

**CAYMAN ISLANDS LEGAL PRACTITIONERS ASSOCIATION LTD  
IN ITS CAPACITY AS A SUPERVISORY AUTHORITY  
(CAYMAN ATTORNEYS REGULATION AUTHORITY)**

Audited Financial Statements  
For the year ended 31 December 2020  
*(with comparatives for the period from 1 July 2019 (commencement of operations)  
to 31 December 2019)*

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Audited Financial Statements For the year ended 31 December 2020

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**INDEPENDENT AUDITOR'S REPORT  
TO THE DIRECTORS OF CAYMAN ISLANDS LEGAL PRACTITIONERS ASSOCIATION  
LTD.**

**Opinion**

We have audited the financial statements of Cayman Islands Legal Practitioners Association Ltd. ("CILPA") in its capacity as a Supervisory Authority (Cayman Attorneys Regulation Authority – the "Authority"), which comprise the statement of financial position as at 31 December 2020 and the related statements of comprehensive income/(loss), changes in members' surplus/(deficit) and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with *the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 2(a) in the financial statements, which indicates that the Authority is not a separate legal entity but a sub-committee of CILPA and therefore certain assets, liabilities, capital, income and expenses of CILPA, in its capacity as a supervisory authority, have been allocated to the Authority by management at and for the year ended 31 December 2020.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting 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.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT  
TO THE DIRECTORS OF CAYMAN ISLANDS LEGAL PRACTITIONERS ASSOCIATION  
LTD. (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

**Other Matter**

This report, including the opinion, has been prepared for and only for CILPA's directors and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

*Baker Tilly (Cayman) Ltd.*

**Baker Tilly (Cayman) Ltd.  
Grand Cayman, Cayman Islands  
15 June 2021**

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Statement of Financial Position

As at 31 December 2020

*Expressed in Cayman Islands Dollars*

	Note	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		242,815	804
Prepaid expenses		4,615	2,646
Other current assets		6,318	-
<b>Total current assets</b>		<b>253,748</b>	<b>3,450</b>
Fixed assets	3	27,302	22,772
<b>TOTAL ASSETS</b>		<b>\$ 281,050</b>	<b>\$ 26,222</b>
<b>LIABILITIES AND MEMBERS' SURPLUS/(DEFICIT)</b>			
<b>Current liabilities</b>			
Payable to related party	4	-	25,483
Accrued CARA Board fees	4	4,000	11,500
Accounts payable and accrued expenses	5	62,663	12,171
<b>Total liabilities</b>		<b>66,663</b>	<b>49,154</b>
<b>Members' surplus/(deficit)</b>			
Contributed capital	4	-	100,000
Retained earnings/(accumulated deficit)		214,387	(122,932)
<b>Total members' surplus/(deficit)</b>	8	<b>214,387</b>	<b>(22,932)</b>
<b>TOTAL LIABILITIES AND MEMBERS' SURPLUS/(DEFICIT)</b>		<b>\$ 281,050</b>	<b>\$ 26,222</b>

*See accompanying notes to the financial statements.*

## CAYMAN ATTORNEYS REGULATION AUTHORITY

### Statement of Comprehensive Income/(Loss)

#### For the year ended 31 December 2020

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)

*Expressed in Cayman Islands Dollars*

	Note	2020	2019
<b>Income</b>			
CILPA funding income		1,087,523	-
<b>Total income</b>		<b>1,087,523</b>	<b>-</b>
<b>Expenses</b>			
Employee costs	4,6	537,469	63,099
Professional fees		86,954	34,012
Rent expense		57,990	7,196
Computer and internet expenses		25,825	5,443
Work permit		7,587	-
Audit fees		7,423	4,305
Telephone and communications		6,988	-
Depreciation	3	5,639	-
Office supplies		4,613	-
Printing and media expenses		4,323	1,380
Travel and meetings		2,148	5,654
Dues and subscriptions		2,000	-
Entertainment		784	1,543
Miscellaneous		289	-
Bank charges		172	-
Facilities and equipment		-	300
<b>Total expenses</b>		<b>750,204</b>	<b>122,932</b>
<b>Net profit/(loss) for the year/period</b>		<b>\$ 337,319</b>	<b>\$ (122,932)</b>

*See accompanying notes to the financial statements.*

**CAYMAN ATTORNEYS REGULATION AUTHORITY**

**Statement of Changes in Members' Surplus/(Deficit)**

**For the year ended 31 December 2020**

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)

*Expressed in Cayman Islands Dollars*

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	<b>Contributed capital</b>	<b>Retained earnings/ accumulated deficit</b>	<b>Total</b>
<b><u>Period ended 31 December 2019:</u></b>			
Contributed capital by CILPA	100,000	—	100,000
Net loss for the period	—	(122,932)	(122,932)
<b>Balance at 31 December 2019</b>	<b>\$ <u>100,000</u></b>	<b><u>(122,932)</u></b>	<b>\$ <u>(22,932)</u></b>
<b><u>Year ended 31 December 2020:</u></b>			
Capital withdrawal	(100,000)	—	(100,000)
Net profit for the year	—	337,319	337,319
<b>Balance at 31 December 2020</b>	<b>\$ <u>—</u></b>	<b><u>214,387</u></b>	<b>\$ <u>214,387</u></b>

*See accompanying notes to the financial statements.*

## CAYMAN ATTORNEYS REGULATION AUTHORITY

### Statement of Cash Flows

#### For the year ended 31 December 2020

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)

*Expressed in Cayman Islands Dollars*

	2020	2019
<b>Cash flows from operating activities</b>		
Net profit/(loss) for the year/period	337,319	(122,932)
Depreciation	5,639	—
Net changes in non-cash operating balances:		
Prepaid expenses	(1,969)	(2,646)
Other current assets	(6,318)	—
Payable to related party	(25,483)	25,483
Accrued CARA Board fees	(7,500)	11,500
Accounts payable and accrued expenses	50,492	12,171
<i>Net cash flows from operating activities</i>	352,180	(76,424)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(10,169)	(22,772)
<i>Net cash flows from investing activities</i>	(10,169)	(22,772)
<b>Cash flows from financing activities</b>		
(Decrease)/increase in contributed capital	(100,000)	100,000
<i>Net cash flows from financing activities</i>	(100,000)	100,000
<b>Net increase in cash and cash equivalents</b>	242,011	804
<b>Cash and cash equivalents at beginning of year/period</b>	804	—
<b>Cash and cash equivalents at end of year/period</b>	\$ 242,815	\$ 804

*See accompanying notes to the financial statements.*

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

*(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)*

*Expressed in Cayman Islands Dollars*

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#### 1. GENERAL INFORMATION

The Cayman Islands Legal Practitioners Association Ltd. (“CILPA”) is an ordinary company, limited by guarantee and does not have any share capital. The main objective of CILPA is to support and protect the character, status and interest of the legal profession in Cayman Islands through various methods and initiatives. The Registered Office of CILPA is: Offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Cayman Islands government appointed CILPA as the named Supervisory Authority for monitoring anti-money laundering compliance by firms of attorneys-at-law within the Cayman Islands. CILPA delegated this supervisory function to its operationally independent regulatory arm, the Cayman Attorneys Regulation Authority (“CARA” or “the Authority”). CARA is not a separate legal entity and is a sub-committee of CILPA.

CARA’s principal activity is to supervise, monitor and regulate firms of attorneys-at-law conducting relevant financial business and to ensure a high standard of anti-money laundering compliance across the legal sector within the Cayman Islands. CARA’s supervisory anti-money laundering responsibilities also include counter-terrorism financing and counter-proliferation financing (collectively included in any reference to “AML”).

The office of CARA is located at 18 Forum Lane, Camana Bay, Grand Cayman, Cayman Islands.

The financial statements were approved by the CILPA Council on 15 June 2021.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The significant accounting policies adopted in the preparation of these financial statements are set out below.

##### (a) Basis of preparation

The financial statements have been prepared on the historical cost basis. As CARA is not a separate legal entity, the Directors have allocated certain assets, liabilities, capital, income and expenses of CILPA to CARA.

The financial records and statements are maintained and presented in Cayman Islands Dollars (“CIS\$”), which is the Authority’s functional and presentational currency.

##### (b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income 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 results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

*(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)*

*Expressed in Cayman Islands Dollars*

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (c) Foreign currency transactions

Transactions in foreign currencies are converted into Cayman Islands Dollars at the exchange rate at the date of the transaction. Transactions during the period and assets, liabilities and net assets at the balance sheet date denominated in United States dollars have been translated into Cayman Islands dollars at the fixed rate of US\$1.00 = CI\$0.82. Monetary assets and liabilities denominated in other foreign currencies are translated into Cayman Islands Dollars at the exchange rate at the reporting date. Any gains or losses arising from conversions at different rates are included in the statement of comprehensive profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Cayman Islands Dollars at the exchange rate at the date that the fair value was determined.

##### (d) Revenue recognition

The Authority applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

The Authority generates revenue from the provision of AML compliance and related services on behalf of the Cayman Islands government. Revenue from providing these services is recognised in the accounting period in which the services are rendered.

Interest income is recognised on an accrual basis.

##### (e) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

##### (f) Taxation

The Authority is not subject to any form of taxation in the Cayman Islands including income, capital gains and withholding taxes. As a result, no Cayman tax liability or expense has been recorded in these financial statements.

##### (g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of each class of asset over its estimated useful life on the following basis:

Computer equipment	5 years straight-line
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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)

Expressed in Cayman Islands Dollars

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, other current assets, payable to related party, accrued CARA Board fees and accounts payable and accrued expenses.

##### *Classification, measurement and derecognition*

Financial assets carried on the statement of financial position includes cash and cash equivalents and other current assets. The fair value of cash at bank approximates its fair value due to the short-term nature.

Financial liabilities that are not at fair value through profit or loss are carried at amortised cost and include payable to related party, accrued CARA Board fees and accounts payable and accrued expenses.

The Authority recognises financial assets and liabilities on the date it enters into a transaction to receive or pay cash or other financial instruments respectively, including any directly attributable transaction costs. Financial instruments are derecognised when the rights or obligations to receive and pay, respectively, cash or other financial instrument is expired and substantially all risks and rewards pertaining to the financial instruments are transferred.

##### *Impairment*

The Authority holds only cash and cash equivalents and other current assets with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (“ECL”) under IFRS 9 to all its other current assets. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Authority’s approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the year ended 31 December 2020, no bad debt expense (2019: \$Nil) was recognised in the financial statements.

##### *Fair value measurement principles*

For the financial instruments, including cash and cash equivalents, amounts due to related party, accrued directors’ fees and accounts payable and accrued expenses, their carrying amounts approximate their fair value due to the immediate or short-term nature of these financial instruments.

IFRS 13 *Fair Value Measurement* (“IFRS 13”) requires the Authority to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs for the asset or liability that are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly (level 2).

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)  
Expressed in Cayman Islands Dollars

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Financial instruments (Continued)

###### *Fair value measurement principles (Continued)*

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Authority. The Authority considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

##### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks.

##### (j) Standards issued but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the Authority in the current or future reporting periods and on foreseeable future transactions.

#### 3. FIXED ASSETS

##### *For the year ended 31 December 2020:*

	<b>Computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Opening balance	22,772	22,772
Additions	10,169	10,169
<b>Balance at 31 December 2020</b>	<u>32,941</u>	<u>32,941</u>
<b>Accumulated depreciation</b>		
Opening balance	-	-
Depreciation for the year/period	5,639	5,639
<b>Balance at 31 December 2020</b>	<u>5,639</u>	<u>5,639</u>
<b>Carrying amount</b>		
<b>At 31 December 2020</b>	<u>27,302</u>	<u>27,302</u>

**CAYMAN ATTORNEYS REGULATION AUTHORITY**

**Notes to Financial Statements**

**For the year ended 31 December 2020**

*(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)*

*Expressed in Cayman Islands Dollars*

3. **FIXED ASSETS** (Continued)

*For the period ended 31 December 2019:*

	<b>Computer equipment</b>	<b>Total</b>
	\$	\$
<b>Cost</b>		
Opening balance	-	-
Additions	22,772	22,772
<b>Balance at 31 December 2019</b>	<u>22,772</u>	<u>22,772</u>
<b>Accumulated depreciation</b>		
Opening balance	-	-
Depreciation for the period*	-	-
<b>Balance at 31 December 2019</b>	<u>-</u>	<u>-</u>
<b>Carrying amount</b>		
<b>At 31 December 2019</b>	<u>22,772</u>	<u>22,772</u>

\*Assets were acquired before period end, but full operations of the Authority only commenced during January 2020. Thus, the assets were only brought into use during 2020 and depreciation recognised for the period ended 31 December 2019 was \$Nil.

4. **RELATED PARTIES**

Related parties of the Authority include the CARA Board of Directors and CILPA. Transactions and outstanding balances with these parties during the year ended 31 December 2020 and the period ended 31 December 2019 include the following:

CARA Board members' fees were accrued for their attendance of CARA meetings totalling \$31,500 (2019: \$11,500) which is included within salary expenses in the statement of comprehensive income/(loss). At 31 December 2020, a balance of \$4,000 was still due and payable (2019: \$11,500).

Funds were provided to CARA by CILPA to fund the initial start-up costs of the Authority. At 31 December 2020, the 2019 balance of \$25,483 has been fully paid. Furthermore, in 2019, an amount of \$100,000 was allocated by CILPA to CARA as contributed capital. The funds originated from a loan agreement between CILPA and the Cayman Islands government for the explicit purpose of funding the establishment and initial operational costs of CARA. In 2020, there was a capital withdrawal of \$100,000 relating to the loan repayment to the Cayman Islands government.

5. **ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b>2020</b>	<b>2019</b>
Trade payables	23,515	7,866
Accrued expenses	39,148	4,305
	<u>\$ 62,663</u>	<u>\$ 12,171</u>

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)

Expressed in Cayman Islands Dollars

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#### 6. EMPLOYEE COSTS

	2020	2019
Salaries	442,148	48,329
Directors' fees	31,500	11,500
Bonus	29,250	-
Pension contribution	17,275	1,205
Health insurance	12,296	2,065
Honorarium	<u>5,000</u>	<u>-</u>
	\$ <u>537,469</u>	\$ <u>63,099</u>

CILPA employs six (2019: three) full-time employees who work for the Authority and whose costs were allocated to CARA during the year ended 31 December 2020 and the period ended 31 December 2019 respectively. As required by the Pension Law of the Cayman Islands, CILPA has established a defined contribution pension plan with a third-party pension provider in the Cayman Islands for its employees. In addition, CILPA makes contributions towards its employees' health insurance coverage in compliance with the Health Insurance Law.

#### 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The financial assets of the Authority include cash and cash equivalents, and other current assets. Financial liabilities include payable to related party, accrued CARA Board fees and accounts payable and accrued expenses. The main risks associated with the Authority's financial instruments are as follows:

##### (a) Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk and currency risk.

##### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority's exposure to interest rates relates primarily to its cash kept with a financial institution earning interest at variable annual rates. Management believes that interest rate risk is not significant for the Authority.

##### *Currency risk*

The Authority may enter into transactions denominated in currencies other than the Cayman Islands Dollar, its functional currency. Consequently, the Authority may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Authority's assets or liabilities denominated in currencies other than the Cayman Islands Dollar.

The Authority had no material exposure to fluctuations in foreign currency exchange rates at 31 December 2020 and 2019.

# CAYMAN ATTORNEYS REGULATION AUTHORITY

## Notes to Financial Statements

### For the year ended 31 December 2020

*(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)*

*Expressed in Cayman Islands Dollars*

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#### 7. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

##### (b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

The Authority invests all available cash with banks and is exposed to credit-related losses in the event of non-performance by these banks. To mitigate this risk, the Authority's cash is placed in highly reputable financial institutions in the Cayman Islands.

The extent of the Authority's exposure to credit risk in respect of the financial assets detailed above approximates their carrying values as recorded in the statement of financial position.

##### (c) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority monitors its cash flows in order to ensure that it has sufficient cash resources to settle its obligations in full as they fall due.

The Authority's financial liabilities at 31 December 2020 and 2019 have a maturity date of less than twelve months after period-end.

##### (d) Fair value information

The carrying amounts of the Authority's financial assets and liabilities as at 31 December 2020 and 2019 approximate their fair values due to the relatively short periods to maturity of these instruments.

#### 8. GOING CONCERN

These financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance the future operations of CARA and that during the realisation of any assets and the settlement of any liabilities, contingent obligations and commitments will occur in the ordinary course of business.

At 31 December 2020, the Authority's assets exceeded its liabilities by \$213,662 (2019: liabilities exceeded its assets by \$22,932). The ability of the Authority to continue as a going concern is dependent on the Cayman Islands government continuing to provide financial support to CARA.

CILPA's role as the Supervisory Authority will cease once the Legal Services Act, 2020 ("the Act") is brought into force. The Act contains a provision for the establishment of the Cayman Islands Legal Services Council (the "LSC"). The LSC may, by written instrument, delegate to any committee of the LSC or other person any of its functions under the Act.

Management do not deem there to be any material uncertainty relating to the Authority's ability to continue as a going concern as it is anticipated that CARA will be transitioned to the LSC as one of its sub-committees.

## **CAYMAN ATTORNEYS REGULATION AUTHORITY**

### **Notes to Financial Statements**

#### **For the year ended 31 December 2020**

*(with comparatives for the period from 1 July 2019 (commencement of operations) to 31 December 2019)*

*Expressed in Cayman Islands Dollars*

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#### **9. SUBSEQUENT EVENTS**

The Directors have evaluated subsequent events up to the date that the financial statements were approved.

The Legal Services Act, 2020 was enacted on 7 January 2021. This new act will regulate the practice of Cayman Islands Law and establishes a new Cayman Islands Legal Services Council.

There is nothing else that would require recognition or additional disclosure in these financial statements.