

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2004 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004:	
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Accumulated Fund	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

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, 2004, 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, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



July 28, 2004

FINANCIAL INTELLIGENCE UNIT

BALANCE SHEET

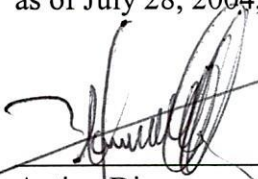
AS OF JUNE 30, 2004

(Expressed in Bahamian dollars)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 239,720	\$ 301,103
Advances and other receivables	89	1,109
Prepaid expenses and other assets	<u>6,717</u>	<u>2,293</u>
Total current assets	246,526	304,505
FIXED ASSETS (Note 3)	<u>59,218</u>	<u>98,503</u>
TOTAL	<u>\$ 305,744</u>	<u>\$ 403,008</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 12,784	\$ 17,431
ACCUMULATED FUND:		
Accumulated surplus	<u>292,960</u>	<u>385,577</u>
TOTAL	<u>\$ 305,744</u>	<u>\$ 403,008</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization and authorized for issue as of July 28, 2004, and are signed on its behalf by:



Acting Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2004 *(Expressed in Bahamian dollars)*

	2004	2003
GOVERNMENT CONTRIBUTIONS (Note 4)	\$ 656,738	\$ 830,808
OPERATING EXPENSES (Note 5)	<u>(706,276)</u>	<u>(716,886)</u>
(LOSS) INCOME FROM OPERATIONS	(49,538)	113,922
DEPRECIATION (Note 3)	<u>(43,079)</u>	<u>(43,007)</u>
EXCESS OF (EXPENSES OVER INCOME)/INCOME OVER EXPENSES	<u>\$ (92,617)</u>	<u>\$ 70,915</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2004

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2002	\$ 314,662
Excess of income over expenses	<u>70,915</u>
Balance at June 30, 2003	385,577
Excess of expenses over income	<u>(92,617)</u>
Balance at June 30, 2004	<u>\$ 292,960</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2004 *(Expressed in Bahamian dollars)*

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of expenses over income	\$ (92,617)	\$ 70,915
Adjustment for:		
Depreciation (Note 3)	<u>43,079</u>	<u>43,007</u>
Cash generated from operations before working capital changes	(49,538)	113,922
Decrease (increase) in advances and other receivables	1,020	(1,109)
Increase in prepaid expenses	(4,424)	(871)
(Decrease) increase in accounts payable and accrued liabilities	<u>(4,647)</u>	<u>4,385</u>
Net cash (used in) from operating activities	<u>(57,589)</u>	<u>116,327</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of fixed assets (Note 3)	<u>(3,794)</u>	<u>(7,179)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(61,383)	109,148
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>301,103</u>	<u>191,955</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 239,720</u>	<u>\$ 301,103</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

(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, 2004 was 14 (2003: 15).

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 and term deposits held with banks.
- c. *Government contributions* - Government contributions are recognized as income in the periods to which they relate.

3. FIXED ASSETS

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

	2004			
	Beginning Balance	Additions	Disposals	Ending Balance
COST:				
Vehicles	\$ 46,722	\$ -	\$ -	\$ 46,722
Computer equipment	64,359	1,935	-	66,294
Communication equipment	3,240	-	-	3,240
Other equipment	10,553	-	-	10,553
Office furniture and fixtures	58,947	1,859	-	60,806
	<u>\$ 183,821</u>	<u>\$ 3,794</u>	<u>\$ -</u>	<u>\$ 187,615</u>
	2004			
	Beginning Balance	Depreciation Expense	Disposals	Ending Balance
ACCUMULATED DEPRECIATION:				
Vehicles	\$ 19,836	\$ 9,344	\$ -	\$ 29,180
Computer equipment	42,885	20,769	-	63,654
Communication equipment	2,583	657	-	3,240
Other equipment	3,121	1,391	-	4,512
Office furniture and fixtures	16,893	10,918	-	27,811
	<u>\$ 85,318</u>	<u>\$ 43,079</u>	<u>\$ -</u>	<u>\$ 128,397</u>
2004 Net Movement	<u>\$ 98,503</u>	<u>\$ (39,285)</u>	<u>\$ -</u>	<u>\$ 59,218</u>
2003 Net Movement	<u>\$ 134,331</u>	<u>\$ (35,828)</u>	<u>\$ -</u>	<u>\$ 98,503</u>

4. GOVERNMENT CONTRIBUTIONS

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:

	2004	2003
Payroll and related	\$ 350,837	\$ 387,085
Office rent	162,718	157,341
Transportation outside The Bahamas	29,548	22,112
Subsistence outside The Bahamas	28,236	29,640
Operations of facilities/other services	24,980	35,479
Fees and other charges	23,072	13,309
Electricity	17,657	18,955
Telephones	16,293	19,874
Photocopying	11,702	2,695
Transportation equipment upkeep	7,839	2,920
General office supplies	7,178	5,372
Printing and duplication	6,550	6,124
Publication of notices	5,282	-
Gasoline	5,268	4,686
Insurance - vehicles	3,785	1,789
Mail transportation	1,372	967
Cleaning supplies	1,262	1,186
Food	793	433
Newspapers and periodicals	534	519
Subsistence inside The Bahamas	309	-
Transportation inside The Bahamas	299	-
Licensing and inspection of vehicles	280	410
Ice and drinking water	252	436
Postage	120	350
General maintenance - office space	110	2,177
Mileage	-	152
Conference, meetings and seminars	-	2,875
	<u>\$ 706,276</u>	<u>\$ 716,886</u>

6. COMMITMENTS AND CONTINGENCIES

During 2004, the Organization renewed its office equipment lease with Bahamas Business Solutions Limited pursuant to a thirty-six month lease agreement which commenced on February 23, 2004.

During July 2003, the Organization renewed a lease agreement for office space for a 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:

2005	\$ 161,834
2006	<u>165,188</u>
	<u>\$ 327,022</u>

7. SUBSEQUENT EVENT

On July 27, 2004, a vehicle with a cost of \$18,100 and carrying value of approximately \$6,000 was stolen. The Organization has submitted a claim to its insurers which is currently pending.

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