



GOVERNMENT OF THE CAYMAN ISLANDS

Portfolio of Legal Affairs

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

Appendix: Financial Statements for the year ended 30 June 2011

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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 (2010 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 (2010 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 Statement of Financial Position, Statement of Financial Performance and Statement of Changes in Equity for the financial year ended 30 June 2011.

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 2011;
- (b) fairly reflect the financial position as at 30th June 2011 and performance for the Year ended 30th June 2011;
- (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. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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.



Vicki Ellis
Acting Chief Officer

Date- 16/1/12



John Regan
Chief Financial Officer

Date- 16 Jan 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 2011, 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 28 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2010 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

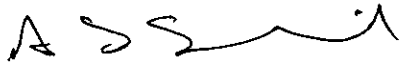
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 we 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 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A handwritten signature in black ink, appearing to read 'A Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
16 January 2012

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS\$000		Note	Current Year Actual CIS\$000	Final/Original Budget CIS\$000	Variance (Original vs. Actual) CIS\$000
	Current Assets				
3,155	Cash and cash equivalents	2	3,208	459	(2,749)
181	Trade receivables	3	347	-	(347)
12	Other receivables	3	16	713	697
92	Prepayments		21	-	(21)
3,440	Total Current Assets		3,592	1,172	(2,420)
	Non-Current Assets				
8	Accounts receivable	3	8	-	(8)
1,253	Property, plant and equipment	4	1,230	1,444	214
1,261	Total Non-Current Assets		1,238	1,444	206
4,701	Total Assets		4,830	2,616	(2,214)
	Current Liabilities				
43	Trade payables	5	6	-	(6)
2,338	Other payables and accruals	5	2,445	280	(2,165)
235	Employee entitlements	6	221	180	(41)
2,616	Total Current Liabilities		2,672	460	(2,212)
	Non-Current Liabilities				
149	Employee entitlements	6	172	160	(12)
149	Total Non-Current Liabilities		172	160	(12)
2,765	Total Liabilities		2,844	620	(2,224)
1,936	Net Assets		1,986	1,996	10
	Net Worth				
1,681	Contributed capital		1,741	1,741	-
255	Accumulated surpluses		245	255	10
1,936	Total Net Worth		1,986	1,996	10

The accounting policies and notes on pages 9-28 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)**

Prior Year Actual CIS000		Note	Current Year Actual CIS000	Final /Original Budget CIS000	Variance (Original vs. Actual) CIS000
Revenue					
7,865	Sale of goods and services	8	7,833	8,374	541
-	Investment revenue		-	-	-
-	Donations		-	-	-
-	Other revenue		-	-	-
7,865	Total Revenue		7,833	8,374	541
Expenses					
5,511	Personnel costs	9	5,313	5,764	451
1,835	Supplies and consumables	10	1,880	2,045	165
229	Depreciation	4	231	215	(16)
290	Litigation costs	11	409	350	(59)
-	Other expenses (Capital charge)	12	-	-	-
7,865	Total Expenses		7,833	8,374	541
-	Surplus or (Deficit) for the period		-	-	-

The accounting policies and notes on pages 9-28 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

	Contributed Capital CIS000	Accumulated Surplus/(deficits) CIS000	Total Net worth CIS000	Final/Original Budget CIS000	Variance (Original vs. Actual) CIS000
Balance at 30 June 2009	1,646	255	1,901	1,891	(10)
Equity Investment from Cabinet	35	-	35	35	-
Surplus/(deficit) for the period (2009/10)	-	-	-	-	-
Balance at 30 June 2010	1,681	255	1,936	1,926	(10)
Equity Investment from Cabinet	60	-	60	60	-
Prior period adjustment	-	(10)	(10)	-	-
Surplus/(deficit) for the period (2010/11)	-	-	-	-	-
Balance at 30 June 2011	1,741	245	1,986	1,986	10

The accounting policies and notes on pages 9-28 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS000		Note	Current Year Actual CIS000	Final/Original Budget CIS000	Variance (Original vs. Actual) CIS000
CASH FLOWS FROM OPERATING ACTIVITIES					
	<i>Receipts</i>				
7,305	Outputs to Cabinet		6,961	7,209	248
614	Outputs to other government agencies		200	200	-
825	Sale of goods and services - third party		680	965	285
	<i>Payments</i>				
(5,486)	Personnel costs		(5,304)	(5,764)	(460)
(2,474)	Supplies and consumables		(2,336)	(2,395)	(59)
-	Other payments		-	-	-
784	Net cash flows from operating activities	13	201	215	14
CASH FLOWS FROM INVESTING ACTIVITIES					
(174)	Purchase of property, plant and equipment		(208)	(275)	(67)
(174)	Net cash flows from investing activities		(208)	(275)	(67)
CASH FLOWS FROM FINANCING ACTIVITIES					
130	Equity Investment		60	60	-
130	Net cash flows from financing activities		60	60	-
740	Net increase in cash and cash equivalents		53	0	(53)
2,415	Cash and cash equivalents at beginning of period		3,155	459	(2,696)
3,155	Cash and cash equivalents at end of period		3,208	459	(2,749)

The accounting policies and notes on pages 9-28 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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 (2010 Revision) and it 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 2011.

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 2011 the Portfolio had 63 employees (2010: 65).

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 2011**

Note 1: Significant 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 2011.

(c) Budget Amounts

The original budget amounts for the financial year are as presented in the 2010/2011 Annual Budget Statement and approved by the Legislative Assembly on the 24 June 2010. The Final Budget is those budget amounts approved in Supplementary Budget.

(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 recognized in the reporting period and in any future periods that are affected by those revisions.

(e) Revenue

Revenue is recognized in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognized 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 recognized at fair value of services provided.

(f) Expenses

Expenses are recognized when incurred on the accrual basis of accounting. In addition, an expense is recognized for the consumption of the estimated fair value of contributed goods and services received.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(g) Operating Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Lease payments under operating lease, net of lease incentives received, are recognized as expenses on a straight-line basis over the lease term. Lease incentives received are recognized evenly over the term of the lease as a reduction in rental expense.

(h) Capital Charges

Capital charges on the net assets due to the Cayman Islands Government are recognized as an expense in the period in which they are incurred.

(i) 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 from the date of acquisition.

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

(j) Prepayments

The portion of recognized expenditure paid in advance of receiving services has been recognized as a prepayment and is classified as accounts receivable in these financial statements.

(k) 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 recognized 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 calculated 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

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(k) 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.

(l) 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 reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

(m) 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 recognized in the Statement of Financial Position.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(m) 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 prepayments.

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 recognized 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 recognized less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

(n) Contingent Liabilities and Assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

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.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(o) 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 recognized 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;
- 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.

(p) 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.

(q) 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 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 entity 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 recognized in the cost of the fixed asset.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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 2011 the Portfolio held no restricted cash balances (30 June 2010: \$0). No interest was earned during the year on the amounts held in these bank accounts (30 June 2010: \$0).

Actual Prior Year	Description	Foreign Currency	Exchange Rate	Actual Current Year
CI\$000		\$000		CI\$000
2,720	CI\$ Operational Current Account	2,453	-	2,453
364	US\$ Operational Current Account	587	0.83	488
71	Payroll Current Account	267	-	267
3,155	TOTAL			3,208

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	Trade Receivables	Actual Current Year	Final/Original Budget	Variance (Original vs. Actual
CI\$000		CI\$000	CI\$000	CI\$000
80	Sale of goods and services	94	80	(14)
35	Outputs to Cabinet	60	400	340
105	Outputs to other government agencies	224	264	40
-	Other	8	-	(8)
(31)	Less: provision for doubtful debts	(31)	(31)	-
189	Total trade receivables	355	713	358

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 3: Trade receivables and other receivables (continued)

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

	Trade Receivables CIS000	Prior Year Impairment CIS000	Net CIS000	Gross amount CIS000	Current Year CIS000
Current	-	-	-	-	-
Past due 1-30 days	210	-	210	210	210
Past due 31-60 days	43	-	43	43	43
Past due 61 and above	133	(31)	102	133	102
Past due 90 and above	-	-	-	-	-
Total	386	(31)	355	386	355

Changes in the provision of doubtful debts:

Actual Prior Year CIS000	Description	Actual Current Year CIS000
(53)	Balance at 1 July	(31)
22	Additional provisions made during the year	-
-	Receivables written off during the year	-
(31)	Balance at 30 June	(31)

As of June 30, 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 2011**

Note 4: Property, plant and equipment

	2011					
	Vehicles \$000	Furniture and fittings \$000	Computer hardware and software \$000	Office equipment \$000	Other Assets \$000	Total \$000
<u>Cost</u>						
At July 1, 2010	15	273	20	183	1,764	2,255
Additions	-	-	-	6	202	208
Disposals/transfers	-	-	-	-	-	-
At June 30, 2011	15	273	20	189	1,966	2,463
<u>Accumulated depreciation</u>						
At July 1, 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
Net book value at June 30, 2011	-	102	-	59	1,069	1,230

	2010					
	Vehicles \$000	Furniture and fittings \$000	Computer hardware and software \$000	Office equipment \$000	Other Assets \$000	Total \$000
<u>Cost</u>						
At July 1, 2009	15	267	20	183	1,637	2,122
Additions	-	6	-	-	127	133
Disposals/transfers	-	-	-	-	-	-
At June 30, 2010	15	273	20	183	1,764	2,255
<u>Accumulated depreciation</u>						
At July 1, 2009	7	106	19	88	553	773
Depreciation charge for the year	3	35	-	20	171	229
At June 30, 2010	10	141	19	108	724	1,002
Net book value at June 30, 2010	5	132	1	75	1,040	1,253

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 4: Property, plant and equipment (continued)

As of 30 June 2011 and 2010, other assets composed of:

Actual Prior Year		2010-11 Cost	2010- 11Accumulated Depreciation	2010-11 Net book Value
CIS\$000		CIS\$000	CIS\$000	CIS\$000
811	Library books	1,550	668	882
196	Lease improvements	357	196	161
33	Forensic lab	59	33	26
1,040	Total other assets	1,966	897	1,069

Note 5: Trade payables, other payables and accruals

Actual Prior Year		Actual Current Year	Final/Original Budget	Variance (Original vs. Actual
CIS\$000		CIS\$000	CIS\$000	CIS\$000
43	Creditors	43	30	(13)
91	Creditors other government agencies	48	30	(18)
274	Accrued Expenses	278	220	(58)
1,973	Other payables Cabinet – net	2,082	-	(2,082)
2,381	Total trade payables, other payables and accruals	2,451	280	(2,171)

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

Other payables Cabinet - net

Other payables - Cabinet represents accumulated surplus of \$2,674K as at June 30, 2011 (2010: \$2,319K). Other payables – Cabinet is net of receivable for the services provided to Cabinet of \$592K as at June 30, 2011 (2010: \$346K). Under the *Public Management & Finance Law (2010 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 additional surplus payable to Government in the amount of \$355K as of June 30, 2011 (2010: \$230K) as 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 2011

Note 6: Employee entitlements

Actual Prior Year CI\$000		Actual Current Year CI\$000	Final/Original Budget CI\$000	Variance (Original vs. Actual CI\$000)
	<i>Current employee entitlements are represented by:</i>			
235	Annual Leave	221	180	(41)
235	Total current portion	221	180	(41)
	<i>Non-current employee entitlements are represented by:</i>			
149	Retirement and long service leave	172	160	(12)
384	Total employee entitlements	393	340	(53)

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 7: Revenue from Non Exchange Transactions

During the year ended 30 June 2011, 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 recognized in these financial statements.

Note 8: Revenue

Actual Prior Year CI\$000	Revenue type	Actual Current Year CI\$000	Final/Original Budget CI\$000	Variance (Original vs. Actual) CI\$000
6,824	Outputs to Cabinet	6,854	7,209	355
200	Outputs to other government agencies	200	200	-
841	Other (Law School Fees)	779	965	186
7,865	Total sales of goods and services	7,833	8,374	541

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Note 9: Personnel costs

Actual Prior Year	Description	Actual Current Year	Final/Original Budget	Variance (Original vs Actual)
CI\$000		CI\$000	CI\$000	CI\$000
4,615	Salaries, wages and allowances	4,431	4,753	322
428	Health care	410	463	53
468	Pension	472	526	54
-	Other personnel related costs	-	22	22
5,511	Total personnel costs	5,313	5,764	451

Note 10: Supplies and consumables

Actual Prior Year	Description	Actual Current Year	Final/Original Budget	Variance (Original vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
66	Supplies and materials	64	106	42
222	Purchase of services	242	287	45
857	Lease of property and equipment	839	890	51
266	Utilities	306	318	12
75	Interdepartmental expenses	2	30	28
151	Travel and subsistence	164	164	-
198	Other	263	250	(13)
1,835	Total supplies & consumables	1,880	2,045	165

**PORTFOLIO OF LEGAL AFFAIRS
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Note 11: Litigation costs

The Attorney General's Office provides litigation services to the Portfolio. However during the year ended 30 June 2011 the use of legal services from outside of the Government were authorized by the Attorney General's Office. The costs of these services were \$409K in 2011 (2010: \$290K).

Note 12: Capital charge

A capital charge is payable to the Portfolio of Finance and Economics as required by *Public Management and Finance Law, (2005 Revision)* section 41(5). The Financial Secretary annually sets the capital charge rate which was 0% as no capital was budgeted for in 2010-11 (2010: 5.95%). The capital charge is recorded semi-annually, on December 31 and June 30 and calculated by multiplying the capital charge rate by the net assets/net worth amount. For 2010-11, the capital charge is \$0K (2010: \$0K).

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

Actual Prior year CI\$000	Description	Actual Current year CI\$000	Final/Original Budget CI\$000	Variance (Original vs. Actual) CI\$000
	Surplus/(deficit) from ordinary activities	(10)	-	10
	Non-cash movements			
229	Depreciation expense	231	215	(16)
	Changes in current assets and liabilities:			
320	(Increase)/decrease in receivables	(99)	-	99
235	(Increase)/(decrease) in payables	79	-	(79)
784	Net cash flows from operating activities	201	215	14

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Note 14: Contingent liabilities and assets

	Beginning Balance	Additions	Disbursements	Adjustments	Ending Balance
Guarantees					
Item 1 heading					
Item 1 description/nature/timing of outflow/uncertainties of amounts and timing					
Item 2 heading					
Item 2 description/nature/timing of outflow/uncertainties of amounts and timing					
Total Quantifiable Guarantees	-	-	-	-	-
Legal Proceedings and Disputes					
Item 1 heading					
Item 1 description					
Item 2 heading					
Item 2 description					
Total Legal Proceedings and Disputes	-	-	-	-	-
Other Contingent Liabilities					
Item 1 heading					
Item 1 description					
Item 2 heading					
Item 2 description					
Total Other Contingent Liabilities	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-
Contingent Assets					
Item 1 heading					
Item 1 description					
Item 2 heading					
Item 2 description					
Total Other Contingent Assets	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
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Note 15: Commitments

Prior Year Actual Ct\$000	Type	One year or less Ct\$000	One to five Years Ct\$000	Over five Years Ct\$000	Total Ct\$000
	Capital Commitments				
-	Property, plant and equipment	-	-	-	-
-	Other fixed assets	-	-	-	-
-	Other commitments (list separately if material)	-	-	-	-
-	Total Capital Commitments	-	-	-	-
	Operating Commitments				
3,151	Non-cancellable accommodation leases	744	1,520		2,264
-	Other non-cancellable leases				
-	Non-cancellable contracts for the supply of goods and services				
-	Other operating commitments				
3,151	Total Operating Commitments	744	1,520		2,264
3,151	Total Commitments	744	1,520		2,264

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.

NOTE 16: Explanation of major variances against budget

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

Statement of financial performance

Cabinet revenue

Revenue from cabinet was \$355K below budget due to the decision not to fill certain posts and a curtailment of operating costs.

Other Revenue

Revenue from other sources was below budget by \$186K. Law school fees were the cause.

Personnel Costs

Personnel costs which include pension and CINICO were below budget by \$451K were due to the decision to delay the filling of certain positions.

**PORTFOLIO OF LEGAL AFFAIRS
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NOTE 16: Explanation of major variances against budget (continued)

Supplies and consumables

Supplies and consumables were \$165K below budget due to the Portfolio's decision to curtail expenditures including training.

Depreciation

Depreciation expenses were \$16K above budget at \$231K.

Litigation costs

Litigation costs were \$59K above budget. These costs are hard to budget for as they vary greatly from year to year.

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were \$2.749 million above budget this was due to a planned repayment of surplus cash not taking place.

Debtors and other receivables

The actual year-end debtors and other receivables balances were in line with last year.

Creditors and other payables

Creditors, accruals and other payables were substantially higher than the budget. The principle reason was that a budgeted repayment to Cabinet did not take place.

Statement of cash flows

Cash from operating activities

The increase in cash from operating activities of \$201K is due to depreciation of \$231K an increase in receivables of \$39 and a decrease in payables of \$19K.

Cash from investing activities

Capital additions were \$67K below budget.

Cash from financing activities

The \$60K of equity injection.

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NOTE 17: 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 2011 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 two 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 2011 was \$234k (2009-10: \$292k). There were no loans made to key management personnel or their close family members in 2010-11 (2009-10: \$0).

NOTE 18: 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 (2008 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.

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.

**PORTFOLIO OF LEGAL AFFAIRS
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NOTE 18: Financial instrument risks (continued)

Credit risks (continued)

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 2011 and 2010, 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 2011 and 2010, all of the financial liabilities were due within three months of the year end dates.

NOTE 19: Financial instruments – fair values

As at 30 June 2011 and 2010, 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.

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NOTE: 20 Segment reporting \$000

	Legal Drafting & Review & Modernization of Laws	Prosecution Advice & International	Ministerial Advice to the Attorney General	Financial Intelligence Services	Law School
Revenue					
Outputs from Cabinet	1,233	3,459	601	675	886
Sale of goods and services	-	200	-	-	779
Other revenue					
Total Revenue	1,233	3,659	601	675	1,665
Expenses					
Salaries and Wages	770	2,050	273	459	851
Other expenses	463	1,609	329	216	814
Total Expenses	1,233	3,659	601	675	1,665
Surplus/ (Deficit) from Operating Activities	-	-	-	-	-
Net Surplus/ (Deficit)	-	-	-	-	-
Assets					
Current Assets	-	-	-	-	-
Fixed Assets	-	-	-	-	-
Total Assets	-	-	-	-	-
Liabilities					
Current Liabilities	-	-	-	-	-
Non-current Liabilities	-	-	-	-	-

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.

**PORTFOLIO OF LEGAL AFFAIRS
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NOTE: 20 Segment reporting (continued)

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

NOTE: 21 Appropriations used

Appropriation Description (including Output number and name)	Amount Appropriated	Appropriation Used	Variance
LGA 4 Drafting Legislation & LGA 7 Review and Modernization of Laws	1,300	1,233	(67)
LGA 2 Prosecution, LGA 1 Legal Advice & International	3,725	3,459	(265)
LGA 5 Policy Advise to Attorney General	689	601	(88)
LGA 6 Financial Intelligence Services	751	675	(76)
LGA 3 Law Teaching	745	886	141 **
Total	7,209	6,854	(355)

**** This variance was caused by a fall in school fees**