

**APEX FUND SERVICES LTD.**

**Financial Statements**  
(With Auditors' Report Thereon)

For the year ended September 30, 2006



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
OF APEX FUND SERVICES LTD.**

We have audited the consolidated statement of assets and liabilities of Apex Fund Services Ltd. as at September 30, 2006 and the related consolidated statements of operations and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Apex Fund Services Ltd. as at September 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Chartered Accountants  
Hamilton, Bermuda  
December 22, 2006

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Assets and Liabilities

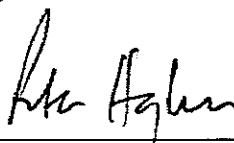
September 30, 2006

*(Expressed in United States Dollars)*

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 505,533	\$ 76,917
Administration fees receivable	578,396	288,359
Accounting fees receivable	55,750	56,250
Company set-up fees receivable	49,000	64,000
Consulting fees receivable	—	5,000
Corporate secretarial fees receivable	36,757	39,167
Directors fees receivable	43,667	31,083
Disbursements receivable	49,707	25,566
Nominee account fees receivable	30,248	339
Prepaid expenses	<u>118,682</u>	<u>94,635</u>
Total current assets	1,467,740	681,316
Investment in subsidiary company (Note 4)	9,016	7,016
Fixed assets (Note 5)	<u>106,787</u>	<u>20,116</u>
Total Assets	<u>\$ 1,583,543</u>	<u>\$ 708,448</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 142,489</u>	<u>\$ 62,943</u>
Total current liabilities	142,489	62,943
Minority interest	<u>18,714</u>	<u>—</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	12,000	12,000
Share premium	88,000	88,000
Retained earnings	<u>1,322,340</u>	<u>545,505</u>
Total shareholders' equity	1,422,340	645,505
Total liabilities and shareholders' equity	<u>\$ 1,583,543</u>	<u>\$ 708,448</u>

*See accompanying notes to consolidated financial statements*

Signed on behalf of the Board



Director

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Operations and Retained Earnings

Year ended September 30, 2006

*(Expressed in United States Dollars)*

	<u>2006</u>	<u>2005</u>
<b>Income</b> (Note 7)		
Administration fees	\$ 1,701,769	\$ 868,602
Accounting fees	168,500	94,500
Company set-up fees	108,500	114,280
Consulting fees	-	60,000
Corporate secretarial fees	103,333	75,000
Directors fees	122,792	71,833
Disbursements recovered	152,475	75,430
Nominee account fee income	-	3,909
Miscellaneous income	68,815	5,000
Interest	<u>-</u>	<u>1,500</u>
	<u>\$ 2,426,184</u>	<u>\$ 1,370,054</u>
<b>Expenses</b>		
Salaries and benefits	1,185,140	738,251
Staff Relocation	64,400	15,905
Travel and entertainment	33,674	11,414
Accounting system software	112,150	44,164
Audit fee	21,450	19,050
Rent	66,804	39,097
Legal and government fees	16,146	9,023
IT consultants	28,176	9,799
Company set-up costs	6,692	-
Insurance	19,762	15,517
Telephone and postage	31,218	17,949
Marketing	10,233	4,475
Depreciation	17,698	11,072
Equipment lease	6,791	4,940
Bank charges	3,381	1,988
Miscellaneous expenses	<u>26,920</u>	<u>19,245</u>
	<u>1,650,635</u>	<u>961,889</u>
<b>Net income before minority interest</b>	<u>\$ 775,549</u>	<u>\$ 408,165</u>
Minority interest	<u>1,286</u>	<u>-</u>
Net income after minority interest	776,835	408,165
<b>Retained earnings at beginning of year</b>	<u>545,505</u>	<u>237,340</u>
	1,322,340	645,505
Dividends paid	<u>-</u>	<u>(100,000)</u>
<b>Retained earnings at end of year</b>	<u>\$ 1,322,340</u>	<u>\$ 545,505</u>

*See accompanying notes to consolidated financial statements*

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Cash Flows

Year ended September 30, 2006

*(Expressed in United States Dollars)*

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Net income before minority interest	\$ 775,549	\$ 408,165
Items not affecting cash:		
Depreciation	17,698	11,072
Net changes in non-cash balances relating to operations:		
Administration fees receivable	(290,037)	(139,213)
Accounting fees receivable	500	(35,250)
Company set-up fees receivable	15,000	(26,190)
Corporate secretarial fees receivable	2,410	(7,709)
Consulting fees receivable	5,000	(3,866)
Director's fees receivable	(12,584)	4,458
Disbursements receivable	-	(7,928)
Nominee account fees receivable	(24,141)	1,266
Other assets	(29,909)	-
Increase in prepaid expenses	(24,048)	(62,654)
Increase in accounts payable and accrued liabilities	<u>79,547</u>	<u>35,808</u>
 Net cash provided by operating activities	 <u>514,985</u>	 <u>177,959</u>
 <b>Cash flows from investing activities</b>		
Purchase of fixed assets	(84,369)	(11,361)
Investment in subsidiary	<u>(2,000)</u>	<u>(7,016)</u>
 Net cash used by investing activities	 <u>(86,369)</u>	 <u>(18,377)</u>
 <b>Cash flows from financing activities</b>		
Dividends paid	-	(100,000)
Proceeds from issuance of capital stock	<u>-</u>	<u>-</u>
 Net cash used by financing activities	 <u>-</u>	 <u>(100,000)</u>
 <b>Net increase in cash</b>	 \$ 428,616	 \$ 59,582
 <b>Cash at start of year</b>	 <u>76,917</u>	 <u>17,335</u>
 <b>Cash at end of year</b>	 \$ 505,533	 \$ 76,917

*See accompanying notes to consolidated financial statements*

## **APEX FUND SERVICES LTD.**

### Notes to Consolidated Financial Statements

Year ended September 30, 2006

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#### 1. **General**

Apex Fund Services Ltd. (the "Company") was incorporated as a private company on 25 June 2003 under the laws of Bermuda and carries on business as a provider of fund administration, accounting, registrar and transfer agency, corporate secretarial, and director services to investment funds.

#### 2. **Significant accounting policies**

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The following are the significant accounting policies adopted by the Company:

##### *(a) Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in Bermuda and Canada 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.

##### *(b) Revenue Recognition*

Accounting fees, administration fees, corporate secretarial fees, directors fees, company set-up fees, registrar and transfer agency fees, nominee accounting fees and disbursements are accrued to the year end date in accordance with their respective agreements.

Interest income is accrued to the year end date.

##### *(c) Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on computer equipment and furniture and fittings on a straight-line basis over three years and five years, respectively.

##### *(d) Principles of consolidation*

The consolidated financial statements include the amounts of the Company, its wholly owned subsidiaries and the entities controlled by the Company. All significant intercompany balances and transactions have been eliminated on consolidation.

#### 3. **Consolidated subsidiaries**

The Company established two new subsidiaries in 2006: Apex Fund Services (Dubai) Ltd and Apex Fund Services (Mauritius) Ltd.

The Company owns 100% of the total issued share capital, being \$400,000, in Apex Fund Services (Dubai) Ltd.

The Company owns 80% of the total issued share capital, being \$100,000, in Apex Fund Services (Mauritius) Ltd. The remaining 20% is held by another party and the non-controlling minority interest is reflected in these consolidated financial statements.

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## APEX FUND SERVICES LTD.

Notes to Consolidated Financial Statements

Year ended September 30, 2006

### 4. Investment in subsidiary

The investment in subsidiary company represents the initial amounts advanced to Apex Co Services (Cyprus) Limited, a 100% owned subsidiary of the Company. Apex Co Services (Cyprus) Limited is a start-up operation based in Cyprus and provides company secretarial services to local companies. Management has elected not to consolidate the results of this entity on the grounds that it is not material to the group as a whole.

### 5. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and comprise the following:

	Cost	Accumulated depreciation	Net book value	
			2006	2005
Furniture and Fittings	\$ 42,335	\$ 5,709	\$ 36,626	\$ 5,527
Computer Equipment	<u>100,679</u>	<u>30,518</u>	<u>70,161</u>	<u>14,589</u>
	<u>\$ 143,014</u>	<u>\$ 36,227</u>	<u>\$ 106,787</u>	<u>\$ 20,116</u>

### 6. Share Capital

The Company has authorized and issued share capital of \$12,000 divided into 12,000 common shares of par value \$1.00 each. The common shares are entitled to one vote per share at a general meeting.

### 7. Related Party Transactions

Certain directors of the Company are also directors of the funds to whom the Company provides services. The fees earned from these related party funds for the year ended September 30, 2006, aggregating \$2,357,369 (2005 - \$1,368,553), represent administration services, company set-up services, consulting services, corporate secretarial services, director services, accounting services, nominee accounting services, and disbursements recoverable from client funds. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established through service agreements with the related parties. At September 30, 2006 the Company had receivables due from such related parties of \$843,524 (2005 - \$509,764).

### 8. Employee Future Benefits

The Company has a defined contribution pension plan for its employees. The pension expense recognized by the Company in the current year is \$22,916 (2005 - \$9,832), representing the Company's share of contributions to the plan.

### 9. Fair values of financial instruments

The fair values of the financial instruments, which include cash, fees receivable, and accounts payable, approximate their carrying values due to their short-term nature.

### 10. Taxation

Under current Bermuda Law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2016.

**APEX FUND SERVICES LTD.**

Notes to Consolidated Financial Statements

Year ended September 30, 2006

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**11. Subsequent event**

A dividend of \$200,000 was declared subsequent to the year end.

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