

## **FINANCIAL INTELLIGENCE UNIT**

**Financial Statements For The  
Year Ended June 30, 2005 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, 2005, 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, 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



January 30, 2006

# FINANCIAL INTELLIGENCE UNIT

## BALANCE SHEET AS OF JUNE 30, 2005


(Expressed in Bahamian dollars)

	2005	2004
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 169,593	\$ 239,720
Advances and other receivables	1,442	89
Prepaid expenses and other assets	<u>6,721</u>	<u>6,717</u>
Total current assets	177,756	246,526
FIXED ASSETS (Note 3)	<u>64,245</u>	<u>59,218</u>
TOTAL	<u>\$ 242,001</u>	<u>\$ 305,744</u>
<b>LIABILITIES AND ACCUMULATED FUND</b>		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 17,318	\$ 12,784
ACCUMULATED FUND:		
Accumulated surplus	<u>224,683</u>	<u>292,960</u>
TOTAL	<u>\$ 242,001</u>	<u>\$ 305,744</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on January 30, 2006, and are signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Accountant

## FINANCIAL INTELLIGENCE UNIT

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2005 *(Expressed in Bahamian dollars)*

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	<b>2005</b>	<b>2004</b>
GOVERNMENT CONTRIBUTIONS (Note 4)	\$ 664,000	\$ 656,738
OPERATING EXPENSES (Note 5)	<u>(710,540)</u>	<u>(706,276)</u>
LOSS FROM OPERATIONS	(46,540)	(49,538)
DEPRECIATION (Note 3)	(24,175)	(43,079)
GAIN ON DISPOSAL OF FIXED ASSETS	<u>2,438</u>	<u>-</u>
EXCESS OF EXPENSES OVER INCOME	<u>\$ (68,277)</u>	<u>\$ (92,617)</u>

See notes to financial statements.

## FINANCIAL INTELLIGENCE UNIT

### STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2005

*(Expressed in Bahamian dollars)*

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	Accumulated <u>Surplus</u>
Balance at June 30, 2003	\$ 385,577
Excess of expenses over income	<u>(92,617)</u>
Balance at June 30, 2004	292,960
Excess of expenses over income	<u>(68,277)</u>
Balance at June 30, 2005	<u>\$ 224,683</u>

See notes to financial statements.

## FINANCIAL INTELLIGENCE UNIT

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

*(Expressed in Bahamian dollars)*

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of expenses over income	\$ (68,277)	\$ (92,617)
Adjustments for:		
Depreciation (Note 3)	24,175	43,079
Gain on disposal of fixed assets	<u>(2,438)</u>	<u>-</u>
Cash used in operations before working capital changes	(46,540)	(49,538)
(Increase) decrease in advances and other receivables	(1,353)	1,020
Increase in prepaid expenses and other assets	(4)	(4,424)
Increase (decrease) in accounts payable and accrued liabilities	<u>4,534</u>	<u>(4,647)</u>
Net cash used in operating activities	<u>(43,363)</u>	<u>(57,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 3)	(34,964)	(3,794)
Proceeds from sale of fixed assets	<u>8,200</u>	<u>-</u>
Net cash used in investing activities	<u>(26,764)</u>	<u>(3,794)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70,127)	(61,383)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>239,720</u>	<u>301,103</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 169,593</u>	<u>\$ 239,720</u>

See notes to financial statements.

# FINANCIAL INTELLIGENCE UNIT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005 (Expressed in Bahamian dollars)

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### 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, 2005 was 16 (2004: 14).

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those 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:

	<b>2005</b>			
	Beginning Balance	Additions	Disposals	Ending Balance
<b>COST:</b>				
Vehicles	\$ 46,722	\$ 19,000	\$ 18,100	\$ 47,622
Computer equipment	66,294	9,214	-	75,508
Communication equipment	3,240	-	-	3,240
Other equipment	10,553	2,465	-	13,018
Office furniture and fixtures	60,806	4,285	-	65,091
	<u>\$ 187,615</u>	<u>\$ 34,964</u>	<u>\$ 18,100</u>	<u>\$ 204,479</u>
	<b>2005</b>			
	Beginning Balance	Depreciation Expense	Disposals	Ending Balance
<b>ACCUMULATED DEPRECIATION:</b>				
Vehicles	\$ 29,180	\$ 7,918	\$ 12,338	\$ 24,760
Computer equipment	63,654	2,191	-	65,845
Communication equipment	3,240	-	-	3,240
Other equipment	4,512	5,020	-	9,532
Office furniture and fixtures	27,811	9,046	-	36,857
	<u>\$ 128,397</u>	<u>\$ 24,175</u>	<u>\$ 12,338</u>	<u>\$ 140,234</u>
2005 Net Movement	<u>\$ 59,218</u>	<u>\$ 10,789</u>	<u>\$ 5,762</u>	<u>\$ 64,245</u>
2004 Net Movement	<u>\$ 98,503</u>	<u>\$ (39,285)</u>	<u>\$ -</u>	<u>\$ 59,218</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 funding 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:

	<b>2005</b>	<b>2004</b>
Payroll and related	\$ 301,395	\$ 350,837
Office rent	169,240	162,718
General office supplies	39,868	7,178
Subsistence outside The Bahamas	34,450	28,236
Operations of facilities/other services	27,695	24,980
Fees and other charges	23,890	23,072
Electricity	21,889	17,657
Transportation outside The Bahamas	20,452	29,548
Photocopying	16,998	11,702
Telephones	16,207	16,293
Transportation equipment upkeep	9,994	7,839
Gasoline	6,968	5,268
Printing and duplication	5,720	6,550
Acting allowance	3,174	-
Publication of notices	2,717	5,282
Insurance - vehicles	2,502	3,785
Mail transportation	2,129	1,372
Newspapers and periodicals	1,466	534
Cleaning supplies	1,430	1,262
Food	761	793
Subsistence inside The Bahamas	445	309
Postage	357	120
Licensing and inspection of vehicles	280	280
Transportation inside The Bahamas	273	299
Ice and drinking water	240	252
General maintenance - office space	-	110
	<u>\$ 710,540</u>	<u>\$ 706,276</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 year ending June 30 are as follows:

2006	<u>\$ 165,188</u>
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**7. RISK MANAGEMENT**

Due to the nature of its operations, the Organization has limited risk exposure to financial instruments. Cash is maintained with approved and licensed financial institutions. Advances and other receivables are made to employees for limited amounts to facilitate travel requirements. Advances and the submission of expense reports and subsequent repayments of funds are monitored by management.

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