

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2003 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

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INDEPENDENT AUDITORS' REPORT

To the Director of the
Financial Intelligence Unit:

We have audited the accompanying balance sheet of the Financial Intelligence Unit (the "Organization") as of June 30, 2003, and the related statements of operations, changes in accumulated fund and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

November 7, 2003

FINANCIAL INTELLIGENCE UNIT

BALANCE SHEET

AS OF JUNE 30, 2003

(Expressed in Bahamian dollars)


	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 301,103	\$ 191,955
Advances and other receivables	1,109	-
Prepaid expenses	<u>2,293</u>	<u>1,422</u>
	304,505	193,377
FIXED ASSETS (Note 3)	<u>98,503</u>	<u>134,331</u>
TOTAL	<u>\$ 403,008</u>	<u>\$ 327,708</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 17,431	\$ 13,046
ACCUMULATED FUND:		
Accumulated surplus	<u>385,577</u>	<u>314,662</u>
TOTAL	<u>\$ 403,008</u>	<u>\$ 327,708</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization and authorized for issue on November 7, 2003, and are signed on its behalf by:



Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2003 *(Expressed in Bahamian dollars)*

	2003	2002
INCOME (Note 4)	\$ 830,808	\$ 784,000
OPERATING EXPENSES (Note 5)	<u>(716,886)</u>	<u>(669,983)</u>
INCOME FROM OPERATIONS	113,922	114,017
DEPRECIATION (Note 3)	<u>(43,007)</u>	<u>(36,965)</u>
EXCESS OF INCOME OVER EXPENSES	<u>\$ 70,915</u>	<u>\$ 77,052</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2001	\$ 237,610
Excess of income over expenses	<u>77,052</u>
Balance at June 30, 2002	314,662
Excess of income over expenses	<u>70,915</u>
Balance at June 30, 2003	<u>\$ 385,577</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003 (Expressed in Bahamian dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses	\$ 70,915	\$ 77,052
Adjustment for:		
Depreciation	<u>43,007</u>	<u>36,965</u>
	113,922	114,017
Cash generated from operations before working capital changes		
Increase in advances and other receivables	(1,109)	-
(Increase) decrease in prepaid expenses	(871)	1,293
Increase in accounts payable and accrued liabilities	<u>4,385</u>	<u>10,046</u>
Net cash from operating activities	<u>116,327</u>	<u>125,356</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of fixed assets	<u>(7,179)</u>	<u>(68,356)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,148	57,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>191,955</u>	<u>134,955</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 301,103</u>	<u>\$ 191,955</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003 (Expressed in Bahamian dollars)

1. GENERAL

The Financial Intelligence Unit (the "Organization") was established on December 29, 2000, by an Act of Parliament, the Financial Intelligence Unit Act 2000, under the laws of the Commonwealth of The Bahamas and commenced operations on January 1, 2001. The Organization is an administrative agency responsible for receiving, analyzing, obtaining and disseminating information, which relates to or may relate to the proceeds of offences under the Proceeds of Crime Act, 2000.

The Organization carries out its operations from offices located at Frederick Street, Nassau, Bahamas.

The number of employees as of June 30, 2003 was 15 (2002: 16).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from these estimates.

The following is a summary of the significant accounting policies:

- a. *Fixed assets* - Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Computer equipment	3 years
Communication equipment	3 years
Office equipment	5 years
Office furniture and fixtures	5 - 7 years

- b. *Cash and cash equivalents* - Cash is carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash is comprised of cash on hand together with cash at brokers and term deposits held with banks.
- c. *Income recognition* - Income is recognized on the accrual basis.

3. FIXED ASSETS

The movement of fixed assets during the year is as follows:

	2003			
	Beginning Balance	Additions	Disposals	Ending Balance
COST:				
Vehicles	\$ 46,722	\$ -	\$ -	\$ 46,722
Computer equipment	61,684	2,675	-	64,359
Communication equipment	3,240	-	-	3,240
Other equipment	10,354	199	-	10,553
Office furniture and fixtures	<u>54,642</u>	<u>4,305</u>	-	<u>58,947</u>
	<u>\$ 176,642</u>	<u>\$ 7,179</u>	<u>\$ -</u>	<u>\$ 183,821</u>
	2003			
	Beginning Balance	Depreciation Expense	Disposals	Ending Balance
ACCUMULATED DEPRECIATION:				
Vehicles	\$ 10,492	\$ 9,344	\$ -	\$ 19,836
Computer equipment	22,245	20,640	-	42,885
Communication equipment	1,503	1,080	-	2,583
Other equipment	1,730	1,391	-	3,121
Office furniture and fixtures	<u>6,341</u>	<u>10,552</u>	-	<u>16,893</u>
	<u>\$ 42,311</u>	<u>\$ 43,007</u>	<u>\$ -</u>	<u>\$ 85,318</u>
2003 Net Movement	<u>\$ 134,331</u>	<u>\$ (35,828)</u>	<u>\$ -</u>	<u>\$ 98,503</u>
2002 Net Movement	<u>\$ 102,940</u>	<u>\$ 31,391</u>	<u>\$ -</u>	<u>\$ 134,331</u>

4. INCOME

The Organization's source of income is derived from contributions made to the Organization by the government of the Commonwealth of The Bahamas. These contributions are government grants used to defray the costs of the acquisition of assets and expenses from operations, and are recognized as income over the periods necessary to match them with the related costs.

5. OPERATING EXPENSES

Operating expenses consist of the following:

	2003	2002
Payroll	\$ 387,085	\$ 373,096
Office rent	157,341	151,214
Operations of facilities/other services	35,479	17,603
Subsistence outside The Bahamas	29,640	22,648
Transportation outside The Bahamas	22,112	17,796
Telephones	19,874	19,980
Electricity	18,955	14,194
Fees and other charges	13,309	17,183
Printing and duplication	6,124	4,453
General office supplies	5,372	9,977
Gasoline	4,686	3,478
Transportation equipment upkeep	2,920	3,192
Conference, meetings and seminars	2,875	3,235
Photocopying	2,695	2,340
General maintenance - office space	2,177	-
Insurance - vehicles	1,789	2,870
Cleaning supplies	1,186	699
Mail transportation	967	273
Newspapers and periodicals	519	2,024
Ice and drinking water	436	195
Food	433	179
Licensing and inspection of vehicles	410	130
Postage	350	51
Mileage	152	1,288
Transportation in The Bahamas	-	164
Subsistence inside The Bahamas	-	258
Publication of notices	-	1,005
Acting allowance	-	458
	<u>\$ 716,886</u>	<u>\$ 669,983</u>

6. COMMITMENTS AND CONTINGENCIES

During 2001, the Organization leased office equipment from Bahamas Business Solutions Limited (formerly Bahamas Copier and Office Products Limited) pursuant to a thirty-six month lease agreement which commenced on February 23, 2001.

In August 2000, The Central Bank of The Bahamas leased the office space on Frederick Street, pursuant to a three-year lease agreement which commenced November 15, 2000 on behalf of the Organization. The Organization has fulfilled the obligations under the lease agreement. During July 2003, the Organization renewed the lease agreement for a further three-year term commencing November 1, 2003.

Future minimum rental payments with respect to the rented office space, for the years ending June 30 are as follows:

2004	\$ 154,143
2005	161,834
2006	<u>165,188</u>
	<u>\$ 481,165</u>

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