

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2012 and
Independent Auditors' Report**

*Laid before House of
Assembly 23/01/13*

Deloitte.

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, 2012, 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

October 18, 2012

FINANCIAL INTELLIGENCE UNIT

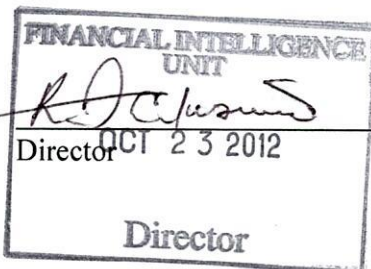
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2012


(Expressed in Bahamian dollars)

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 434,963	\$ 655,657
Advances and other receivables (Note 9)	13,437	3,412
Prepaid expenses and other assets	<u>19,441</u>	<u>19,521</u>
Total current assets	467,841	678,590
FIXED ASSETS, NET (Note 5)	<u>81,126</u>	<u>160,735</u>
TOTAL	<u>\$ 548,967</u>	<u>\$ 839,325</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 29,574	\$ 32,709
ACCUMULATED FUND:		
Accumulated surplus	<u>519,393</u>	<u>806,616</u>
TOTAL	<u>\$ 548,967</u>	<u>\$ 839,325</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on October 18, 2012, and are signed on its behalf by:




Deputy Director

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Bahamian dollars)

	2012	2011
GOVERNMENT CONTRIBUTIONS (Note 6)	\$ 900,000	\$ 700,000
OPERATING EXPENSES (Notes 7 and 9)	<u>(1,105,118)</u>	<u>(1,113,307)</u>
INCOME FROM OPERATIONS	(205,118)	(413,307)
DEPRECIATION (Note 5)	(82,108)	(111,780)
LOSS ON DISPOSAL OF FIXED ASSETS	<u>-</u>	<u>(2,703)</u>
EXCESS OF EXPENSES OVER INCOME	<u>\$ (287,226)</u>	<u>\$ (527,790)</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Bahamian dollars)

	Accumulated Fund
Balance at June 30, 2010	\$ 1,334,406
Excess of expenses over income	<u>(527,790)</u>
Balance at June 30, 2011	806,616
Excess of expenses over income	<u>(287,226)</u>
Balance at June 30, 2012	<u>\$ 519,390</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Bahamian dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of expenses over income	\$ (287,226)	\$ (527,790)
Adjustments for:		
Depreciation (Note 5)	82,108	111,780
Loss on disposal of fixed assets	-	2,703
Cash used in operations before working capital changes	(205,118)	(413,307)
Increase in advances and other receivables	(10,025)	(2,927)
Decrease in prepaid expenses and other assets	80	451
(Decrease) increase in accounts payable and accrued liabilities	(3,135)	8,657
Net cash used in operating activities	<u>(218,198)</u>	<u>(407,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 5)	(2,499)	(23,797)
Proceeds on disposal of fixed assets	-	4,855
Net cash used in investing activities	<u>(2,499)</u>	<u>(18,942)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(220,697)	(426,068)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>655,657</u>	<u>1,081,725</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 434,960</u>	<u>\$ 655,657</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

(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 AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB effective for annual reporting periods beginning on or after July 1, 2011. The adoption of these Standards and Interpretations has not led to any changes in the Company’s accounting policies.

a. Standards and Interpretations effective but not affecting the reported results or financial position

- IFRS 3 (Amended) Business Combinations
- IAS 1 (Amended) Presentation of Financial Statements
- IAS 24 (Revised 2009) Related Party Disclosures
- IAS 32 (Amended) Classification of Rights Issue
- IAS 34 (Amended) Interim Financial Reporting
- IFRIC 13 (Amended) Customer Loyalty Programmes
- IFRIC 14 (Amended) Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

b. Standards and Interpretations in issue but not yet effective

- IFRS 7 (Amended) Financial Instruments: Disclosures - Transfers of Financial Assets
- IFRS 9 (Amended) Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities
 IFRS 13 Fair Value Measurements
 IAS 12 (Amended) Deferred Tax-Recovery of Underlying Assets
 IAS 19 (Revised 2011) Employee Benefits
 IAS 27 (Revised 2011) Consolidated and Separate Financial Statements
 IAS 28 (Revised 2011) Investments in Associates and Joint Ventures
 IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a 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. **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 with original maturities of less than three (3) months.
- b. **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

- 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, 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	99,463	293,318	7,026	31,584	170,847	602,238
Additions	-	1,824	-	-	675	2,499
Balance at June 30, 2012	<u>\$ 99,463</u>	<u>\$ 295,142</u>	<u>\$ 7,026</u>	<u>\$ 31,584</u>	<u>\$ 171,522</u>	<u>\$ 604,737</u>

	<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, 2010	\$ 50,875	\$ 177,013	\$ 4,915	\$ 17,905	\$ 99,198	\$ 349,906
Depreciation expense	15,702	70,788	1,110	3,797	20,383	111,780
Disposals	(20,183)	-	-	-	-	(20,183)
Balance at June 30, 2011	46,394	247,801	6,025	21,702	119,581	441,503
Depreciation expense	15,695	43,599	671	4,290	17,853	82,108
Balance at June 30, 2012	<u>\$ 62,089</u>	<u>\$ 291,400</u>	<u>\$ 6,696</u>	<u>\$ 25,992</u>	<u>\$ 137,434</u>	<u>\$ 523,611</u>

NET BOOK VALUE AT:

June 30, 2012	<u>\$ 37,374</u>	<u>\$ 3,742</u>	<u>\$ 330</u>	<u>\$ 5,592</u>	<u>\$ 34,088</u>	<u>\$ 81,126</u>
June 30, 2011	<u>\$ 53,069</u>	<u>\$ 45,517</u>	<u>\$ 1,001</u>	<u>\$ 9,882</u>	<u>\$ 51,266</u>	<u>\$ 160,735</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 (2011: \$1,000,000) and received \$900,000 (2011: \$700,000).

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2012	2011
Payroll and related (Note 9)	\$ 654,665	\$ 611,763
Office rent (Note 8)	147,671	146,573
Operations of facilities/other services	100,627	129,354
Electricity	35,851	36,386
Telephones	29,795	28,689
Subsistence outside The Bahamas	23,778	28,287
Fees and other charges	20,082	24,335
Transportation outside The Bahamas	18,617	22,524
Photocopying	14,040	14,040
Conferences, meetings and seminars	10,020	23,623
Gasoline	9,204	7,827
Transportation equipment upkeep	8,931	3,449
General office supplies	8,203	6,305
Printing and duplication	3,953	11,220
Newspapers and periodicals	3,765	5,762
Mileage	3,640	1,365
Publication of notices	3,469	-
Insurance - vehicles	2,500	2,788
Acting allowance	1,867	1,052
Mail transportation	1,599	1,217
Official entertainment	906	441
Transportation inside The Bahamas	652	838
Licensing and inspection of vehicles	585	585
Food	471	746
Subsistence inside The Bahamas	160	639
Postage	50	727
Ice and drinking water	17	600
Cleaning supplies	-	1,343
General maintenance - office space	-	829
	<u>\$1,105,118</u>	<u>\$1,113,307</u>

8. COMMITMENTS AND CONTINGENCIES

In prior year end, June 30 2011, the Financial Intelligence Unit had three lease agreements. Subsequent to the above date, a decision was made to have the three leases amalgamated. One of the leases expired October 31, 2011 and the other two leases will be surrendered at the signing of the new lease.

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

2013	\$ 148,221
2014	148,221
2015	151,171
2016	<u>154,177</u>
	<u>\$ 601,790</u>
2012 CAM charges	<u>\$ 64,500</u>

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2012	2011
Advances and other receivables	<u>\$ 13,437</u>	<u>\$ 3,412</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2012 was \$306,150 (2011: \$257,247).

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.

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