

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2008 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008:	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Accumulated Fund	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

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, 2008, 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, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

August 1, 2008

FINANCIAL INTELLIGENCE UNIT

BALANCE SHEET AS OF JUNE 30, 2008

(Expressed in Bahamian dollars)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 453,594	\$ 192,888
Advances and other receivables (Note 9)	2,600	308
Prepaid expenses and other assets	<u>18,089</u>	<u>11,611</u>
Total current assets	474,283	204,807
FIXED ASSETS (Note 5)	<u>243,869</u>	<u>103,922</u>
TOTAL	<u>\$ 718,152</u>	<u>\$ 308,729</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 68,315	\$ 21,657
ACCUMULATED FUND:		
Accumulated surplus	<u>649,837</u>	<u>287,072</u>
TOTAL	<u>\$ 718,152</u>	<u>\$ 308,729</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on August 1, 2008, and are signed on its behalf by:



Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2008 *(Expressed in Bahamian dollars)*

	2008	2007
GOVERNMENT CONTRIBUTIONS (Note 6)	\$1,378,173	\$ 950,000
OPERATING EXPENSES (Note 7)	<u>(974,237)</u>	<u>(910,889)</u>
INCOME FROM OPERATIONS	403,936	39,111
DEPRECIATION (Note 5)	(41,171)	(38,641)
LOSS ON DISPOSAL OF FIXED ASSETS	<u>-</u>	<u>(1,415)</u>
EXCESS OF INCOME OVER EXPENSES (EXPENSES OVER INCOME)	<u>\$ 362,765</u>	<u>\$ (945)</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2008

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2006	\$ 288,017
Excess of expenses over income	<u>(945)</u>
Balance at June 30, 2007	287,072
Excess of income over expenses	<u>362,765</u>
Balance at June 30, 2008	<u>\$ 649,837</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

(Expressed in Bahamian dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses (expenses over income)	\$ 362,765	\$ (945)
Adjustments for:		
Depreciation (Note 5)	41,171	38,641
Loss on disposal of fixed assets	-	1,415
Cash from operations before working capital changes	403,936	39,111
(Increase) decrease in advances and other receivables	(2,292)	679
Increase in prepaid expenses and other assets	(6,478)	(5,459)
Increase in accounts payable and accrued liabilities	46,658	584
Net cash from operating activities	<u>441,824</u>	<u>34,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 5)	(181,118)	(34,271)
Proceeds from sale of fixed assets	-	10,000
Net cash used in investing activities	<u>(181,118)</u>	<u>(24,271)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	260,706	10,644
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>192,888</u>	<u>182,244</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 453,594</u>	<u>\$ 192,888</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

(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, 2007, namely IFRS 7 and consequential amendments to IAS 1 (Revised 2005). The adoption of these Standards has led to expanded disclosure regarding the Organizations' financial instruments and management of capital.

At the date of authorisation of these financial statements, the following Standard that is relevant to the Organization's operations was in issue but not yet effective:

IAS 1 (Revised 2007)	Presentation of Financial Statements
----------------------	--------------------------------------

The Organization anticipates that the adoption of this Standard in future periods will require the presentation of a statement of comprehensive income.

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 with which it is under common control.

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 JUDGMENTS 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:

	Vehicles	Computer Equipment	Communication Equipment	Other Equipment	Office Furniture and Fixtures	Total
Balance at June 30, 2006	\$ 80,163	\$ 69,127	\$ 3,240	\$ 13,018	\$ 68,957	\$ 234,505
Additions	27,386	1,195	-	120	5,570	34,271
Disposals	(19,000)	-	-	-	-	(19,000)
Balance at June 30, 2007	88,549	70,322	3,240	13,138	74,527	249,776
Additions	-	138,970	2,176	82	39,890	181,118
Balance at June 30, 2008	<u>\$ 88,549</u>	<u>\$ 209,292</u>	<u>\$ 5,416</u>	<u>\$ 13,220</u>	<u>\$ 114,417</u>	<u>\$ 430,894</u>
ACCUMULATED DEPRECIATION:						
Balance at June 30, 2006	\$ 11,983	\$ 40,269	\$ 3,240	\$ 11,257	\$ 48,049	\$ 114,798
Depreciation expense	15,354	12,044	-	493	10,750	38,641
Disposals	(7,585)	-	-	-	-	(7,585)
Balance at June 30, 2007	19,752	52,313	3,240	11,750	58,799	145,854
Depreciation expense	17,710	13,430	195	534	9,302	41,171
Balance at June 30, 2008	<u>\$ 37,462</u>	<u>\$ 65,743</u>	<u>\$ 3,435</u>	<u>\$ 12,284</u>	<u>\$ 68,101</u>	<u>\$ 187,025</u>
NET BOOK VALUE AT:						
June 30, 2008	<u>\$ 51,087</u>	<u>\$ 143,549</u>	<u>\$ 1,981</u>	<u>\$ 936</u>	<u>\$ 46,316</u>	<u>\$ 243,869</u>
June 30, 2007	<u>\$ 68,797</u>	<u>\$ 18,009</u>	<u>\$ -</u>	<u>\$ 1,388</u>	<u>\$ 15,728</u>	<u>\$ 103,922</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 \$1,378,173 (2007: \$1,000,000) and received \$1,378,173 (2007: \$950,000).

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2008	2007
Payroll and related (Note 9)	\$ 472,071	\$ 454,471
Office rent	184,597	182,875
Operations of facilities/other services	52,188	36,074
Transportation outside The Bahamas	33,158	11,441
Electricity	32,388	25,886
Telephones	26,580	25,126
Fees and other charges	23,940	24,735
Subsistence outside The Bahamas	22,156	30,700
Printing and duplication	20,736	8,013
Publication of notices	16,940	18,584
Photocopying	15,455	15,268
Conferences, meetings and seminars	14,480	19,650
Gasoline	13,091	11,719
General office supplies	10,536	14,382
Transportation equipment upkeep	5,875	3,491
General maintenance - office space	5,716	8,120
Newspapers and periodicals	5,583	7,349
Insurance - vehicles	3,610	3,841
Official entertainment	3,256	514
Mail transportation	3,249	1,370
Acting allowance	2,025	1,055
Cleaning supplies	1,476	1,006
Mileage	1,387	-
Food	1,145	2,320
Postage	805	340
Subsistence inside The Bahamas	652	1,535
Licensing and inspection of vehicles	425	425
Transportation inside The Bahamas	373	347
Ice and drinking water	344	252
	<u>\$ 974,237</u>	<u>\$ 910,889</u>

8. COMMITMENTS AND CONTINGENCIES

The Organization has a revolving office equipment lease with Bahamas Business Solutions Limited which commenced on October 29, 2007. Future minimum lease payments under this lease for the years ending June 30 are as follows:

2008	<u>\$ 14,040</u>
2009	<u>\$ 14,040</u>
2010	<u>\$ 11,700</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:

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:

2008	<u>\$ 11,501</u>
2009	<u>\$ 11,501</u>
2010	<u>\$ 11,501</u>
2011	<u>\$ 11,272</u>

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2008	2007
Accounts receivable	<u>\$ 2,600</u>	<u>\$ 308</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2008 was \$241,346 (2007: \$228,079).

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.

* * * * *