounts

The 2013/14 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 2013/14 original budget was presented in the 2013/2014 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 23 October, 2013. There have been no subsequent adjustments to the approved budget and therefore this represents the final budget amounts.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1: Significant Accounting Policies (continued)

(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. The account balances that require judgement are accounts receivable from exchange transactions and property, plant and equipment. 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 2014, 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 (2013: 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.

(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.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1: Significant Accounting Policies (continued)

(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.

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 12.384% on basic salary—employer 6.192% and employee 6.192%—are made to the Fund by the Portfolio. Contributions of 12% on acting, duty allowances – employer 6% and employee 6% - are made to the Fund by the Entity.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1: Significant Accounting Policies (continued)

(k) Employee Benefits (continued)

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 are 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.

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.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1: Significant Accounting Policies (continued)

(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.

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

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 2014**

Note 1: Significant Accounting Policies (continued)

(q) Impairment

An asset is impaired when its carrying amount exceeds its recoverable amount. If there is any indication of impairment present, the entity is required to make a formal estimate of recoverable amount.

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank accounts in the name of the Portfolio. As at 30 June 2014 the Portfolio held no restricted cash balances (30 June 2013: \$0). No interest was earned during the year on the amounts held in these bank accounts (30 June 2013: \$0).

Prior Year Actual CIS000	Description	Amount in Actual Currency \$000	Exchange Rate	Current Year Actual CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
2,968	CIS Operational current account	803	1.00	803	3,297	2,494
691	US\$ Operational current account	376	0.83	312	691	379
49	CIS Payroll current account	49	1.00	49	49	-
3,708	Total cash and cash equivalents			1,164	4,037	2,873

Note 3: Receivables from exchange transactions 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 CIS000	Description	Current Year Actual CIS000	Approved Budget CIS000	Variance (Budget vs. Actual) CIS000
419	Sale of outputs to Cabinet	499	499	-
113	Outputs to other government agencies	145	50	(95)
76	Sale of goods and services	126	76	(50)
(10)	Provision for doubtful debts	(27)	(20)	7
598	Total receivables under exchange transactions	743	605	(138)

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 3: Receivables from exchange transactions and other receivables (continued)

As at 30 June 2014 and 30 June 2013, the ageing analysis of receivables from exchange transactions and other receivables is as follows:

Actual Prior Year	Receivables from exchange transactions	Current Year Actual	Current Year Impairment	Net
CIS000		CIS000	CIS000	CIS000
419	Current	544	-	544
2	Past due 1-30 days	-	-	-
41	Past due 31-60 days	45	-	45
146	Past due 61 and above	181	27	154
608	Total	770	27	743

As of 30 June 2014 and 30 June 2013, other receivables are composed of:

Actual Prior Year	Descriptions	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CIS000		CIS000	CIS000	CIS000
4	Advances (salary, official travel, etc)	-	3	3
21	Dishonoured cheques	2	21	19
10	Other	54	8	(46)
(14)	Provision for doubtful debts	(1)	-	1
21	Total other receivables	55	32	(23)

Changes in the provision of doubtful debts, in total for receivables from exchange transactions and other receivables, during the year ended 30 June 2014 and 30 June 2014 are as follows:

Prior Year Actual	Description	Current Year Actual
CIS000		CIS000
54	Balance at 1 July	24
(6)	(Recovery)/ provision for bad debts	4
(24)	Receivables written off during the year	(14)
24	Balance at 30 June	14

As of 30 June 2014, receivables from exchange transactions are all due within one year (2013: all due within one year) from the financial position date.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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 2013	15	279	20	181	2,250	2,745
Additions	-	-	10	21	129	160
At 30 June 2014	15	279	30	202	2,379	2,905
<u>Accumulated depreciation</u>						
At 1 July 2013	15	221	20	153	1,305	1,714
Depreciation charge for the year	-	25	1	13	193	232
At 30 June 2014	15	246	21	166	1,498	1,946
Carrying value at 30 June 2014	-	33	9	36	881	959

	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

As of 30 June 2014, other fixed assets are composed of:

Prior Year Actual CIS000	Description	As at 30 June 2014		
		Cost CIS000	Accumulated Depreciation CIS000	Carrying Value CIS000
843	Library books	1,961	1,138	823
91	Lease improvements	359	305	54
11	Forensic lab	59	55	4
945	Total other fixed assets	2,379	1,498	881

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 5: Payables under exchange transactions, other payables and accruals

Prior Year Actual CIS000	Description	Current Year Actual CIS000	Original Budget CIS000	Variance (Original vs. Actual) CIS000
6	Creditors	1	6	5
40	Creditors other government agencies	5	40	35
3	Unearned revenue	-	-	-
120	Accrued expenses	320	122	(198)
169	Total payables under exchange transactions, other payables and accruals	326	168	(158)

Payables under exchange transactions and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 6: Surplus payable

Surplus payable represents surplus of \$122 thousand as at June 30, 2014 and \$25 thousand from 30 June 2013 (2013: \$2,988 thousand). Under the *Public Management & Finance Law (2013 Revision)* section 39 (3)(f), the Portfolio may “retain such part of its net operating surplus as is determined by the Financial Secretary”. Therefore, the Portfolio has booked a surplus payable to Government in the amount of \$147 thousand as of June 30, 2014 as the Financial Secretary has not confirmed whether the Portfolio can retain the surplus achieved during this year and the prior year. During the year the Portfolio paid to Cabinet surplus payable in the amount of \$2,963 thousand.

Note 7: Employee entitlements

Prior Year Actual CIS000	Description	Current Year Actual CIS000	Original Budget CIS000	Variance (Original vs. Actual) CIS000
	<i>Current employee entitlements are represented by:</i>			
146	Annual leave and time-in-lieu	150	140	(10)
146	Total current portion	150	140	(10)
	<i>Non-current employee entitlements are represented by:</i>			
109	Retirement and long service leave	121	121	-
255	Total employee entitlements	271	261	(10)

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

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 8: Revenue from Non-Exchange Transactions

During the year ended 30 June 2014, 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 CIS000	Revenue Type	Current Year Actual CIS000	Original Budget CIS000	Variance (Original vs. Actual) CIS000
5,194	Sale of outputs to Cabinet	5,870	5,870	-
13	Sale of outputs to other government agencies	35	50	15
782	Law school fees	736	720	(16)
34	Others	24	4	(20)
6,023	Total revenues	6,665	6,644	(21)

Note 10: Personnel costs

Prior Year Actual CIS000	Description	Current Year Actual CIS000	Original Budget CIS000	Variance (Original vs. Actual) CIS000
3,308	Salaries, wages and allowances	3,428	3,684	256
341	Health care	345	415	70
173	Pension	180	201	21
22	Other personnel-related costs	30	22	(8)
3,844	Total personnel costs	3,983	4,322	339

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Note 11: Supplies and consumables

Prior Year Actual	Description	Current Year Actual	Original Budget	Variance (Original vs. Actual)
CIS000		CIS000	CIS000	CIS000
616	Lease of property and equipment	614	617	3
277	Purchase of services	276	283	7
226	Utilities	227	237	10
115	Travel and subsistence	78	110	32
79	Reference materials	64	75	11
36	Supplies and materials	46	53	7
30	Interdepartmental expenses	27	30	3
28	Repairs and maintenance	27	38	11
22	General insurance	24	25	1
19	Recruitment and Training	21	28	7
1	Other	-	-	-
1,449	Total supplies & consumables	1,404	1,496	92

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 2014, 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 \$903 thousand in 2014 (2013: \$462 thousand).

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

Actual Prior year	Description	Current Year Actual	Original Budget	Variance (Original vs. Actual)
CIS000		CIS000	CIS000	CIS000
25	Surplus for the period	122	-	(122)
	Non-cash movements			
234	Depreciation expense	232	250	18
(6)	(Recovery)/provision for bad debts	4	-	(4)
14	Derecognition of assets	-	-	-
-	Debts written off	14	-	(14)
	Changes in current assets and liabilities:			
732	Decrease/(increase) in receivables	(149)	(68)	81
(83)	(Increase)/decrease in prepayments	99	128	29
(19)	(Increase)/decrease in other receivables	(48)	-	48
31	Increase/(decrease) in payables	173	19	(154)
928	Net cash flows from operating activities	447	329	(118)

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Note 14: Commitments

Prior Year Actual CIS000	Type	One year or less CIS000	One to five Years CIS000	Over five Years CIS000	Total CIS000
Operating Commitments					
420	Non-cancellable accommodation leases	124	-	-	124
420	Total Operating Commitments	124	-	-	124

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.

Note 15: Explanation of major variances against original budget

Explanations for major variances for the Portfolio performance against the original budget are as follows:

Statement of Financial Position

Cash and cash equivalents

During the year the Portfolio repaid to Cabinet the surplus payable at June 30, 2012 of \$2,963 thousand. The budgeted figure did not include this repayment and hence this is the main reason for the decrease in the actual year-end cash balances.

Receivables under exchange transactions

The actual year-end receivables under exchange transactions balance is higher than budget due mainly to increases in services provided to other government agencies and sale of service to third parties as well as the timing of receipts.

Property, plant and equipment

During the financial year the Portfolio was granted appropriation of \$332 thousand for capital expenditure. However, \$200 thousand was unspent and reallocated by Cabinet; and therefore the main reason for the net variance of \$154 thousand in the property, plant and equipment.

Other payables and accruals

The net increase in other payables and accruals of \$163 thousand over budget is primarily due to the timing of payments. Year-end accruals include \$231 thousand for litigation fees due to the significantly higher costs incurred for litigation during the year.

Surplus payable

See cash and cash equivalent above.

Net Assets/Equity

The original budget included an equity injection of \$332 thousand, however as previously stated \$200 thousand was unspent and reallocated by Cabinet.

**PORTFOLIO OF LEGAL AFFAIRS
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Note 15: Explanation of major variances against original budget (continued)

Statement of Financial Performance

Personnel costs

The main reason for the net decrease in personnel costs to the original budget of \$339 thousand is due to the non-fulfillment of budgeted positions or filling at a later date than anticipated. However, this was offset by an amount of \$81 thousand paid for honorarium to civil servants that was not budgeted for. By virtue of section 11(5) of the PMFL, the Portfolio requested and was granted permission by Cabinet to transfer \$395 thousand from personnel cost to professional fees to meet the increased costs in litigation fees.

Litigation fees

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 \$327 thousand higher than budgeted. Notwithstanding the uncertainty surrounding the duration and costs of litigation, one staff member who was the Counsel for two longstanding cases, left at the beginning of the financial year which resulted in fees of \$357 thousand paid to a third party for the said 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 transact with other government entities on a regular basis. These transactions were provided in kind during the financial year ended 30 June 2014 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 2014, there are six (2013: 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 2014 was \$803 thousand (2013: \$912 thousand). There were no loans made to key management personnel or their close family members in 2013-14 (2012-13: \$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 (2013 Revision).

**PORTFOLIO OF LEGAL AFFAIRS
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Note 17: Financial instrument risks (continued)

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 receivables from exchange transactions 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 2014, no provision for doubtful debts (2013: \$0) 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 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 2014, all of the financial liabilities were due within three months of the year end dates (2013: three months).

Note 18: Financial instruments – fair values

As at 30 June 2014 and 30 June 2013, the carrying values of cash and cash equivalents, receivables from exchange transactions, other receivables, payables under exchange transactions, other payables 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
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Note 19: Segment reporting

	Legal Drafting & Review & Modernization of Laws CIS000	Prosecution Advice & International CIS000	Ministerial Advice to the Attorney General CIS000	Financial Intelligence Services CIS000	Law School CIS000	Total CIS000
Revenue						
Sale of outputs to Cabinet	1,224	2,095	959	683	909	5,870
Sale of outputs to other Government agencies	-	35	-	-	-	35
Sale of outputs to others		-	13	-	747	760
Total Revenue	1,224	2,130	972	683	1,656	6,665
Expenses						
Personnel costs	952	1,118	332	578	1,003	3,983
Other expenses	244	1,359	216	49	692	2,560
Total Expenses	1,196	2,477	548	627	1,695	6,543
Surplus/(Deficit) for the period	28	(347)	424	56	(39)	122

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.
5. Law School: The Portfolio operates a Law School. LLB degrees are from the University of Liverpool. There are approximately 54 full time students and 39 part time students. In addition the school offers an Attorney of Law certificate for which there are approximately eight attendees.