

# **Ava Financial Limited**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 31 March 2009

**CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
for the three months ended 31 March 2009**

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# **AVA Financial Limited**

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## **GENERAL INFORMATION**

### **Board of Directors**

Emanuel Kronitz  
Negev Nosatzki  
Aharon Ofer  
Yehoshua Abramovich  
Ilan Calic

### **Registered office**

Euro American Trust Building  
P.O. Box 3161  
Road Town, Tortola  
British Virgin Islands

### **Independent Auditors**

Ernst & Young Cyprus Limited  
Nicosia Tower Centre  
36 Byron Avenue  
P.O. Box 21656  
1511 Nicosia  
Cyprus

## **AVA Financial Limited**

### **INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF AVA FINANCIAL LIMITED**

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#### **Introduction**

We have reviewed the interim condensed consolidated financial statements of Ava Financial Ltd (the 'Company') and its subsidiaries (the 'Group') on pages 5 to 13 which comprise the interim condensed consolidated statement of financial position as at 31 March 2009, the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

#### **Ernst & Young Cyprus Ltd**

Certified Public Accountants and registered Auditors

Nicosia

29 April 2009

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
for the three months ended 31 March 2009**

		<i>For the three months ended 31 March</i>	
	<i>Notes</i>	<i>2009 US\$</i>	<i>2008 US\$</i>
<b>Net trading income</b>	3	11.878.177	4.353.540
Administrative expenses	4	<u>(6.181.312)</u>	<u>(3.363.601)</u>
<b>Operating profit</b>		5.696.865	989.939
Interest income	5	92.835	16.058
Interest expense	5	(197.550)	(102.387)
Foreign currency translation (losses)/gains		(464.378)	37.790
Net loss from change in fair value of financial instruments		<u>(49.142)</u>	<u>-</u>
<b>Profit for the period before taxation</b>		5.078.630	941.400
Taxation		<u>(6.208)</u>	<u>(10.913)</u>
<b>NET PROFIT FOR THE PERIOD</b>		<u>5.072.422</u>	<u>930.487</u>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		<u>3.619</u>	<u>(5.951)</u>
<b>Total other comprehensive income for the period net of tax</b>		<u>3.619</u>	<u>(5.951)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>5.076.041</u>	<u>924.536</u>

**Ava Financial Limited****INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 March 2009**

	<i>Notes</i>	<i>31.3.2009</i> <i>US\$</i>	<i>31.12.2008</i> <i>US\$</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Office equipment	7	218.549	220.411
Intangible assets	7	417.871	451.357
Deferred tax asset	6	39.876	29.721
		<u>676.296</u>	<u>701.489</u>
<b>Current assets</b>			
Held for trading investments	8	7.903.196	11.621.075
Trade and other receivables	9	3.571.015	3.605.552
Cash and cash equivalents	10	29.037.284	22.693.757
		<u>40.511.495</u>	<u>37.920.384</u>
<b>Total Assets</b>		<u>41.187.791</u>	<u>38.621.873</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		10.000	10.000
Foreign currency translation reserve		18.880	15.261
Accumulated profits		<u>11.022.030</u>	<u>5.949.608</u>
		<u>11.050.910</u>	<u>5.974.869</u>
<b>Non current liabilities</b>			
Shareholders' loans	11	2.960.408	2.946.519
<b>Current liabilities</b>			
Bank overdrafts	10	-	485.412
Trade creditors	12	24.857.212	26.778.782
Other payables	13	2.294.840	2.413.161
Tax payable		<u>24.421</u>	<u>23.130</u>
		<u>27.176.473</u>	<u>29.700.485</u>
<b>Total equity and liabilities</b>		<u>41.187.791</u>	<u>38.621.873</u>

.....  
Emanuel Kronitz  
Director

.....  
Yehoshua Abramovich  
Director

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****for the three months ended 31 March 2009**

	<i>Share capital US\$</i>	<i>Foreign currency translation reserve US\$</i>	<i>Accumulated profit/(loss) US\$</i>	<i>Total US\$</i>
<b>At 1 January 2008</b>	10.000	4.850	(1.201.516)	(1.186.666)
Exchange difference	-	10.411	-	10.411
Profit for the year	-	-	7.151.124	7.151.124
<b>At 31 December 2008</b>	10.000	15.261	5.949.608	5.974.869
Total comprehensive income for the period	-	3.619	5.072.422	5.076.041
<b>At 31 March 2009</b>	<u>10.000</u>	<u>18.880</u>	<u>11.022.030</u>	<u>11.050.910</u>

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the three months ended 31 March 2009**

	<i>For the three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>US\$</i>	<i>US\$</i>
<b>Cash flows from operating activities</b>		
Profit before tax	5,078,630	941,400
Adjustments for:		
Depreciation/Amortisation	51,466	39,954
Interest accrued on investments	(76,473)	-
Change in fair value of investments	49,142	-
Interest accrued on shareholders' loans	13,889	28,282
Operating loss before working capital changes	5,116,654	1,009,636
<i>(Increase)/decrease in operating assets</i>		
Decrease/(increase) in trade and other receivables	34,537	(514,019)
<i>(Decrease)/increase in operating liabilities</i>		
(Decrease)/increase in trade creditors	(1,921,570)	1,785,851
Decrease in other payables	118,321	694,183
Net cash from operating activities before income tax	3,347,942	2,975,651
Tax paid	(4,917)	(350)
<b>Net cash from operating activities</b>	<u>3,343,025</u>	<u>2,975,301</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment and intangible assets	(16,838)	(112,199)
Proceeds from redemption of investments	3,493,557	-
<b>Net cash from/(used in) investing activities</b>	<u>3,476,719</u>	<u>(112,199)</u>
<b>Net increase in cash and cash equivalents</b>	6,819,744	2,863,102
Cash and cash equivalents at 1 January	22,208,345	4,164,519
Foreign currency translation difference	9,195	(7,627)
<b>Cash and cash equivalents at 31 March</b>	<u>29,037,284</u>	<u>7,019,994</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
for the three months ended 31 March 2009****1. Corporate information**

The consolidated financial statements of Ava Financial Limited were approved by the Directors of the Company on 29 April 2009.

Ava Financial Ltd (the 'Company') is incorporated under the laws of British Virgin Islands and its registered office is located at Euro American Trust Building, P.O. Box 3161, Road Town, Tortola, BVI.

The Group comprises of the holding company, and its wholly owned subsidiaries shown below:

	<i>Country of incorporation</i>
Ava FX Limited	B.V.I
Ava Financial Limited	Cyprus
Ava Financial Limited	Israel
Ava Capital Markets Limited	Ireland

The principal activity of the Company and its subsidiaries is trading in foreign currencies with clients, through an internet based FX trading platform.

**2. Summary of significant accounting policies****Basis of preparation**

The interim condensed consolidated financial statements for the three months ended 31 March 2009 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

**Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following new standards and interpretations on 1 January 2009:

- IFRS 2 'Share-based Payment' (Revised)
- IFRS 8 'Operating Segments'
- IAS 23 'Borrowing Costs' (Revised)
- Revised IFRS 1 'First-time Adoption of International Financial Reporting Standards'
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements'
- Improvements to IFRSs

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****for the three months ended 31 March 2009****2. Summary of significant accounting policies (continued)**

- Amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments'
- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'
- IFRIC 14 IAS 19 'The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 11 IFRS 2 'Group and Treasury Share Transactions'
- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives'

The adoption of the above did not have a significant impact on the Group's interim condensed consolidated financial statements other than certain changes to the presentation of its financial statements as required by the amended IAS 1.

**3. Net trading income**

Net trading income represents gains and losses from foreign exchange transactions entered into during the period, and includes translation gain and losses on net positions in foreign currency at the balance sheet date.

**4. Administrative expenses**

	<i>For the three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>US\$</i>	<i>US\$</i>
Staff costs	984.317	486.209
Advertising and marketing	2.481.537	1.703.293
Marketing commissions	1.133.626	233.493
Bonus to customers	741.603	397.870
Professional services	56.618	87.947
Rent	49.828	29.063
Equipment and building maintenance	241.915	154.801
Communication expenses	137.157	54.692
Travelling	27.605	20.151
Vehicle maintenance	31.390	21.172
Depreciation/Amortisation	51.466	39.954
Office supplies and printing	7.242	10.183
Municipal taxes and fees	5.112	2.206
Management fees	152.210	105.223
Litigation claim	17.500	-
Registration expenses	42.675	-
Bad debts written off	19.511	17.344
	<u>6.181.312</u>	<u>3.363.601</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2009**

**5. Interest income and expense**

	<i>For the three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>US\$</i>	<i>US\$</i>
<i>Interest income</i>		
Bank interest income	16.362	16.058
Interest on investments	<u>76.473</u>	<u>-</u>
Total interest income	<u>92.835</u>	<u>16.058</u>
<i>Interest expense</i>		
Bank interest and charges	183.661	74.105
Interest on loans from shareholders	<u>13.889</u>	<u>28.282</u>
Total interest expense	<u>197.550</u>	<u>102.387</u>

**6. Taxation**

The Company is not subject to any income tax in BVI. The Group's overseas operations are taxed at the rates prevailing in the respective countries which, for 2009, Cyprus 10% (2008: 10%) and Israel 29% (2008: 29%).

**7. Equipment and intangible assets**

	<i>31 March 2009</i>		<i>31 December 2008</i>	
	<i>Office equipment</i>	<i>Computer software</i>	<i>Office equipment</i>	<i>Computer software</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<i>Cost</i>				
At 1 January	302.122	669.731	148.507	571.522
Additions	<u>16.838</u>	<u>-</u>	<u>153.615</u>	<u>98.209</u>
At 31 March/December	<u>318.960</u>	<u>669.731</u>	<u>302.122</u>	<u>669.731</u>
<i>Accumulated depreciation/amortisation</i>				
At 1 January	(81.711)	(218.374)	(28.458)	(89.340)
Charge for the period/year	<u>(18.700)</u>	<u>(33.486)</u>	<u>(53.253)</u>	<u>(129.034)</u>
At 31 March/December	<u>(100.411)</u>	<u>(251.860)</u>	<u>(81.711)</u>	<u>(218.374)</u>
<i>Net book value</i>	<u>218.549</u>	<u>417.871</u>	<u>220.411</u>	<u>451.357</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**  
**for the three months ended 31 March 2009**
**8. Trade and other receivables**

	<i>31 March 2009 US\$</i>	<i>31 December 2008 US\$</i>
Receivables on open currency positions	2.503.512	2.501.128
Prepayments	70.901	145.858
Other debtors	996.602	958.566
	<u>3.571.015</u>	<u>3.605.552</u>

Receivables on open currency positions represent the net gain on foreign exchange transactions entered into as part of the Group's principal activity, which are outstanding at the balance sheet date. These amounts are unsecured, interest free and become payable once the Group's counterparty closes the currency position.

Prepayments and other debtors are unsecured, interest free and represent amounts due within one year.

**9. Held for trading investments**

Investments represent treasury bills, issued by the United States of America which mature in April 2009, and are listed on the Luxembourg Stock Exchange. They earn interest of 3,125% per annum.

During the current period a treasury bill issued by the Republic of Germany was redeemed.

**10. Cash and cash equivalents**

	<i>31 March 2009 US\$</i>	<i>31 December 2008 US\$</i>
Cash in hand	69.718	88.929
Bank short-term deposits	23.434.994	19.819.607
Bank overdrafts	-	(485.412)
Deposits with brokers	5.532.572	2.785.221
	<u>29.037.284</u>	<u>22.208.345</u>

**11. Shareholders' loans**

The loans from shareholders are unsecured and bear interest equal to 6 month US\$ LIBOR.

The loans will become payable once the Group's retained profits, excluding interest on these loans, exceed US\$6.500.000. The annual repayment amount will be equal to 25% of the Group's net profit in each year.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
for the three months ended 31 March 2009**

**12. Trade creditors**

Trade creditors represent amounts due to clients as part of the Group's foreign exchange trading transactions. These amounts are unsecured, interest free and repayable on demand.

**13. Other payables**

Other payables are unsecured, interest free and payable within twelve months.

**14. Related party transactions**

All directors of the Company, its shareholders and their connected parties are considered to be related parties of the Group.

In addition to the loans received from shareholders (Note 11) and the related interest expense (Note 5), the Group has also received management services from two shareholders for the three month period ended 31 March 2009 at a cost of US\$58.145 (3 month period ended 31 March 2008: US\$75.033).

