

**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 2021

CAYMAN ATTORNEYS REGULATION AUTHORITY

**Audited Financial Statements
For the year ended 31 December 2021**

	Page(s)
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Members' Surplus	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-15

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 2021 and the related statements of comprehensive income, changes in members' surplus 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 2021 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.

Material Uncertainty Related to Going Concern

We wish to draw attention to Notes 1 and 9 of the financial statements. Subsequent to the reporting date, the Cayman Islands Legal Services Council (the "LSC") was formally established. Once the LSC is fully staffed, it will decide about the future role of the Authority. The Board of the Authority expects that it will continue to operate as normal, but the Authority might be subsumed by the LSC, in which case the Authority will cease to exist in its current form. At the reporting date no final decision has been made yet by the LSC, which creates material uncertainty about the ability of the Authority to continue as going concern. Our opinion is not modified in respect of this matter.

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 2021.

We draw attention to Note 9 in the financial statements, which states that the Authority may be subsumed by the Cayman Islands Legal Services Authority. This indicates that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern in its current form. Our opinion is not modified in respect of this matter.

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.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

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.

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.

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
9 January 2023**

CAYMAN ATTORNEYS REGULATION AUTHORITY

Statement of Financial Position

As at 31 December 2021

Expressed in Cayman Islands Dollars

	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		632,461	242,815
Prepaid expenses		21,807	4,615
Other current assets		33,034	6,318
Total current assets		687,302	253,748
Fixed assets	3	21,213	27,302
TOTAL ASSETS	\$	708,515	\$ 281,050
LIABILITIES AND MEMBERS' SURPLUS			
Current liabilities			
Accrued CARA Board fees	4	4,000	4,000
Accounts payable and accrued expenses	5	58,286	62,663
Total liabilities		62,286	66,663
Members' surplus			
Retained earnings		646,229	214,387
Total members' surplus	8	646,229	214,387
TOTAL LIABILITIES AND MEMBERS' SURPLUS	\$	708,515	\$ 281,050

See accompanying notes to the financial statements.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Statement of Comprehensive Income

For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

	Note	2021	2020
Income			
CILPA funding income		1,212,000	1,087,523
Other income		7,154	—
Total income		1,219,154	1,087,523
Expenses			
Employee costs	4,6	469,279	537,469
Professional fees		135,767	86,954
Rent expense		99,880	57,990
Computer and internet expenses		26,125	25,825
Maintenance and repairs		11,744	—
Audit fees		7,319	7,423
Telephone and communications		7,250	6,988
Work permit		6,910	7,587
Depreciation	3	6,588	5,639
Office supplies		5,496	4,613
Miscellaneous		2,935	289
Training and development		1,724	—
Travel and meetings		1,627	2,148
Dues and subscriptions		1,539	2,000
Entertainment		1,254	784
Foreign exchange loss		1,008	—
Bank charges		672	172
Facilities and equipment		195	—
Printing and media expenses		—	4,323
Total expenses		787,312	750,204
Net income for the year	\$	431,842	\$ 337,319

See accompanying notes to the financial statements.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Statement of Changes in Members' Surplus For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

	Contributed capital	Retained earnings/ (accumulated deficit)	Total
<u>Year ended 31 December 2020:</u>			
Balance at 31 December 2019	100,000	(122,932)	(22,932)
Capital withdrawal	(100,000)	—	(100,000)
Net income for the year	—	337,319	337,319
Balance at 31 December 2020	\$ <u>—</u>	<u>214,387</u>	\$ <u>214,387</u>
<u>Year ended 31 December 2021:</u>			
Net income for the year	—	431,842	431,842
Balance at 31 December 2021	\$ <u>—</u>	<u>646,229</u>	\$ <u>646,229</u>

See accompanying notes to the financial statements.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Statement of Cash Flows

For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

	2021	2020
Cash flows from operating activities		
Net income for the year	431,842	337,319
Depreciation	6,588	5,639
Net changes in non-cash operating balances:		
Prepaid expenses	(17,192)	(1,969)
Other current assets	(26,716)	(6,318)
Payable to related party	—	(25,483)
Accrued CARA Board fees	—	(7,500)
Accounts payable and accrued expenses	(4,377)	50,492
<i>Net cash flows from operating activities</i>	390,145	352,180
Cash flows from investing activities		
Purchase of fixed assets	(499)	(10,169)
<i>Net cash flows from investing activities</i>	(499)	(10,169)
Cash flows from financing activities		
Decrease in contributed capital	—	(100,000)
<i>Net cash flows from financing activities</i>	—	(100,000)
Net increase in cash and cash equivalents	389,646	242,011
Cash and cash equivalents at beginning of year	242,815	804
Cash and cash equivalents at end of year	\$ 632,461	\$ 242,815

See accompanying notes to the financial statements.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements

For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

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 Cayman Corporate Centre, Ground Floor, 27 Hospital Road, George Town, Grand Cayman, Cayman Islands.

The Cabinet of the Cayman Islands has signed the Legal Services Act (the “Act”) commencement order, specifically commencing Parts 1 and 2, and sections 99 and 101 of the Act, formally establishing the Cayman Islands Legal Services Council (“LSC”), effective 14 October 2022. The work of CARA will be subsumed by the LSC and once the transition is complete, CARA will cease to exist in its current form.

The financial statements were approved by the CILPA Council on 9 January 2023.

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 (“CI\$”), which is the Authority’s functional and presentational currency.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements

For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 income.

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.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(h) Financial instruments

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

Classification, measurement and derecognition

Financial instruments 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 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 simplified approach for expected credit losses (“ECL”) under IFRS 9 to all its 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 2021, no bad debts expense (2020: \$Nil) was recognised in the financial statements.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

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

The Authority does not hold any financial assets or financial liabilities measured at fair value.

(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 2021:

	Computer equipment	Total
	\$	\$
Cost		
Opening balance	32,941	32,941
Additions	499	499
Balance at 31 December 2021	<u>33,440</u>	<u>33,440</u>
Accumulated depreciation		
Opening balance	5,639	5,639
Depreciation for the year	6,588	6,588
Balance at 31 December 2021	<u>12,227</u>	<u>12,227</u>
Carrying amount		
At 31 December 2021	<u>21,213</u>	<u>21,213</u>

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

3. FIXED ASSETS (Continued)

For the period ended 31 December 2020:

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

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 years ended 31 December 2021 and 2020 include the following:

CARA Board members' fees were accrued for their attendance of CARA meetings totalling \$21,500 (2020: \$31,500) which is included within employee costs in the statement of comprehensive income. At 31 December 2021, a balance of \$4,000 was still due and payable (2020: \$4,000).

Funds were provided to CARA by CILPA to fund the initial start-up costs of the Authority. 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

	2021	2020
Trade payables	1,579	23,515
Accrued expenses	56,707	39,148
	<u>\$ 58,286</u>	<u>\$ 62,663</u>

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements

For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

6. EMPLOYEE COSTS

	2021	2020
Salaries	381,484	442,148
Bonus	39,571	29,250
Health insurance	26,586	12,296
Directors' fees	21,500	31,500
Pension contribution	138	17,275
Honorarium	-	5,000
	<u>\$ 469,279</u>	<u>\$ 537,469</u>

CILPA employs four (2020: six) full-time employees who work for the Authority and whose costs were allocated to CARA during the years ended 31 December 2021 and 2020 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.

To further aid in the rebound of the Cayman Islands' economy after Covid-19, a pension holiday period was established in terms of the National Pensions (Amendment) Act 2020, in accordance with section 1(3) of that Act. During this pension holiday period, all employers and employees will not be required to pay into pension plans. The employees who work for the Authority have elected to utilise this holiday period. The pension holiday is now set to expire on 30 June 2022.

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 2021 and 2020.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

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 2021 and 2020 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 2021 and 2020 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 2021, the Authority's assets exceeded its liabilities by \$646,229 (2020: \$214,387). 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"), which was enacted on 7 January 2021, is fully implemented by the Cayman Islands government. The Act contains 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. The LSC was not yet established at 31 December 2021.

Refer to Note 9 for details of the developments in the legislation after year end and the implications thereof for the Authority.

CAYMAN ATTORNEYS REGULATION AUTHORITY

Notes to Financial Statements For the year ended 31 December 2021

Expressed in Cayman Islands Dollars

9. SUBSEQUENT EVENTS

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

On 14 October 2022, the Cabinet of the Cayman Islands signed the Legal Services Act (“the Act”) commencement order, specifically commencing Parts 1 and 2, and sections 99 and 101 of the Act, formally establishing the Cayman Islands Legal Services Council (“LSC”), effective 14 October 2022. The LSC will consist of seven members, of which two appointments are still required as at the date these financial statements were approved.

Once the LSC is fully staffed, it will decide about the future role of the Authority. The Board of the Authority expects that it will continue to operate as normal, but the Authority might be subsumed by the LSC, in which case the Authority will cease to exist in its current form. At the date these financial statements were approved, no final decision has been made yet by the LSC, which creates material uncertainty about the ability of the Authority to continue as going concern in its current form.

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