

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2006
And Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006:	
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Accumulated Fund	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

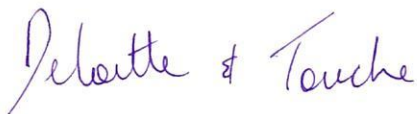
INDEPENDENT AUDITORS' REPORT

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, 2006, 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, 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



October 9, 2006

FINANCIAL INTELLIGENCE UNIT

BALANCE SHEET AS OF JUNE 30, 2006

(Expressed in Bahamian dollars)

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,244	\$ 169,593
Advances and other receivables	987	1,442
Prepaid expenses and other assets	<u>6,152</u>	<u>6,721</u>
Total current assets	189,383	177,756
FIXED ASSETS (Note 4)	<u>119,707</u>	<u>64,245</u>
TOTAL	<u>\$ 309,090</u>	<u>\$ 242,001</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 21,073	\$ 17,318
ACCUMULATED FUND:		
Accumulated surplus	<u>288,017</u>	<u>224,683</u>
TOTAL	<u>\$ 309,090</u>	<u>\$ 242,001</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on October 9, 2006, and are signed on its behalf by:



Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2006

(Expressed in Bahamian dollars)

	2006	2005
GOVERNMENT CONTRIBUTIONS (Note 5)	\$ 841,700	\$ 664,000
OPERATING EXPENSES (Note 6)	<u>(753,582)</u>	<u>(710,540)</u>
INCOME (LOSS) FROM OPERATIONS	88,118	(46,540)
DEPRECIATION (Note 4)	(33,086)	(24,175)
GAIN ON DISPOSAL OF FIXED ASSETS	<u>8,302</u>	<u>2,438</u>
EXCESS OF INCOME OVER EXPENSES (EXPENSES OVER INCOME)	<u>\$ 63,334</u>	<u>\$ (68,277)</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2006

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2004	\$ 292,960
Excess of expenses over income	<u>(68,277)</u>
Balance at June 30, 2005	224,683
Excess of income over expenses	<u>63,334</u>
Balance at June 30, 2006	<u>\$ 288,017</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

(Expressed in Bahamian dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses (expenses over income)	\$ 63,334	\$ (68,277)
Adjustments for:		
Depreciation (Note 4)	33,086	24,175
Gain on disposal of fixed assets	<u>(8,302)</u>	<u>(2,438)</u>
Cash from (used in) operations before working capital changes	88,118	(46,540)
Decrease (increase) in advances and other receivables	455	(1,353)
Decrease (increase) in prepaid expenses and other assets	569	(4)
Increase in accounts payable and accrued liabilities	<u>3,755</u>	<u>4,534</u>
Net cash from (used in) operating activities	<u>92,897</u>	<u>(43,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 4)	(91,246)	(34,964)
Proceeds from sale of fixed assets	<u>11,000</u>	<u>8,200</u>
Net cash used in investing activities	<u>(80,246)</u>	<u>(26,764)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	12,651	(70,127)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>169,593</u>	<u>239,720</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 182,244</u>	<u>\$ 169,593</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

(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, 2006 was 16 (2005: 16).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations does not have a material impact on the financial statements of the Company.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 7	Financial Instruments: Disclosures
IAS 1 (Revised 2005)	Presentation of Financial Statements
IAS 39 (Revised 2005)	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement Contains a Lease

The Organization anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements.

3. 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
Other 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.
- d. **Related parties** - Related parties include key management personnel and any other party directly or indirectly, through one or more intermediaries, the party controls is controlled by, or is under common control with the Organization.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Organization, directly or indirectly, including any director (whether executive or otherwise) of the Organization.

4. FIXED ASSETS

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

	2006			
	Beginning Balance	Additions	Disposals	Ending Balance
COST:				
Vehicles	\$ 47,622	\$ 61,163	\$ 28,622	\$ 80,163
Computer equipment	75,508	26,217	32,598	69,127
Communication equipment	3,240	-	-	3,240
Other equipment	13,018	-	-	13,018
Office furniture and fixtures	65,091	3,866	-	68,957
	<u>\$ 204,479</u>	<u>\$ 91,246</u>	<u>\$ 61,220</u>	<u>\$ 234,505</u>
	2006			
	Beginning Balance	Depreciation Expense	Disposals	Ending Balance
ACCUMULATED DEPRECIATION:				
Vehicles	\$ 24,760	\$ 13,147	\$ 25,924	\$ 11,983
Computer equipment	65,845	7,022	32,598	40,269
Communication equipment	3,240	-	-	3,240
Other equipment	9,532	1,725	-	11,257
Office furniture and fixtures	36,857	11,192	-	48,049
	<u>\$ 140,234</u>	<u>\$ 33,086</u>	<u>\$ 58,522</u>	<u>\$ 114,798</u>
2006 Net movement	<u>\$ 64,245</u>	<u>\$ 58,160</u>	<u>\$ 2,698</u>	<u>\$ 119,707</u>
2005 Net movement	<u>\$ 59,218</u>	<u>\$ 10,789</u>	<u>\$ 5,762</u>	<u>\$ 64,245</u>

5. 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.

6. OPERATING EXPENSES

Operating expenses consist of the following:

	2006	2005
Payroll and related (Note 8)	\$ 358,083	\$ 301,395
Office rent	158,974	169,240
Operations of facilities/other services	40,185	27,695
Electricity	26,280	21,889
Subsistence outside The Bahamas	27,633	34,450
Telephones	20,192	16,207
Fees and other charges	21,004	23,890
Transportation outside The Bahamas	18,104	20,452
General office supplies	15,242	39,868
Photocopying	10,898	16,998
Printing and duplication	10,308	5,720
Transportation equipment upkeep	9,733	9,994
Gasoline	9,295	6,968
Cleaning supplies	5,960	1,430
Conferences, meetings and seminars	5,855	-
Newspapers and periodicals	5,133	1,466
Insurance - vehicles	5,087	2,502
Food	2,303	761
Mail transportation	1,886	2,129
Postage	538	357
Transportation inside The Bahamas	300	273
Ice and drinking water	246	240
Subsistence inside The Bahamas	198	445
Licensing and inspection of vehicles	145	280
Publication of notices	-	2,717
Acting allowance	-	3,174
	<u>\$ 753,582</u>	<u>\$ 710,540</u>

7. COMMITMENTS AND CONTINGENCIES

The Organization has a revolving office equipment lease with Bahamas Business Solutions Limited which commenced on February 23, 2004. Future minimum lease payments under this lease for the years ending June 30 are as follows:

2007	<u>\$ 14,040</u>
2008	<u>\$ 14,040</u>
2009	<u>\$ 14,040</u>
2010	<u>\$ 14,040</u>
2011	<u>\$ 14,040</u>

During September 2006, the Organization renewed a lease agreement for office space for a five-year term commencing November 1, 2006. Future minimum rental payments with respect to the rented office space, for the years ending June 30 are as follows:

2007	<u>\$ 116,266</u>
2008	<u>\$ 116,266</u>
2009	<u>\$ 116,266</u>
2010	<u>\$ 118,599</u>
2011	<u>\$ 120,987</u>

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2006	2005
Accounts receivable	<u>\$ 751</u>	<u>\$ 1,049</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2006 was \$154,306 (2005: \$89,367).

9. 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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