

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2011 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 at June 30, 2011, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 Financial Intelligence Unit as at June 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

October 10, 2011

FINANCIAL INTELLIGENCE UNIT


STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2011

(Expressed in Bahamian dollars)

| | 2011 | 2010 |
|--|-------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 655,657 | \$1,081,725 |
| Advances and other receivables (Note 9) | 3,412 | 485 |
| Prepaid expenses and other assets | <u>19,521</u> | <u>19,972</u> |
| Total current assets | 678,590 | 1,102,182 |
| FIXED ASSETS, NET (Note 5) | <u>160,735</u> | <u>256,276</u> |
| TOTAL | <u>\$ 839,325</u> | <u>\$1,358,458</u> |
| LIABILITIES AND ACCUMULATED FUND | | |
| LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$ 32,709 | \$ 24,052 |
| ACCUMULATED FUND: | | |
| Accumulated surplus | <u>806,616</u> | <u>1,334,406</u> |
| TOTAL | <u>\$ 839,325</u> | <u>\$1,358,458</u> |

See notes to financial statements.

These financial statements were approved on behalf of the Organization on October 10, 2011, and are signed on its behalf by:


Director


Deputy Director

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Bahamian dollars)

| | 2011 | 2010 |
|--|---------------------|--------------------|
| GOVERNMENT CONTRIBUTIONS (Note 6) | \$ 700,000 | \$1,513,206 |
| OPERATING EXPENSES (Notes 7 and 9) | <u>(1,113,307)</u> | <u>(1,133,104)</u> |
| INCOME FROM OPERATIONS | (413,307) | 380,102 |
| DEPRECIATION (Note 5) | (111,780) | (117,833) |
| (LOSS) GAIN ON DISPOSAL OF FIXED ASSETS | <u>(2,703)</u> | <u>9,165</u> |
| EXCESS OF (EXPENSES OVER INCOME) INCOME OVER EXPENSES | <u>\$ (527,790)</u> | <u>\$ 271,434</u> |

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Bahamian dollars)

| | <u>Accumulated Surplus</u> |
|--------------------------------|--------------------------------|
| Balance at June 30, 2009 | \$ 1,062,972 |
| Excess of income over expenses | <u>271,434</u> |
| Balance at June 30, 2010 | 1,334,406 |
| Excess of income over expenses | <u>(527,790)</u> |
| Balance at June 30, 2011 | <u>\$ 806,616</u> |

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Bahamian dollars)

| | 2011 | 2010 |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Excess of (expenses over income) income over expenses | \$ (527,790) | \$ 271,434 |
| Adjustments for: | | |
| Depreciation (Note 5) | 111,780 | 117,833 |
| Loss (gain) on disposal of fixed assets | <u>2,703</u> | <u>(9,165)</u> |
| Cash (used in) from operations before working capital changes | (413,307) | 380,102 |
| Increase in advances and other receivables | (2,927) | (389) |
| Decrease in prepaid expenses and other assets | 451 | 426 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>8,657</u> | <u>(6,045)</u> |
| Net cash (used in) from operating activities | <u>(407,126)</u> | <u>374,094</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of fixed assets (Note 5) | (23,797) | (59,206) |
| Proceeds on disposal of fixed assets | <u>4,855</u> | <u>14,000</u> |
| Net cash used in investing activities | <u>(18,942)</u> | <u>(45,206)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (426,068) | 328,888 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,081,725</u> | <u>752,837</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 655,657</u> | <u>\$1,081,725</u> |

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

(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. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Organization has adopted all of the new and revised Standards and Interpretations 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 annual reporting periods beginning on July 1, 2010.

In the current year, the IASB issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after July 1, 2010 and affect the following:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards (amendments)
- IFRS 2 - Share Based Payments (amendments)
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (amendments)
- IFRS 8 - Operating Segments (amendments)
- IAS 1 - Presentation of Financial Statements (amendments)
- IAS 7 - Statement of Cash Flows (amendments)
- IAS 17 - Leases (amendments)
- IAS 32 - Financial Instruments: Presentation (amendments)
- IAS 36 - Impairment of Assets (amendments)
- IAS 39 - Financial Instruments: Recognition and Measurement (amendments)

The above standards have not led to changes in the financial statements of the Organization during the current year.

At the date of authorization of these financial statements, the following Interpretations were in effect:

- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The above standards have not led to changes in the financial statements of the Organization during the current year.

Standards and Interpretations in issue but not yet effective:

- IFRS 1 - (Amended) First-time Adoption of International Financial Reporting Standards
- IFRS 3 - (Amended) Business Combinations
- IFRS 7 - Disclosures about Financial Instruments (amendments)
- IFRS 9 - Financial Instrument - Classification and Measurement
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 - Presentation of Financial Statements (amendments)
- IAS 24 - (Amended) Related Party Disclosure
- IAS 27 - (Amended) Consolidated and Separate Financial Statements
- IAS 34 - (Amended) Interim Financial Reporting

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

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 statement of financial position 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 allocated.
- 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.

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, 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 | 103,451 | 292,919 | 7,026 | 31,939 | 170,847 | 606,182 |
| Additions | 23,398 | 399 | - | - | - | 23,797 |
| Disposals | (27,386) | - | - | (355) | - | (27,741) |
| Balance at June 30, 2011 | <u>\$ 99,463</u> | <u>\$ 293,318</u> | <u>\$ 7,026</u> | <u>\$ 31,584</u> | <u>\$ 170,847</u> | <u>\$ 602,238</u> |

(Continued)

| | <u>Vehicles</u> | <u>Computer Equipment</u> | <u>Communication Equipment</u> | <u>Other Equipment</u> | <u>Office Furniture and Fixtures</u> | <u>Total</u> |
|--------------------------|------------------|-------------------------------|------------------------------------|----------------------------|--|-------------------|
| ACCUMULATED | | | | | | |
| DEPRECIATION: | | | | | | |
| 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 | <u>(23,065)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(23,065)</u> |
| Balance at June 30, 2010 | 50,875 | 177,013 | 4,915 | 17,905 | 99,198 | 349,906 |
| Depreciation expense | 15,702 | 70,789 | 1,110 | 3,796 | 20,383 | 111,780 |
| Disposals | <u>(20,183)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(20,183)</u> |
| Balance at June 30, 2011 | <u>\$ 46,394</u> | <u>\$ 247,802</u> | <u>\$ 6,025</u> | <u>\$ 21,701</u> | <u>\$ 119,581</u> | <u>\$ 441,503</u> |
| NET BOOK VALUE AT: | | | | | | |
| June 30, 2011 | <u>\$ 53,069</u> | <u>\$ 45,516</u> | <u>\$ 1,001</u> | <u>\$ 9,883</u> | <u>\$ 51,266</u> | <u>\$ 160,735</u> |
| 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> |

(Concluded)

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 (2010: \$1,513,206) and received \$700,000 (2010: \$1,513,206).

7. OPERATING EXPENSES

Operating expenses consist of the following:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Payroll and related (Note 9) | \$ 611,763 | \$ 667,060 |
| Office rent (Note 8) | 146,573 | 149,951 |
| Operations of facilities/other services | 129,354 | 120,746 |
| Electricity | 36,386 | 30,922 |
| Telephones | 28,689 | 31,279 |
| Subsistence outside The Bahamas | 28,287 | 20,341 |
| Fees and other charges | 24,335 | 22,494 |
| Conferences, meetings and seminars | 23,623 | 12,819 |
| Transportation outside The Bahamas | 22,524 | 15,010 |
| Photocopying | 14,040 | 14,040 |
| Printing and duplication | 11,220 | 618 |
| Gasoline | 7,827 | 8,571 |
| General office supplies | 6,305 | 6,255 |
| Newspapers and periodicals | 5,762 | 6,639 |
| Transportation equipment upkeep | 3,449 | 4,601 |
| Insurance - vehicles | 2,788 | 2,887 |
| Mileage | 1,365 | 2,000 |
| Cleaning supplies | 1,343 | 1,689 |
| Mail transportation | 1,217 | 2,912 |
| Acting allowance | 1,052 | 5,572 |
| Transportation inside The Bahamas | 838 | 880 |
| General maintenance - office space | 829 | 710 |
| Food | 746 | 860 |
| Postage | 727 | 333 |
| Subsistence inside The Bahamas | 639 | 1,014 |
| Ice and drinking water | 600 | 350 |
| Licensing and inspection of vehicles | 585 | 280 |
| Official entertainment | 441 | 2,271 |
| | <u>\$ 1,113,307</u> | <u>\$ 1,133,104</u> |

8. COMMITMENTS AND CONTINGENCIES

At year end June 30 2011, the Financial Intelligence Unit had three lease agreements enforced. Subsequent to the above date, a decision was made to have the three leases amalgamated. One of the leases expires October 31, 2011 and the other two leases will be surrendered at signing of the new lease. This action was necessary for the prudence of doing business.

The single lease agreement, when formalized, will be for the combine space of 5,271 sq ft. for a 5 year term commencing November 1, 2011. The proposed future minimum payments with respect to the rented office space at the Norfolk House, for the years ending June 30 are as follows:

| | |
|------------------|-------------------|
| 2012 | \$ 148,221 |
| 2013 | 148,221 |
| 2014 | 148,221 |
| 2015 | 151,171 |
| 2016 | <u>154,177</u> |
| | <u>\$ 750,011</u> |
| 2012 CAM charges | <u>\$ 70,473</u> |

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

| | 2011 | 2010 |
|--------------------------------|-----------------|---------------|
| Advances and other receivables | <u>\$ 3,412</u> | <u>\$ 485</u> |

Key management compensation - Key management personnel compensation for the year ended June 30, 2011 was \$257,247 (2010: \$300,247).

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.

11. SUBSEQUENT EVENT

Subsequent to June 30, 2011 year end, a recovery of \$12,442 was put into effect. This amount represents amounts due from staff to the Financial Intelligence Unit.