

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2010 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

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INDEPENDENT AUDITORS' REPORT

To the Director of
Financial Intelligence Unit:

We have audited the financial statements of Financial Intelligence Unit (the "Organization") which comprise the statement of financial position as of June 30, 2010, and the related statements of comprehensive income, 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, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

August 20, 2010

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2010

(Expressed in Bahamian dollars)

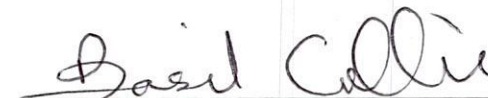
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1,081,725	\$ 752,837
Advances and other receivables (Note 9)	485	96
Prepaid expenses and other assets	<u>19,972</u>	<u>20,398</u>
Total current assets	1,102,182	773,331
FIXED ASSETS, NET (Note 5)	<u>256,276</u>	<u>319,738</u>
TOTAL	<u>\$1,358,458</u>	<u>\$1,093,069</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 24,052	\$ 30,097
ACCUMULATED FUND:		
Accumulated surplus	<u>1,334,406</u>	<u>1,062,972</u>
TOTAL	<u>\$1,358,458</u>	<u>\$1,093,069</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on August 20, 2010, and are signed on its behalf by:



Director



Deputy Director

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

(Expressed in Bahamian dollars)

	2010	2009
GOVERNMENT CONTRIBUTIONS (Note 6)	\$1,513,206	\$1,621,625
OPERATING EXPENSES (Note 7)	<u>(1,133,104)</u>	<u>(1,139,842)</u>
INCOME FROM OPERATIONS	380,102	481,783
DEPRECIATION (Note 5)	(117,833)	(68,202)
GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS	<u>9,165</u>	<u>(446)</u>
EXCESS OF INCOME OVER EXPENSES	<u>\$ 271,434</u>	<u>\$ 413,135</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2010

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2008	\$ 649,837
Excess of income over expenses	<u>413,135</u>
Balance at June 30, 2009	1,062,972
Excess of income over expenses	<u>271,434</u>
Balance at June 30, 2010	<u>\$ 1,334,406</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

(Expressed in Bahamian dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses	\$ 271,434	\$ 413,135
Adjustments for:		
Depreciation (Note 5)	117,833	68,202
(Gain) loss on disposal of fixed assets	<u>(9,165)</u>	<u>446</u>
Cash from operations before working capital changes	380,102	481,783
(Increase) decrease in advances and other receivables	(389)	2,504
Decrease (increase) in prepaid expenses and other assets	426	(2,309)
Decrease in accounts payable and accrued liabilities	<u>(6,045)</u>	<u>(38,218)</u>
Net cash from operating activities	<u>374,094</u>	<u>443,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 5)	(59,206)	(144,697)
Proceeds on disposal of fixed assets	<u>14,000</u>	<u>180</u>
Net cash used in investing activities	<u>(45,206)</u>	<u>(144,517)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	328,888	299,243
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>752,837</u>	<u>453,594</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,081,725</u>	<u>\$ 752,837</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

(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 STANDARDS

Standards adopted in the current year impacting the financial statements

In the current year, the Company has adopted the following revised Standards issued by the International Accounting Standards Board (“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 January 1, 2009:

- IAS 1 Presentation of Financial Statements (revised 2007 and 2008). The Standard introduces terminology changes (including revised titles for certain financial statements) and changes in the format and content of the financial statements;
- IFRS 7 Financial Instruments: Disclosures (amended 2009). The Standard enhances disclosures on fair value and liquidity risk.

Standards and Interpretations issued but not yet adopted

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: The amendment clarifies the measurement and presentation of non-current assets held for sale. (Effective for periods beginning January 1, 2010);
- IFRS 9 - Financial Instruments: The Standard introduces new requirements for classifying and measuring financial assets. (Effective for periods beginning on or after January 1, 2013);
- IAS 7 - Statement of Cash Flows: The amendment specifies that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. (Effective for period beginning on or after January 1, 2010);

- IFRIC 17 - Distributions of Non-Cash Assets to Owners: The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholder. (Effective for periods beginning on or after July 1, 2009);
- Improvements to IFRSs (2009): In addition to the changes described above, the improvements have led to a number of changes to other Standards. The majority of these amendments are effective from January 1, 2010.

The Director anticipates that the Organization will adopt these Standards and Interpretations in the relevant future periods. The Director has not yet had an opportunity to consider the potential impact of the adoption of these Standards and Interpretations.

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:

- 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

- Cash and cash equivalents** - Cash is carried in the statement of financial position at nominal value. Cash is comprised of cash on hand together with cash and term deposits held with banks.
- Government contributions** - Government contributions are recognized as income in the periods to which they relate based on the amounts received.
- 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.

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, 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	88,549	291,187	5,091	30,786	159,263	574,876
Additions	42,802	1,732	1,935	1,153	11,584	59,206
Disposals	(27,900)	-	-	-	-	(27,900)
Balance at June 30, 2010	<u>\$ 103,451</u>	<u>\$ 292,919</u>	<u>\$ 7,026</u>	<u>\$ 31,939</u>	<u>\$ 170,847</u>	<u>\$ 606,182</u>
ACCUMULATED DEPRECIATION:						
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	55,172	102,792	3,984	13,942	79,248	255,138
Depreciation expense	18,768	74,221	931	3,963	19,950	117,833
Disposals	(23,065)*	-	-	-	-	(23,065)
Balance at June 30, 2010	<u>\$ 50,875</u>	<u>\$ 177,013</u>	<u>\$ 4,915</u>	<u>\$ 17,905</u>	<u>\$ 99,198</u>	<u>\$ 349,906</u>
NET BOOK VALUE AT:						
June 30, 2010	<u>\$ 52,576</u>	<u>\$ 115,906</u>	<u>\$ 2,111</u>	<u>\$ 14,034</u>	<u>\$ 71,649</u>	<u>\$ 256,276</u>
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>

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 and received \$1,513,206 (2009: \$1,621,625).

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2010	2009
Payroll and related (Note 9)	\$ 667,060	\$ 610,204
Office rent (Note 8)	149,951	135,441
Operations of facilities/other services	120,746	114,696
Telephones	31,279	30,305
Electricity	30,922	35,135
Fees and other charges	22,494	23,133
Subsistence outside The Bahamas	20,341	35,932
Transportation outside The Bahamas	15,010	41,114
Photocopying	14,040	14,040
Conferences, meetings and seminars	12,819	16,049
Gasoline	8,571	9,052
Newspapers and periodicals	6,639	5,784
General office supplies	6,255	9,851
Acting allowance	5,572	8,220
Transportation equipment upkeep	4,601	4,899
Mail transportation	2,912	2,004
Insurance - vehicles	2,887	3,021
Official entertainment	2,271	3,310
Mileage	2,000	2,400
Cleaning supplies	1,689	4,333
Subsistence inside The Bahamas	1,014	1,364
Transportation inside The Bahamas	880	998
Food	860	1,522
General maintenance - office space	710	5,102
Printing and duplication	618	13,785
Ice and drinking water	350	371
Postage	333	653
Licensing and inspection of vehicles	280	425
Publication of notices	-	6,699
	<u>\$ 1,133,104</u>	<u>\$ 1,139,842</u>

8. COMMITMENTS AND CONTINGENCIES

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:

2011	<u>\$ 120,987</u>
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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:

2011	<u>\$ 11,272</u>
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9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2010	2009
Advances and other receivables	<u>\$ 485</u>	<u>\$ 96</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2010 was \$300,247 (2009: \$277,853).

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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