

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2009 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

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INDEPENDENT AUDITORS' REPORT

To the Acting 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, 2009, 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, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

August 31, 2009

FINANCIAL INTELLIGENCE UNIT

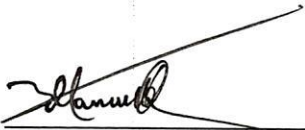
BALANCE SHEET AS OF JUNE 30, 2009

(Expressed in Bahamian dollars)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 752,837	\$ 453,594
Advances and other receivables (Note 9)	96	2,600
Prepaid expenses and other assets	<u>20,398</u>	<u>18,089</u>
Total current assets	773,331	474,283
FIXED ASSETS, NET (Note 5)	<u>319,738</u>	<u>243,869</u>
TOTAL	<u>\$1,093,069</u>	<u>\$ 718,152</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 30,097	\$ 68,315
ACCUMULATED FUND:		
Accumulated surplus	<u>1,062,972</u>	<u>649,837</u>
TOTAL	<u>\$1,093,069</u>	<u>\$ 718,152</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on August 31, 2009, and are signed on its behalf by:



Acting Director



Accountant

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2009

(Expressed in Bahamian dollars)

	2009	2008
GOVERNMENT CONTRIBUTIONS (Note 6)	\$1,621,625	\$1,378,173
OPERATING EXPENSES (Note 7)	<u>(1,139,842)</u>	<u>(974,237)</u>
INCOME FROM OPERATIONS	481,783	403,936
DEPRECIATION (Note 5)	(68,202)	(41,171)
LOSS ON DISPOSAL OF FIXED ASSETS	<u>(446)</u>	<u>-</u>
EXCESS OF INCOME OVER EXPENSES	<u>\$ 413,135</u>	<u>\$ 362,765</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2009

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2007	\$ 287,072
Excess of income over expenses	<u>362,765</u>
Balance at June 30, 2008	649,837
Excess of income over expenses	<u>413,135</u>
Balance at June 30, 2009	<u>\$ 1,062,972</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009

(Expressed in Bahamian dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses	\$ 413,135	\$ 362,765
Adjustments for:		
Depreciation (Note 5)	68,202	41,171
Loss on disposal of fixed assets	446	-
Cash from operations before working capital changes	481,783	403,936
Decrease (increase) in advances and other receivables	2,504	(2,292)
Increase in prepaid expenses and other assets	(2,309)	(6,478)
(Decrease) increase in accounts payable and accrued liabilities	(38,218)	46,658
Net cash from operating activities	<u>443,760</u>	<u>441,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 5)	(144,697)	(181,118)
Proceeds on disposal of fixed assets	180	-
Net cash used in investing activities	<u>(144,517)</u>	<u>(181,118)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	299,243	260,706
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>453,594</u>	<u>192,888</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 752,837</u>	<u>\$ 453,594</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

(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

Standards and Interpretations effective in the current period

In the current year, the Organization 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 (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2008.

There were two interpretations issued by the International Financial Reporting Interpretations Committee that are effective for the current year. These are: IFRIC 11 IFRS 2 - *Group and Treasury Share Transactions* and IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*. The adoption of these Interpretations has not led to any changes in the Organization's accounting policies.

In October 2008 the IASB issued amendments to IAS 39 and IFRS 7 on reclassifying financial assets. The Organization has not reclassified its investments.

At the date of authorization of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective.

IFRS 1/IAS 27	(Amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	(Amended) Share-based Payment - Vesting Conditions and Cancellations
IFRS 3	(Revised 2007) Business Combinations
IFRS 8	Operating Segments
IAS 1	(Revised 2007) Presentation of Financial Statements

IAS 23	(Revised 2007) Borrowing Costs
IAS 27	(Revised 2008) Consolidated and Separate Financial Statements
IAS 32/IAS 1	(Amended) Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

Management anticipates that the relevant adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Organization, except that such statements will include 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, net** - 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. 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, NET

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

	<u>Vehicles</u>	<u>Computer Equipment</u>	<u>Communication Equipment</u>	<u>Other Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Total</u>
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	88,549	209,292	5,416	13,220	114,417	430,894
Additions	-	81,895	390	17,566	44,846	144,697
Disposals	-	-	(715)	-	-	(715)
Balance at June 30, 2009	<u>\$ 88,549</u>	<u>\$ 291,187</u>	<u>\$ 5,091</u>	<u>\$ 30,786</u>	<u>\$ 159,263</u>	<u>\$ 574,876</u>
ACCUMULATED DEPRECIATION:						
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	37,462	65,743	3,435	12,284	68,101	187,025
Depreciation expense	17,710	37,049	638	1,658	11,147	68,202
Disposals	-	-	(89)	-	-	(89)
Balance at June 30, 2009	<u>\$ 55,172</u>	<u>\$ 102,792</u>	<u>\$ 3,984</u>	<u>\$ 13,942</u>	<u>\$ 79,248</u>	<u>\$ 255,138</u>
NET BOOK VALUE AT:						
June 30, 2009	<u>\$ 33,377</u>	<u>\$ 188,395</u>	<u>\$ 1,107</u>	<u>\$ 16,844</u>	<u>\$ 80,015</u>	<u>\$ 319,738</u>
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>

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 \$1,621,625 (2008: \$1,378,173) and received \$1,621,625 (2008: \$1,378,173).

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2009	2008
Payroll and related (Note 9)	\$ 610,204	\$ 472,071
Office rent (Note 8)	135,441	127,317
Operations of facilities/other services	114,696	109,468
Transportation outside The Bahamas	41,114	33,158
Electricity	35,135	32,388
Subsistence outside The Bahamas	35,932	22,156
Telephones	30,305	26,580
Fees and other charges	23,133	23,940
Conferences, meetings and seminars	16,049	14,480
Photocopying	14,040	15,455
Printing and duplication	13,785	20,736
General office supplies	9,851	10,536
Gasoline	9,052	13,091
Acting allowance	8,220	2,025
Publication of notices	6,699	16,940
Newspapers and periodicals	5,784	5,583
General maintenance - office space	5,102	5,716
Transportation equipment upkeep	4,899	5,875
Cleaning supplies	4,333	1,476
Official entertainment	3,310	3,256
Insurance - vehicles	3,021	3,610
Mileage	2,400	1,387
Mail transportation	2,004	3,249
Food	1,522	1,145
Subsistence inside The Bahamas	1,364	652
Transportation inside The Bahamas	998	373
Postage	653	805
Licensing and inspection of vehicles	425	425
Ice and drinking water	371	344
	<u>\$ 1,139,842</u>	<u>\$ 974,237</u>

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:

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:

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:

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

During March 2009, the Organization took possession of additional office space adjacent to the office space it presently occupies. At June 30, 2009, no rent had been paid on this additional office space because the entity was not in possession of a signed and executed lease agreement. The entity has been accruing \$2,017 per month since April 2009.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2009	2008
Accounts receivable	<u>\$ 96</u>	<u>\$ 2,600</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2009 was \$277,853 (2008: \$241,346).

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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