

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2007 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 financial statements of Financial Intelligence Unit (the "Organization") which comprise the balance sheet as of June 30, 2007, and the related statements of operations, changes in accumulated fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

August 27, 2007

FINANCIAL INTELLIGENCE UNIT

BALANCE SHEET AS OF JUNE 30, 2007

(Expressed in Bahamian dollars)

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 192,888	\$ 182,244
Advances and other receivables	308	987
Prepaid expenses and other assets	<u>11,611</u>	<u>6,152</u>
Total current assets	204,807	189,383
FIXED ASSETS (Note 5)	<u>103,922</u>	<u>119,707</u>
TOTAL	<u>\$ 308,729</u>	<u>\$ 309,090</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 21,657	\$ 21,073
ACCUMULATED FUND:		
Accumulated surplus	<u>287,072</u>	<u>288,017</u>
TOTAL	<u>\$ 308,729</u>	<u>\$ 309,090</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on August 27, 2007, and are signed on its behalf by:



Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2007 *(Expressed in Bahamian dollars)*

	2007	2006
GOVERNMENT CONTRIBUTIONS (Note 6)	\$ 950,000	\$ 841,700
OPERATING EXPENSES (Note 7)	<u>(910,889)</u>	<u>(753,582)</u>
INCOME FROM OPERATIONS	39,111	88,118
DEPRECIATION (Note 5)	(38,641)	(33,086)
(LOSS) GAIN ON DISPOSAL OF FIXED ASSETS	<u>(1,415)</u>	<u>8,302</u>
EXCESS OF (EXPENSES OVER INCOME) INCOME OVER EXPENSES	<u>\$ (945)</u>	<u>\$ 63,334</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2007

(Expressed in Bahamian dollars)

	<u>Accumulated Surplus</u>
Balance at June 30, 2005	\$ 224,683
Excess of income over expenses	<u>63,334</u>
Balance at June 30, 2006	288,017
Excess of expenses over income	<u>(945)</u>
Balance at June 30, 2007	<u>\$ 287,072</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2007 (Expressed in Bahamian dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of (expenses over income) income over expenses	\$ (945)	\$ 63,334
Adjustments for:		
Depreciation (Note 5)	38,641	33,086
Loss (gain) on disposal of fixed assets	<u>1,415</u>	<u>(8,302)</u>
Cash from operations before working capital changes	39,111	88,118
Decrease in advances and other receivables	679	455
(Increase) decrease in prepaid expenses and other assets	(5,459)	569
Increase in accounts payable and accrued liabilities	<u>584</u>	<u>3,755</u>
Net cash from operating activities	<u>34,915</u>	<u>92,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 5)	(34,271)	(91,246)
Proceeds from sale of fixed assets	<u>10,000</u>	<u>11,000</u>
Net cash used in investing activities	<u>(24,271)</u>	<u>(80,246)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,644	12,651
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>182,244</u>	<u>169,593</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 192,888</u>	<u>\$ 182,244</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

(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.

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 July 1, 2006. 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

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 based on the amounts received.
- d. **Related parties** - Related parties include key management personnel and any other party, the Organization controls, is controlled by, or is under common control with.

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 of the Organization.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Organization's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

5. FIXED ASSETS

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

	2007			
	Beginning Balance	Additions	Disposals	Ending Balance
COST:				
Vehicles	\$ 80,163	\$ 27,386	\$ 19,000	\$ 88,549
Computer equipment	69,127	1,195	-	70,322
Communication equipment	3,240	-	-	3,240
Other equipment	13,018	120	-	13,138
Office furniture and fixtures	68,957	5,570	-	74,527
	<u>\$ 234,505</u>	<u>\$ 34,271</u>	<u>\$ 19,000</u>	<u>\$ 249,776</u>
	2007			
	Beginning Balance	Depreciation Expense	Disposals	Ending Balance
ACCUMULATED DEPRECIATION:				
Vehicles	\$ 11,983	\$ 15,354	\$ 7,585	\$ 19,752
Computer equipment	40,269	12,044	-	52,313
Communication equipment	3,240	-	-	3,240
Other equipment	11,257	493	-	11,750
Office furniture and fixtures	48,049	10,750	-	58,799
	<u>\$ 114,798</u>	<u>\$ 38,641</u>	<u>\$ 7,585</u>	<u>\$ 145,854</u>
2007 Net movement	<u>\$ 119,707</u>	<u>\$ (4,370)</u>	<u>\$ 11,415</u>	<u>\$ 103,922</u>
2006 Net movement	<u>\$ 64,245</u>	<u>\$ 58,160</u>	<u>\$ 2,698</u>	<u>\$ 119,707</u>

6. GOVERNMENT CONTRIBUTIONS

The Organization's source of income is derived from budget allocations 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. For the year, the organization was allocated \$1,000,000 (2006: \$886,000) and received \$950,000 (2006: \$841,700).

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2007	2006
Payroll and related (Note 8)	\$ 454,471	\$ 358,083
Office rent	182,875	158,974
Operations of facilities/other services	36,074	40,185
Subsistence outside The Bahamas	30,700	27,633
Electricity	25,886	26,280
Telephones	25,126	20,192
Fees and other charges	24,735	21,004
Conferences, meetings and seminars	19,650	5,855
Publication of notices	18,584	-
Photocopying	15,268	10,898
General office supplies	14,382	15,242
Gasoline	11,719	9,295
Transportation outside The Bahamas	11,441	18,104
General maintenance - office space	8,120	4,766
Printing and duplication	8,013	10,308
Newspapers and periodicals	7,349	5,133
Insurance - vehicles	3,841	5,087
Transportation equipment upkeep	3,491	9,733
Food	2,320	2,303
Subsistence inside The Bahamas	1,535	198
Mail transportation	1,370	1,886
Acting allowance	1,055	-
Cleaning supplies	1,006	1,194
Official entertainment	514	-
Licensing and inspection of vehicles	425	145
Transportation inside The Bahamas	347	300
Postage	340	538
Ice and drinking water	252	246
	<u>\$ 910,889</u>	<u>\$ 753,582</u>

8. 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>

During February 2007, the Organization signed a lease agreement for office space for a five-year term commencing April 1, 2007. Future minimum rental payment with respect to the rented space for the years ending June 30, are as follows:

2007	<u>\$ 11,051</u>
2008	<u>\$ 11,051</u>
2009	<u>\$ 11,051</u>
2010	<u>\$ 11,051</u>
2011	<u>\$ 11,272</u>

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2007	2006
Accounts receivable	<u>\$ 308</u>	<u>\$ 751</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2007 was \$228,079 (2006: \$154,306).

10. 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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