

**APEX FUND SERVICES LTD.**

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

For the year ended September 30, 2007



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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, 2007 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, 2007 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  
February 5, 2008

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Assets and Liabilities

September 30, 2007

*(Expressed in United States Dollars)*

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 303,844	\$ 505,533
Administration fees receivable	1,367,133	578,396
Accounting fees receivable	52,500	55,750
Company set-up fees receivable	62,201	49,000
Corporate secretarial fees receivable	35,612	36,757
Director's fees receivable	79,832	43,667
Disbursements receivable	108,186	49,707
Other account fees receivable	32,072	30,248
Prepaid expenses and other assets	<u>224,515</u>	<u>118,682</u>
Total current assets	2,265,895	1,467,740
Investment in subsidiary companies (Note 4)	8,334	9,016
Fixed assets (Note 5)	535,447	106,787
Other assets	<u>4,056</u>	<u>—</u>
Total Assets	<u>\$ 2,813,732</u>	<u>\$ 1,583,543</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 485,575</u>	<u>\$ 142,489</u>
Total current liabilities	485,575	142,489
Other liabilities (Note 8)	<u>38,544</u>	<u>—</u>
Total liabilities	<u>524,119</u>	<u>142,489</u>
Minority interest (Note 3)	<u>29,538</u>	<u>18,714</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	12,000	12,000
Share premium	88,000	88,000
Retained earnings	<u>2,160,075</u>	<u>1,322,340</u>
Total shareholders' equity	<u>2,260,075</u>	<u>1,422,340</u>
Total liabilities and shareholders' equity	<u>\$ 2,813,732</u>	<u>\$ 1,583,543</u>

*See accompanying notes to consolidated financial statements*

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Operations and Retained Earnings

Year ended September 30, 2007

*(Expressed in United States Dollars)*

	<u>2007</u>	<u>2006</u>
<b>Income (Note 7)</b>		
Administration fees	\$ 3,771,042	\$ 1,701,769
Accounting fees	182,738	168,500
Company set-up fees	361,080	108,500
Corporate secretarial fees	174,541	103,333
Directors fees	200,024	122,792
Disbursements recovered	364,034	152,475
Foreign exchange gain	2,524	-
Miscellaneous income	<u>158,127</u>	<u>68,815</u>
 Total income	 <u>5,214,110</u>	 <u>2,426,184</u>
 <b>Expenses</b>		
Salaries and benefits (Note 8)	2,797,096	1,185,140
Staff relocation costs	134,801	64,400
Travel and entertainment	109,065	33,674
Accounting system software	186,037	112,150
Audit fee	30,278	21,450
Rent	322,172	66,804
Legal and government fees	146,426	16,146
IT consultants	89,960	28,176
Company set-up costs	-	6,692
Insurance	27,263	19,762
Telephone and postage	94,280	31,218
Marketing	41,990	10,233
Depreciation (Note 5)	54,124	17,698
Commissions	5,428	-
Equipment lease	11,005	6,791
Bank charges	8,871	3,381
Miscellaneous expenses	<u>97,710</u>	<u>26,920</u>
 Total expenses	 <u>4,156,506</u>	 <u>1,650,635</u>
 <b>Net income before taxation</b>	 <u>1,057,604</u>	 <u>775,549</u>
Taxation (Note 10)	<u>(9,045)</u>	<u>-</u>
 Net income for the year	 <u>1,048,559</u>	 <u>775,549</u>
 Minority interest share of net (income) loss	 <u>(10,824)</u>	 <u>1,286</u>
 Net income after minority interest	 <u>1,037,735</u>	 <u>776,835</u>
 <b>Retained earnings at beginning of year</b>	 <u>1,322,340</u>	 <u>545,505</u>
	<u>2,360,075</u>	<u>1,322,340</u>
 Dividends paid	 <u>(200,000)</u>	 <u>-</u>
 <b>Retained earnings at end of year</b>	 <u>\$ 2,160,075</u>	 <u>\$ 1,322,340</u>

*See accompanying notes to consolidated financial statements*

**APEX FUND SERVICES LTD.**

## Consolidated Statement of Cash Flows

Year ended September 30, 2007

*(Expressed in United States Dollars)*

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 1,057,604	\$ 775,549
Items not affecting cash:		
Depreciation	54,124	17,698
Net changes in non-cash balances relating to operations:		
Administration fees receivable	(788,737)	(290,037)
Accounting fees receivable	3,250	500
Company set-up fees receivable	(13,201)	15,000
Corporate secretarial fees receivable	1,145	2,410
Consulting fees receivable	-	5,000
Director's fees receivable	(36,165)	(12,584)
Disbursements receivable	(58,479)	-
Nominee account fees receivable	-	(24,141)
Other account fees receivable	(1,824)	(29,909)
Prepaid expenses and other assets	(105,833)	(24,048)
Accounts payable and accrued liabilities	343,086	79,547
Other liabilities	<u>38,544</u>	<u>-</u>
Net cash provided by operating activities	<u>493,514</u>	<u>514,985</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(486,869)	(84,369)
Investment in subsidiary companies	<u>(8,334)</u>	<u>(2,000)</u>
Net cash used by investing activities	<u>(495,203)</u>	<u>(86,369)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	<u>(200,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(200,000)</u>	<u>-</u>
<b>Net (decrease) increase in cash</b>	(201,689)	428,616
<b>Cash at start of year</b>	<u>505,533</u>	<u>76,917</u>
<b>Cash at end of year</b>	<u>\$ 303,844</u>	<u>\$ 505,533</u>

*See accompanying notes to consolidated financial statements*

# APEX FUND SERVICES LTD.

## Notes to Consolidated Financial Statements

September 30, 2007

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### 1. **General**

Apex Fund Services Ltd. (the "Company") was incorporated as a private company on June 25, 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, director's fees, company set-up fees, registrar and transfer agency fees and nominee accounting fees for services rendered are accrued to the year end date in accordance with their respective agreements. Recoveries for disbursements are recorded when billed to clients.

Interest income is accrued to the year end date.

#### *(c) Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for using a straight-line basis over the estimated useful lives as follows:

Furniture and fittings	5 – 10 years
Computer equipment	3 – 5 years
Software	10 years
Motor vehicle	5 years

#### *(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 are eliminated on consolidation.

#### *(e) Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in earnings.

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## APEX FUND SERVICES LTD.

### Notes to Consolidated Financial Statements

September 30, 2007

#### 3. Consolidated subsidiaries

The Company owns 100% of the total issued share capital of Apex Fund Services (Dubai) Ltd and Apex Company Services (Cyprus) Ltd, which in turn owns 100% of the total issued share capital of Apex Fund Services (Ireland) Ltd.

The Company owns 80% of the total issued share capital of 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.

#### 4. Investment in subsidiary companies

The investment in subsidiary companies represents the initial amounts advanced to Apex Fund Services (Malta) Limited, Apex Fund Services (Singapore) Pte Ltd. and Apex Fund Services (HK) Limited, 100% owned subsidiaries of the Company that are in start-up operation. Management has elected not to consolidate the results of these entities 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:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	
			<u>2007</u>	<u>2006</u>
Furniture and Fittings	\$ 69,833	\$ 15,196	\$ 54,637	\$ 36,626
Computer Equipment	217,080	70,695	146,385	70,161
Software	187,500	4,687	182,813	-
Construction in Progress	150,000	-	150,000	-
Motor Vehicle	<u>1,759</u>	<u>147</u>	<u>1,612</u>	<u>-</u>
	\$ 626,172	\$ 90,725	\$ 535,447	\$ 106,787

#### 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, 2007, aggregating \$5,053,459 (2006 - \$2,357,369), 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, 2007 the Company had receivables due from such related parties of \$1,737,536 (2006 - \$843,525).

During the current year the Company's Dubai subsidiary paid rent to a Director amounting to \$33,000 (2006 - \$nil).

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Notes to Consolidated Financial Statements

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### **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 \$65,916 (2006 - \$22,916), representing the Company's share of contributions to the plan.

In compliance with the Employment Law No. 4 of 2005 in Dubai, the Company has a termination gratuity benefit scheme covering all of salaried employees of Apex Fund Services (Dubai) Ltd. who have been employed for more than one year. Provision to cover the obligation under the employees' terminal benefits in the current year is \$34,198 (2006 - nil).

### **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.

The Company's income tax expense relates to income from operations and is attributable to the income tax expense of certain overseas subsidiaries. Overseas subsidiaries provided for taxation at the appropriate rates in the countries in which they operate.

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