APEX GROUP LTD.

Consolidated Financial Statements
(With Auditor's Report thereon)

For the year ended 31 December 2019

APEX GROUP LTD.

Contents

Contents (continued)

Contents (continued)

Directors’ responsibility for the consolidated financial statements

The directors prepare consolidated financial statements in accordance with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standard Board (‘IASB’) and applicable law which give a true and fair view of the state of affairs of the Group at the end of each financial period and of the profit or loss of the Group for the period then ended. In preparing the financial statements, the directors should:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Consolidated statement of financial position

As at 31 December 2019
(Expressed in United States Dollars)

	Note	31 December 2019 $'000	31 December 2018 Restated* $'000
Assets			
Goodwill	*12*	490,234	183,796
Other intangible assets	*13*	471,008	152,099
Property and equipment	*14*	14,845	5,063
Right-of-use assets	*24*	58,344	-
Deferred tax asset	*11*	530	870
Debt securities held at fair value through other comprehensive income	*15*	421,094	-
Derivatives held at fair value through profit and loss	*29*	6,835	-
Other assets		1,425	670
Total non-current assets		**1,464,315**	**342,498**
Trade and other receivables	*16*	110,664	45,804
Cash and cash equivalents	*17*	1,563,125	20,633
Current tax receivable	*11*	-	558
Total current assets		**1,673,789**	**66,995**
Total assets		**3,138,104**	**409,493**
Equity			
Share capital	*19*	172,260	131,260
Other reserves		(584)	251
Accumulated losses		(221,018)	(71,243)
Equity attributable to equity holders of the parent		**(49,342)**	**60,268**
Non-controlling interests		4,093	-
Total equity		**(45,249)**	**60,268**
Liabilities			
Loan facility	*23*	1,021,554	277,079
Deferred tax liability	*11*	66,838	29,100
Employee benefits	*21*	2,559	1,072
Lease liabilities	*24*	48,620	-
Provisions	*26*	17,309	-
Total non-current liabilities		**1,156,880**	**307,251**
Amounts owed to credit institutions and banking customers	*29*	1,871,971	-
Loan facility	*23*	10,355	2,500
Derivatives at fair value through profit or loss	*29*	6,418	-
Trade and other payables	*22*	90,103	28,144
Current tax payable	*11*	14,460	-
Lease liabilities	*24*	13,743	-
Provisions	*26*	19,423	11,330
Total current liabilities		**2,026,473**	**41,974**
Total liabilities		**3,183,353**	**349,225**
Total equity and liabilities		**3,138,104**	**409,493**

* See note 33 for details regarding the prior period restatement.

These financial statements were approved by the board of directors, authorised for issue on 30 April 2020 and signed on its behalf by:

Peter Hughes
Director

The notes on pages 6 to 64 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019
(Expressed in United States Dollars)

	Note	**1 January 2019 to 31 December 2019 $'000**	**1 January 2018 to 31 December 2018 $'000**	**1 October 2017 to 31 December 2017 $'000**	**1 October 2017 to 31 December 2018 $'000**
Revenue	*7*	319,207	104,982	22,393	127,375
Commission income		3,337	198	17	215
Interest receivable and similar income	*8*	13,843	6,835	3	6,838
Other operating income	*9*	23,968	814	(23)	791
Administrative expenses		(392,820)	(141,434)	(19,354)	(160,788)
Results from operating activities		**(32,465)**	**(28,605)**	**3,036**	**(25,569)**
Transaction costs		(11,530)	(6,159)	(4,978)	(11,137)
Finance expenses		(82,959)	(16,018)	(2,157)	(18,175)
Re-capitalisation and debt restructuring costs		(23,908)	(2,655)	(566)	(3,221)
Loss before income tax		**(150,862)**	**(53,437)**	**(4,665)**	**(58,102)**
Income tax expense	*11*	(920)	(242)	(308)	(550)
Loss for the year		**(151,782)**	**(53,679)**	**(4,973)**	**(58,652)**
Attributable to:					
Owners of the parent company		(151,485)	(53,679)	(4,973)	(58,652)
Non-controlling interests		(297)	-	-	-
		(151,782)	(53,679)	(4,973)	(58,652)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(2,304)	(219)	(55)	(274)
Debt securities held at fair value through other comprehensive income		(1,074)	-	-	-
Total other comprehensive loss		(3,378)	(219)	(55)	(274)
Total comprehensive loss for the year		**(155,160)**	**(53,898)**	**(5,028)**	**(58,926)**
Attributable to:					
Owners of the parent company		(154,863)	(53,898)	(5,028)	(58,926)
Non-controlling interests		(297)	-	-	-
		(155,160)	**(53,898)**	**(5,028)**	**(58,926)**

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2019
(Expressed in United States Dollars)

	Ordinary share capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total attributable to the owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 October 2017	131,260	(9,809)	-	5	121,456	-	121,456
Loss for the year	-	(58,652)	-	-	(58,652)	-	(58,652)
Other comprehensive gain	-	-	-	(274)	(274)	-	(274)
Total comprehensive loss for the year	-	(58,652)	-	(274)	(58,926)	-	(58,926)
Repurchase of ordinary shares (note 19)	(38,840)	-	-	-	(38,840)	-	(38,840)
Issue of preference shares (note 19)	38,840	-	-	-	38,840	-	38,840
Credit to equity for equity settled share-based payments	-	-	520	-	520	-	520
Preference share dividend	-	(2,782)	-	-	(2,782)	-	(2,782)
Balance at 31 December 2018	**131,260**	**(71,243)**	**520**	**(269)**	**60,268**	**-**	**60,268**
Impact of adoption of new accounting standards	-	-	-	-	-	-	-
Loss for the year	-	(151,485)	-	-	(151,485)	(297)	(151,782)
Exchange differences on translating foreign operations	-	-	-	(2,304)	(2,304)	-	(2,304)
Debt securities held at fair value through other comprehensive income	-	(1,074)	-	-	(1,074)	-	(1,074)
Total comprehensive loss for the year	**-**	**(152,559)**	**-**	**(2,304)**	**(154,863)**	**(297)**	**(155,160)**
Acquisition of subsidiaries	-	-	-	-	-	5,096	5,096
Preference share dividend derecognised	-	2,784	-	-	2,784	-	2,784
Dividend and return of capital paid to the non-controlling interest	-	-	-	-	-	(706)	(706)
Share-based payment credit	-	-	1,469	-	1,469	-	1,469
Issue of share capital	41,000	-	-	-	41,000	-	41,000
As at 31 December 2019	**172,260**	**(221,018)**	**1,989**	**(2,573)**	**(49,342)**	**4,093**	**(45,249)**

The notes on pages 6 to 64 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2019

	Year ended 2019 $'000	Period ended 2018* $'000
Cash flows from operating activities		
Net income loss before tax	**(150,862)**	**(58,102)**
Adjustments for:		
Depreciation of property and equipment and right-of-use asset	15,176	1,068
Amortisation of intangible assets	44,216	16,465
Impairment of investment	(2,055)	-
Interest income	(13,843)	-
Interest expense	83,003	18,175
Share-based payment expense	1,469	520
Other non-cash movements	-	1,543
Amortisation of loan	13,557	4,140
Gains of investments	(6,695)	-
Gains of property and equipment and intangible assets	(15,828)	-
Changes in:		
Trade and other receivables	14,996	(29,871)
Movement in provisions	(4,928)	-
Movement in debt securities held at fair value through other comprehensive income	(56,556)	-
Movement in other assets	2,193	(929)
Other liabilities	-	676
Trade and other payables	248,433	34,353
	172,276	**(11,962)**
Cash flows from operating activities		
Interest received	13,843	-
Taxation paid	(1,293)	(2,455)
Interest paid	(78,690)	(18,893)
Settlement of derivative financial instruments	(418)	-
Net cash flows from operating activities	**105,718**	**(33,310)**
Cash flows from investing activities		
Cash outflow on acquisition of subsidiaries	(717,429)	(121,118)
Cash assumed on acquisition of subsidiaries	1,362,951	-
Purchase of property and equipment	(7,046)	(4,431)
Disposal of property and equipment	25,233	-
Purchase of intangibles	(3,581)	(8,908)
Disposal of investments	12,912	-
Net cash flows from investing activities	**673,040**	**(134,457)**
Cash flows from financing activities		
Proceeds from loans and borrowings	755,214	300,000
Payments of loans and borrowings	(7,352)	(110,250)
Capitalisation of financing fees	(17,680)	(10,482)
Acquisition of treasury shares	-	(38,840)
Proceeds from issuance of preference shares	41,000	38,840
Lease payments	(9,274)	-
Issue of share capital	(706)	-
Net cash flows from financing activities	**761,202**	**179,268**
Foreign exchange on cash and cash equivalents	2,532	98
Net increase in cash and cash equivalents	1,542,492	11,599
Cash and cash equivalents at the start of the period	20,633	9,034
Cash and cash equivalents at the end of the period	**1,563,125**	**20,633**

* In the prior period, changes in working capital have been reclassified for inclusion within the movement in trade payables.

1. Apex Group and its operations

The ‘Group’ consists of Apex Group Ltd (the ‘Company’) and all its subsidiaries.

Apex Group Ltd. (the ‘Group’)
The Group was incorporated as a private company on 02 May 2017 under the laws of Bermuda. Its registered office is 58 Par La Ville Road, Vallis Building, Hamilton, HM 11. The Group carries on business as a provider of fund administration, accounting, registrar and transfer agency, corporate secretarial, and director services to investment funds.

In 2019 the Group acquired a banking subsidiary, European Depository Bank SA (‘EDB’), which carries out activities as a custodian bank.

In the prior period the Group changed its financial year end from 30 September to 31 December. The comparative results of the Group presented in these consolidated financial statements thus reflect the operations of the Group for the 3 month period from 1 October 2017 to 31 December 2017 and the 12 month period from 1 January 2018 to 31 December 2018.

Subsidiaries
The Board of Directors have consolidated the results of all subsidiaries, held directly or indirectly as at the reporting date. The significant subsidiaries are listed below.

Name of direct and indirect subsidiaries	Principal activity	Place of incorporation and operation	Proportion of effective ownership interest and voting power held by the Group in 2019 and 2018
GC Agile Holdings Limited	Holding company	United Kingdom	100.00%
GC Agile Intermediate Holdings Limited	Holding company	United Kingdom	100.00%
Emerging Asset Management Ltd (Bermuda)	Fund administration	Bermuda	100.00%
EAM (USA) Ltd	Fund administration	United States of America	100.00%
Apex Fund Services Holdings Limited (Bermuda)	Holding company	Bermuda	100.00%
Equinoxe Alternative Investment Services Holdings Limited (Bermuda)	Holding company	Bermuda	100.00%
Equinoxe Alternative Investment Services (Ireland) Limited	Fund administration	Ireland	100.00%
Equinoxe Alternative Investment Services (Asia) Pte. (Singapore)	Fund administration	Singapore	100.00%
Apex Insurance Fund Services Ltd	Fund administration	Bermuda	100.00%
Equinoxe Alternative Investment Services (Mauritius) Limited	Fund administration	Mauritius	100.00%
Equinoxe AIS Malta Holdings Limited (Malta)	Holding company	Malta	100.00%
Equinoxe AIS Malta Limited (Malta)	Fund administration	Malta	100.00%
Apex Holdings HK Limited	Holding company	Hong Kong	100.00%
Lobra-2 S.a.r.l	Holding company	Luxembourg	100.00%
European Depositary Bank S.A.	Banking	Luxembourg	100.00%
Quint:Essence Capital S.A.	Management Company	Luxembourg	20.00%*
Nestor Investment Management S.A.	Management Company	Luxembourg	51.00%
European Depositary Bank S.A., Dublin Branch	Banking and Depositary	Dublin	100.00%
Metropolitan Trading Corporation S.A.	Management Company- In liquidation	Luxembourg	100.00%
Metraco Verwaltungsgesellschaft S.A.	Management Company- in liquidation	Luxembourg	100.00%

Apex Managers Ltd	Holding company	Bermuda	100.00%
Apex Managers HK Ltd	Holding company	Hong Kong	100.00%
Augur Financial Holdings V S.A.	Holding company	Luxembourg	88.00%
LRI Invest S.A.	ManCo Services	Luxembourg	100.00%
Apex Consolidation Entity Ltd	Holding company	United Kingdom	100.00%
Apex Fund Services (Mauritius) Limited	Fund administration	Mauritius	100.00%
Apex Fund Services (Cayman) Ltd	Fund administration	Cayman Islands	100.00%
Apex Fund Services (UK) Ltd	Fund administration	United Kingdom	100.00%
Apex Fund Services (IOM) Ltd	Fund administration	Isle of Man	100.00%
Apex Asia Group	Holding company	Cayman Islands	100.00%
Apex Fund Services (Singapore) Pte. Ltd	Fund administration	Singapore	100.00%
Apex Fund Corporate Services Pte. Ltd	Corporate services	Singapore	100.00%
Apex Fund Services (Australia) Pty Ltd	Fund administration	Australia	100.00%
Apex Fund Services (HK) Limited	Fund administration	Hong Kong	100.00%
Apex Fund Services Ltd	Fund administration	Bermuda	100.00%
Apex Fund Services (Jersey) Limited (in liquidation)	Fund administration	Jersey	100.00%
Apex Fund Services (Guernsey) Limited (in liquidation)	Fund administration	Guernsey	100.00%
Evander Corporate Limited	Corporate Services	Mauritius	100.00%
Apex Fund Services Ltd – Abu Dhabi Branch	Fund administration	United Arab Emirates	100.00%
Apex Fund Services LLP	Preparation of financial statements	India	99.90%
Apex Investment Consulting (Shanghai) Limited	Fund administration	China	100.00%
Apex Administrative Consultancy Saudi Arabia Ltd	Dormant entity	Saudi Arabia	75.00%
Apex Corporate Services Ltd	Corporate services	Bermuda	100.00%
Apex Fund Services (Uruguay) S.A.	Fund administration	Uruguay	100.00%
Apex Middle Office Solutions Ltd	Middle Office Services	Bermuda	100.00%
Apex ME Holdings Ltd	Holding company	Cayman Islands	100.00%
Apex Financial Outsourcing Services Ltd	Middle Office Services	Bermuda	100.00%
Apex Fund Services (Canada) Ltd	Fund administration	Canada	100.00%
Apex Fund Services (Dubai) Ltd	Fund administration	United Arab Emirates	100.00%
Apex Fund Services (AD) Limited	Fund administration	United Arab Emirates	100.00%
Apex Fund Services (Bahrain) WLL	Fund administration	Bahrain	98.56%
Apex Co Services (Cyprus) Ltd	Corporate services	Cyprus	100.00%
Apex Fund Services (Malta) Limited	Fund administration	Malta	99.99%
Apex Fund Services S.A.	Fund administration	Luxembourg	100.00%
Apex Fund Services (Japan) Representative Office	Representative office	Japan	100.00%
Apex Fund Company Services Limited	Treasury services	Ireland	98.00%
Apex Corporate Services (Ireland) Limited	Corporate services	Ireland	100.00%
Apex Fund Services (Ireland) Limited	Fund administration	Ireland	99.99%
Apex Corporate & Advisory Services Ltd	Corporate services	Malta	99.99%
Apex Fund Services (Malta) Limited – Luxembourg branch	Fund administration	Malta	100.00%
Apex IFS Limited	Corporate services	Ireland	100.00%
Apex TSI Limited	Corporate services	Ireland	100.00%
Apex TSI Limited US Branch	Corporate services	United States	100.00%
Apex Foundation Ltd	Not for profit	Bermuda	100.00%
Apex Greenlight ESG Ratings Ltd	ESG ratings	Bermuda	100.00%
Apex US Holdings Ltd	Holding company	UK	100.00%

Apex US Holdings LLC	Holding company	United States of America	100.00%
Apex Fund Services (SFO) LLC	Fund administration	United States of America	100.00%
Apex Fund Services (Charlotte) LLC	Fund administration	United States of America	100.00%
Atlantic Fund Administration LLC	Fund administration	United States of America	100.00%
Apex Fund and Custody Services LLC	Fund administration	United States of America	100.00%
Apex Fund Tax Services LLC	Tax services	United States of America	100.00%
Apex Fund Services (Atlanta) LLC	Fund administration	United States of America	100.00%
Broadscope Fund Administrators LLC	Fund administration	United States of America	100.00%
Atlantic Consulting LLC	Consulting Services	United States of America	100.00%
Atlantic Shareholder Services LLC	Fund administration	United States of America	100.00%
The ID Register (Holdings) Limited	Holding company	Cayman Island	100.00%
Ivy Topco Limited	Holding company	Guernsey	100.00%
Ivy Midco 1 Limited	Holding company	Guernsey	100.00%
Ivy Midco 2 Limited	Holding company	Guernsey	100.00%
Ivy Bidco Limited	Holding company	Guernsey	100.00%
IPES Holdings Limited	Holding company	Guernsey	100.00%
IPES Depositary Limited	Holding Company	United Kingdom	100.00%
IPES Director Services Limited	Holding Company	Guernsey	100.00%
IPES Investor Services Limited	Holding Company	Guernsey	100.00%
IPES Administration Limited	Holding Company	United Kingdom	100.00%
Apex Fund and Corporate Services (UK) Limited	Fund administration	United Kingdom	100.00%
Apex Fund an Corporate Services (Luxembourg) S.A	Fund administration	Luxembourg	100.00%
IPES Director (UK) Ltd	Director services –in liquidation	United Kingdom	100.00%
IPES Secretaries (UK) Ltd	Corporate services – in liquidation	United Kingdom	100.00%
Apex Fund and Corporate Services (Guernsey) Limited	Fund administration	Guernsey	100.00%
Apex Trustees Limited	Trustee services	Guernsey	100.00%
Apex Nominees Limited	Nominee services	Guernsey	100.00%
Victoria Plaza Ltd	Trustee services	Guernsey	100.00%
Apex Fund and Corporate Services (Jersey) Limited	Fund administration	United States of America	100.00%
FB Nominees Limited	Trustee services	United States of America	100.00%
Apex Depositary (UK) Limited	Depositary services	United Kingdom	100.00%
Apex Director Services (Guernsey) Limited	Director services	Guernsey	100.00%
Apex Director (Guernsey) Limited	Director services	Guernsey	100.00%
The ID Register (Guernsey) Limited	Director services	Guernsey	100.00%
IPES (Ireland) Limited	In liquidation	Ireland	100.00%
The ID Register (Ireland) Limited	Director services	Ireland	100.00%
Custom House Holdings Malta Limited	Holding company	Malta	100.00%
Custom House Global Fund Services Limited	Fund administration	Malta	99.99%
Custom House Central Services Ltd	Middle Office	Malta	99.99%
Custom House Fund Services (Netherlands) B.V.	Fund administration	Netherlands	100.00%
Custom House Fund Services (Ireland) Limited	Fund administration	Ireland	100.00%

Apex Fund Services (Chicago) LLC	Fund administration	United States of America	100.00%
Custom House Fund Services (Singapore) Pte Limited	Fund administration	Singapore	100.00%
The Nascent Fund SICAV Plc.	In liquidation	Malta	99.99%
The Nascent Fund SPC.	In liquidation	Cayman Island	100.00%
Custom House Fund Services (Hong Kong) Limited.	Fund administration	Hong Kong	100.00%
Custom House Fund Services Bulgaria EOOD	Fund administration	Bulgaria	100.00%
Apex Fund Services (Sydney) Pty Limited	Fund administration	Australia	100.00%
Apex Corporate Services (Schweiz) GmbH	Corporate Services	Switzerland	100.00%
Apex Hungary Corporate Services LLC	Corporate Services	Hungary	100.00%
Apex Financial Services (Jersey) Limited	Holding co / Employing co	Jersey	100.00%
Apex Financial Services (Alternative Funds) Limited	Fund Administrator	Jersey	100.00%
Apex Alternative Fund Services (Guernsey) Limited	Trustee Services	Guernsey	100.00%
Apex Financial Services (Trust Company) Limited	Trustee & Company Administration Services	Jersey	100.00%
Apex Financial Services (Treasury) Limited	Treasury Services	Jersey	100.00%
Apex Financial Services (Trustees) Limited	Trustee & Company Administration Services	Jersey	100.00%
Forbrit Trustees Limited	Trustee Services	Jersey	100.00%
Apex Financial Services (Corporate) Limited	Fund Trustee Services & Custodian	Jersey	100.00%
Apex (EP) Limited	Trust Enforcer/Protector Services	Jersey	100.00%
Apex Financial Services (Jersey) Limited - Dubai Branch	Fund Administration - branch closed in 2020	Dubai	100.00%
Apex Financial Services (Secretaries) Limited	Secretarial Services	Jersey	100.00%
Buri Leasing Limited	Special Purpose Vehicle	Jersey	100.00%
Forbrit Corporate Director 1 Limited	Corporate Director Services	Jersey	100.00%
Forbrit Corporate Director 2 Limited	Corporate Director Services	Jersey	100.00%
Seaton Trustees Limited	Trustee & Company Administration Services	Jersey	100.00%
Seaton Trustee Services Ltd	Trustee Services	Jersey	100.00%
Apex Financial Services (Nominees) Limited	Nominee Services	Jersey	100.00%
Apex Financial Services (Nominees 1) Limited	Nominee Services	Jersey	100.00%
Apex Financial Services (Nominees 2) Limited	Nominee Services	Jersey	100.00%
Apex Financial Services (Nominees 3) Limited	Nominee Services	Jersey	100.00%
Apex Financial Services (Foundations) Limited	Foundations Services	Jersey	100.00%
Forbrit Corporate Director 3 Limited	Corporate Director Services	Jersey	100.00%
Forbrit Corporate Director 4 Limited	Corporate Director Services	Jersey	100.00%
Apex Corporate Services Luxembourg S.A.	Corporate Services	Luxembourg	100.00%
Immo Guillaume Schneider S.A.	Corporate Services	Luxembourg	100.00%
Apex Corporate Services S.A.	Corporate Services	Luxembourg	100.00%
Apex Financial Services Group B.V.	Corporate Services	Netherlands	100.00%
Apex Company Secretarial Services B.V.	Corporate Services	Netherlands	100.00%

Apex Administrative Services B.V.	Corporate Services	Netherlands	100.00%
Apex Financial Services B.V.	Corporate Services	Netherlands	100.00%
Apex Fiduciary Services B.V.	Corporate Services	Netherlands	100.00%
Throgmorton UK (No.2)	Corporate Services	United Kingdom	100.00%
Throgmorton UK Limited	Corporate Services	United Kingdom	100.00%
Throgmorton Nominees LLP	Corporate Services	United Kingdom	100.00%
Throgmorton Secretaries LLP	Corporate Services	United Kingdom	100.00%
Apex Corporate Trustees (UK) Limited	Corporate Services	United Kingdom	100.00%
Apex ASOP Limited	Corporate Services	United Kingdom	100.00%
Apex ATL Pension Trustees Limited	Corporate Services	United Kingdom	100.00%
Apex Consortium Nominees No.1 Limited	Corporate Services	United Kingdom	100.00%
Apex Consortium Nominees No 2 Limited	Corporate Services	United Kingdom	100.00%
Apex Consortium Nominees No. 3 Limited	Corporate Services	United Kingdom	100.00%
White City Property Trustees Limited	Corporate Services	United Kingdom	100.00%
Apex Pension Trustee Company (1997) Limited	Corporate Services	United Kingdom	100.00%
White City Property Nominee Limited	Corporate Services	United Kingdom	100.00%
Apex Pension Secretariat Limited	Corporate Services	United Kingdom	100.00%
Apex (LLRP) Trustee Limited	Corporate Services	United Kingdom	100.00%
Apex Pension Trustees Limited	Corporate Services	United Kingdom	100.00%
Apex Trust Nominees No. 1 Limited	Corporate Services	United Kingdom	100.00%
Apex Trust Nominees No. 2 Limited	Corporate Services	United Kingdom	100.00%
Apex Corporate Services (UK) Limited	Corporate Services	United Kingdom	100.00%
Apex Trust Corporate Limited	Corporate Services	United Kingdom	100.00%
Apex Trust Secretaries Limited	Corporate Services	United Kingdom	100.00%
Apex KWS Limited	Corporate Services	United Kingdom	100.00%
Pacific Quay Nominees No. 1 Limited	Corporate Services	United Kingdom	100.00%
Pacific Quay Trustees No. 1 Limited	Corporate Services	United Kingdom	100.00%
Royal Exchange Trust Company Limited	Corporate Services	United Kingdom	100.00%
Royal Exchange Trustee Nomineees Limited	Corporate Services	United Kingdom	100.00%

2. Basis of consolidation and preparation

a) Statement of compliance

These non-statutory consolidated financial statements, herein referred to as financial statements, have been prepared in accordance with International Financial Reporting Standards ('IFRSs').

b) Going concern

The consolidated financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realisation of the Group's assets and the satisfaction of liabilities and commitments in the normal course of business. During the year ended 31 December 2019, the Group recorded a loss for the year of $151,782k (2018: $58,652k) mainly resulting from the costs incurred in relation to the significant acquisitions made by the Group in during 2019. Substantial revenue growth through realisation of the business model and operational synergies impacting cost efficiencies are expected in the coming years. After making appropriate enquiries, the directors are confident that the Group will have sufficient cash flows based on the realisation of its business model to meet its obligations, as and when they fall due, for at least twelve months from the date of approval of these consolidated financial statements.

(i) COVID-19

Overview

At the time of approval of these financial statements the global financial system is under significant stress due to the ongoing coronavirus 'COVID' outbreak and subsequent large scale restrictions on movement of people and closure of businesses imposed by governments around the world 'lockdown'. Global asset markets have fallen rapidly 20-30% from their recent peaks and remain volatile after coordinated central bank action. The Apex business model of cross selling to clients across a wide range of services gives a diversified revenue mix which mitigates reliance on any particular revenue stream. The directors are monitoring the situation daily and have conducted sensitivity analyses across the business plan targets and impact on cash generation and working capital management. The directors believe that these results show that no significant adjustments are necessary to the projected cash flows available to the business in order to meet its obligations as described above and therefore do not adversely affect the basis of preparation of these financial statements.

Business continuity planning

The government lockdowns around the world have meant that a large proportion of Apex staff have had to utilise working from home or otherwise remotely from their normal office as part of our business continuity planning 'BCP'. The directors believe that the fact that business continues to perform under this stress shows that this strategy works and enables us to continue to service our clients effectively. The directors also believe this demonstrates that the offshoring and staff relocation strategy can deliver the synergies outlined in the business plan perhaps even more effectively than anticipated.

c) Basis of measurement and consolidation

The consolidated financial statements have been prepared on the historical cost basis as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements incorporate the financial statements of Apex Group Ltd and its subsidiary undertakings made up to 31 December 2019, with comparative figures made up to 31 December 2018. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its investment and has the ability to use its power to affect its returns. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. The significant accounting policies adopted by the Group are set out in note 4.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests in the acquiree that represent ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. All other components of non-controlling interests shall be measured at their acquisition date fair values, unless another measurement basis is required. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d) Functional and presentation currency

Foreign currency transactions are translated into the functional currency of each reporting entity using the exchange rate prevailing at the date the transactions took place.

Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Foreign exchange gains and losses are included within operating profit, classified within administrative expenses, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into United States dollar using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised through other comprehensive income.

3. Critical accounting judgments and key sources of estimation uncertainty

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which have a significant effect on the amounts recognised in the financial statements:

- *Recognition of deferred tax assets*

  Estimates

  Deferred tax assets are recognised for all unused tax losses to the extent it is probable that taxable profit will be available, against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies The carrying value of recognised tax losses at the end of the reporting period was $nil (2018: $584k).

- *Measurement of contingent consideration*

  Estimates

  As part of its historic business acquisitions, the Group provides for various contingent consideration amounts, the value of which depend on future business performance. Management determines the fair value of contingent consideration based on the future cash flows expected to be generated by the underlying CGU, discounted at the cost of capital per the external advisors purchase price allocation workings.

  Estimates are made in determining the expected future cash flows. This is based on the latest forecast data which is prepared at each CGU level, taking into account historical experience of the CGU, known pipeline, and wider economic expectations of the relevant sector.

  At the reporting date, management anticipates that the final consideration will be materially the same as that stated in these financial statements, as the acquired entities are performing in-line with expectations. However, the possible range of outcomes remains wide – between $nil and the amount recognised at the reporting date.

  Further information in respect of contingent consideration is set out in notes 26 and 27.

- *Goodwill*

  Estimates

  Goodwill arising on an acquisition of a business is carried at cost, as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The directors consider the Group to have three CGUs that will benefit from the acquisitions, consistent with the strategic manner in which the synergies will be realised and the basis on which the directors review and monitor the performance of the Group.

  Further details in respect of goodwill and impairment of goodwill is set out in notes 12 and 27.

4. Significant accounting policies

Set out below are the principal accounting policies that have been applied during the period.

(a) Financial instruments

The accounting policy set out below is applicable for the year ended 31 December 2019. The accounting policy applied to previous periods is set out in note 34.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for de-recognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

(i) Financial assets measured at amortised cost

Financial assets measured at amortised cost comprise loans and advances to credit institutions and banking customers and trade and other receivables.

Financial assets are classified as measured at amortised cost when the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income (‘FVTOCI’) comprise debt securities and other fixed income securities.

Financial assets are classified as measured at FVTOCI when the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Impairment of financial assets

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost and at FVTOCI. In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying group of financial assets.

Expected credit losses are measured as a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Exposure at default is represented by the assets' gross carrying amount at the reporting date.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast, direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(iv) Derivative financial instruments

Derivative financial instruments are measured at fair value, with changes in fair value being recognised through profit or loss ('FVTPL')

(v) Other financial liabilities

All other financial liabilities are measured at amortised cost using the effective interest method.

(vi) Shares issued by the Company

Ordinary shares issued by the Company are classified as equity instruments. Preference shares are classified as equity instruments if they meet the definition of equity in terms of IAS 32.

Redemptions or refinancing of equity instruments are recognised as changes in equity.

(vii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Group carries out a range of regulated activities. Where local regulation requires companies to maintain regulatory cash balances, these assets are treated as ring-fenced for operational purposes, and are monitored and managed separately to cash maintained for the working capital requirements of the business.

It is Group's policy that all subsidiaries must comply with local regulatory requirements surrounding the management of cash.

(b) Property and equipment

The Group's property and equipment consist of the following classes of assets: computer equipment, furniture and fittings, office equipment motor vehicle and leasehold improvement. These are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property and equipment is recognised as an expense when incurred. Capital and work in progress is recognised at cost, and transferred to other classes of property and equipment once the items of property and equipment become available for use.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computer equipment	3-5 years
Furniture and fittings	3-10 years
Office equipment	3-10 years
Motor vehicle	4-6 years
Leasehold improvement	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(c) Intangible assets

i) Intangible assets acquired separately

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets acquired separately by the Group are initially measured at cost and subsequently stated net of the accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Intangible assets consist of customer lists, brand value, computer software and non-compete agreements.

iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Customer lists	7-20 years
Non-compete agreement	3 years
Computer Software	3-10 years

(d) Leases

The accounting policy set out below is applicable for the year ended 31 December 2019. The accounting policy applied to previous periods is set out in note 34.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities include the present value of the following lease payments:
- Fixed payments, less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate (i.e. the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions) is used.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets are measured at cost which comprise the following:
- The initial measurement of lease liability;
- Lease payments made at or before the commencement date (less lease incentives received);
- Initial direct costs; and
- Restoration costs.

Subsequently, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Extension and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

(e) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Revenue recognition

The accounting policy set out below is applicable for the year ended 31 December 2019. The accounting policy applied to previous periods is set out in note 34.

The Group's revenue streams comprise primarily fees for the provision of fund administration, accounting, registrar and transfer agency, corporate secretarial and director services to investment funds and depository services. The majority of contracts stipulate a fixed fee, or are on a minimum fee basis.

Revenue is measured at the transaction price excluding value added tax and other sales taxes. For the Group's significant revenue streams, the transaction price is, in the main, determined with reference to fixed fee contracts.

The transaction price is allocated to each performance obligation based on the individual selling price of each performance obligation. Revenue is recognised when the Group's performance obligations have been satisfied and the following criteria have been met:

- the parties to the contract have approved the contract;
- the Group can identify each party's rights regarding the services to be transferred;
- the Group can identify the payment terms for the services to be transferred;
- the contract has commercial substance; and
- it is probable that the Group will collect the consideration for the services transferred.

The Group's most significant revenue stream is derived from fund administration services. Whilst the particular services provided vary for each customer, typical services would include:

- Daily administration/support functions;
- NAV calculations; and
- Ensuring compliance with applicable laws and regulations.

The performance obligation is deemed to be delivered across the period of the contract. Although there are certain performance obligations provided 'when needed', the majority of the work is performed on a daily basis, and there is no breakdown of costs between performance obligations.

Revenue is recognised evenly over the contract period (i.e. on a monthly basis), as the customer is deemed to simultaneously receive and consume the services as they are provided.

The revenue recognition for accounting income, corporate secretarial fees and middle office services is in line with that set out above for fund administration services, due to the nature of the on-going service provided to clients.

Professional fees and custodian fees primarily relate to depositary and custody fees earned from clients. The performance obligation is the safeguarding of the assets held. Fees are typically charged on a basis point of assets under depositary/custody. There is no subjectivity in calculating the monthly revenue earned, even though it may be variable month on month due to the changing value of assets held.

Revenue is recognised when the Group satisfies the performance obligation, which is on a monthly basis.

Customers are billed periodically, in accordance with the terms specific to the contract, and payment terms are typically 30 days from the date the invoice.

Contract liabilities (deferred income) consists of payments received in advance of revenue recognition from the Group's professional services.

(g) Employee benefits

i) Defined contribution plans

The Group contributes towards the defined contribution pension plans for its employees in accordance with local legislation and for which it has no commitment beyond the payment of the fixed contribution. Contributions are recognised as an expense as they fall due.

Provisions made by certain subsidiaries to cover their obligations under the employees' terminal benefits are recognised in profit or loss and other comprehensive income.

ii) Employee entitlements to annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the reporting date, if material.

iii) Staff terminal benefits – Dubai subsidiary

In compliance with the DIFC Employment Law No. 4 of 2005 (Dubai), the Dubai subsidiary has a termination gratuity benefit scheme covering all of its salaried employees who have been employed with the subsidiary for more than one year.

Provisions made to cover the obligation under the employees' terminal benefits are recognised to the statement of profit or loss.

iv) Expatriate employees – Bahrain subsidiary

Expatriate employees are entitled to leaving indemnities payable under Bahrain Labour Law for the Private Sector – Law no. (36) of 2012, based on the length of service and final remuneration and other allowances paid. Provision for this unfunded commitment, which represents a defined contribution scheme under IAS 19 - Employee benefits, has been made by calculating the notional liability had all employees left at the reporting date.

v) Under The Employment Rights Act 2008 – Mauritius subsidiary

Employees of the Mauritius subsidiary are entitled to the Retirement Gratuities payable under the Employment Rights Act (ERA). The present value of retirement benefits under the Employment Right Act 2008 is recognised in the statement of financial position as a non-current liability and is computed as stipulated in the Act.

(h) Taxation

Current and deferred tax is recognised in the statement of profit or loss and other comprehensive income, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(i) Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared, and are recognised directly in equity.

(j) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income.

ii) Foreign operations

The assets and liabilities of foreign operations are translated to United States dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollar at exchange rates at the dates of the transactions.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) *Share-based payments*

Share-based payment transactions of the Company

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight- line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

5. Adoption of new and revised International Financial Reporting Standards and International Financial Reporting Standards

Adoption of new and revised International Financial Reporting Standards

The following standards issued by the International Accounting Standards Board became effective for the current year:

IFRS 9 *Financial Instruments*

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply.

The new model also results in a single, forward-looking ‘expected loss’ impairment model that will require more timely recognition of expected credit losses.

IFRS 9 introduces a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

The adoption of IFRS 9 from 1 January 2019 did not result in any adjustments to amounts recognised in the financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

To meet this objective the core principles of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Group has adopted IFRS 15 from 1 January 2019 which did not result in any adjustments to the amounts recognised in the financial statements upon transition, nor has it led to any changes to the timing of revenue recognition within the current reporting period.

IFRS 16 *Leases*

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted.

The Group has adopted IFRS 16 by applying the modified retrospective approach. Under this approach the Group has measured the lease liability at the initial date of application at the present value of the remaining lease payments, discounted at the incremental borrowing rate with no restatement of comparative presented financial information. This chosen approach, allows the right-of-use asset to be recognised at the time of initial application at an amount corresponding to the respective lease liabilities, adjusted only by the amount of prepaid or deferred lease payments.

IFRS 16 provides the option for short-term leases with a term of 12 months or less and low value leases of €5,000 or less not to be recognised on the balance sheet. The Group elected to make use of these options and has continued to recognise lease payments as an expenses within profit or loss.

The Group has applied the following practical expedients upon first time application:

- Leases with a remaining term of less than 12 months from 1 January 2019 have been treated as short term; and
- Not to reassess whether a lease, as defined by IFRS 16, contains or does not contain a lease if it already existed upon first time adoption.

On adopting IFRS 16, lease liabilities related to leases previously classified as 'operating leases' under the principles of IAS 17 Leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The range of incremental borrowing rates applied to the lease liabilities on 1 January 2019 was between 5.21% and 13.2%. The weighted average incremental borrowing rate applied was 8.46%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of application:

	2019
	$
Operating lease commitments disclosed as at 31 December 2018	20,434
Adjustments:	
Discounted using the incremental borrowing rate at date of initial application	(1,993)
Less short-term leases recognised on a straight line basis as expense	(67)
Low value leases recognised on a straight line basis as expense	(4,074)
Lease liability as at 1 January 2019	14,300

International Financial Reporting Standards in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements:

IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

6. Capital management

Capital managed by the Group comprises equity instruments, further details of which are set out in note 19, and external borrowings, further details of which are set out in note 23.

The board's policy is to maintain a strong capital base to sustain future development of the business. The board of directors monitors the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the period.

A number of Group companies carry out regulated activities including fund administration services, corporate secretarial services, depositary services, UCITS management company services, alternative investment fund management services, trustee services, corporate director services, management services, nominee services and treasury services. These companies are subject to the externally imposed capital requirements, as set out by the relevant regulatory body in the local jurisdictions in which the companies operate.

The Group will support subsidiaries, should they require additional resources in order to comply with the prescribed minimum capital requirements in future years.

In 2019 the Group acquired a banking subsidiary, European Depository Bank SA ('EDB'), which is incorporated in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier ('CSSF'). The requirements of the CSSF for the implementation of an internal capital adequacy assessment process ('ICAAP'), under which EDB also includes the procedural requirements for the assessment of appropriate liquidity, are strictly complied with. EDB also operates a number of overseas branches which have complied with their separate local regulatory requirements.

7. Revenue

	1 January 2019 to 31 December 2019 $'000	1 January 2018 to 31 December 2018 $'000	1 October 2017 to 31 December 2017 $'000	1 October 2017 to 31 December 2018 $'000
Accounting fees	7,180	3,896	831	4,727
Administration fees	229,641	79,886	17,232	97,118
Banking activity	1,171	-	-	-
Custody and depositary fees	21,598	-	-	-
Disbursements	2,871	2,067	507	2,574
Corporate secretarial fees	5,123	1,797	443	2,240
Director fees	3,198	1,289	330	1,619
Company set up fees	2,426	1,429	336	1,765
Other fees	13,455	2,938	1,343	4,281
Professional services	22,982	7,569	352	7,921
FACTA fees	9,562	4,111	1,019	5,130
	319,207	**104,982**	**22,393**	**127,375**

Details in respect of contract balances are set out in notes 16 and 22.

8. Interest receivable and similar income

	1 January 2019 to 31 December 2019 $'000	1 January 2018 to 31 December 2018 $'000	1 October 2017 to 31 December 2017 $'000	1 October 2017 to 31 December 2018 $'000
Interest receivable and similar income	13,843	6,835	3	6,838
	13,843	**6,835**	**3**	**6,838**

9. Other operating income

	1 January 2019 to 31 December 2019 $'000	1 January 2018 to 31 December 2018 $'000	1 October 2017 to 31 December 2017 $'000	1 October 2017 to 31 December 2018 $'000
Gains/(losses) on disposals	16,280	259	(583)	(324)
Miscellaneous income	6,939	543	155	698
Net foreign exchange (losses)/gains	749	12	405	417
	23,968	**814**	**(23)**	**791**

10. Employee benefit expense

	1 January 2019 to 31 December 2019 $'000	1 January 2018 to 31 December 2018 $'000	1 October 2017 to 31 December 2017 $'000	1 October 2017 to 31 December 2018 $'000
Post-employment benefits				
Defined contribution plans	6,420	2,156	373	2,529
Share-based payments (note 20)	1,469	367	154	521
	7,889	2,523	527	3,050

11. Income tax expense

Under current Bermuda Law the Company is not required to pay any taxes in Bermuda on either income or capital gains.

The Group'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.

Income and deferred tax expense recognised in profit or loss:

	1 January 2019 to 31 December 2019 $'000	**1 October 2017 to 31 December 2018 $'000**
Current tax:		
Income tax expense	**10,887**	571
Total current tax	**10,887**	571
Deferred tax:		
Deferred tax expense	**(7,374)**	(32)
Prior year adjustment	**(2,593)**	11
Total deferred tax	**(9,967)**	**(21)**
Total tax expense for the period	**920**	**550**

11. Income tax expense (continued)

Income tax expense for the year can be reconciled to the accounting profit as follows:

	1 January 2019 to 31 December 2019 $'000	1 October 2017 to 31 December 2018 $'000
Profit before tax	(150,862)	(58,102)
Income tax at the standard rate in Bermuda 0% (2018: 0%)	-	-
Effect of overseas tax rate	4,766	491
Impact of non-taxable income	(1,601)	-
Impact of non-deductible expense	364	-
Utilisation of previously unrecognised tax losses	(16)	-
Prior year adjustment	(2,593)	-
Unrecognised tax losses	-	49
Exchange rate difference	-	10
Total tax expense for the period	920	550

The blended Group tax rate for the year was 12%. The range of tax rates of Group companies was 0% - 35%.

The following is the analysis of deferred tax assets/ (liabilities) presented in the consolidated statement of financial position:

	2019 $'000	2018 Restated* $'000
Deferred tax assets	530	870
Deferred tax liabilities	(66,838)	(29,100)
As at 31 December 2019	(66,308)	(28,230)

During the current and prior period the Group entered into a series of corporate acquisitions which resulted in the recognition of substantial intangible assets. This resulted in a $76,578k consolidated deferred tax liability being recognised, even though the Company's corporation tax rate is nil. Resulting from the Group using debt finance to fund the acquisitions, losses have been incurred, the tax effect of which represents unused tax losses. At the reporting date, the remaining unamortised deferred tax liability in respect of the acquisitions was $66,838k.

* See note 33 for details regarding the prior period restatement.

11. Income tax expense (continued)

Movement of deferred tax asset/(liability) is shown below:

	2019
	$'000
At 31 December 2018	(28,230)
Recognised through profit or loss:	
Provisions	(335)
Fixed assets capital allowances	559
Customer relationships	5,483
Fair value adjustment	203
Goodwill	4,057
Acquisition of subsidiaries	(48,045)
	(66,308)

Deferred tax assets/(liabilities) relate to:

	2019
	$'000
Provisions	(720)
Fixed assets capital allowances	1,250
Customer relationships	(37,773)
Fair value adjustment	(1,395)
Goodwill	(27,670)
Other	
	(66,308)

At the reporting date the Group has unutilised tax losses carried forward of $50,685k (2018: $10,808k)

12. Goodwill

	2019	2018 Restated*
	$'000	$'000
Cost	490,234	183,796
Accumulated impairment loss	-	-
	490,234	**183,796**
Cost		
Balance at the beginning of the period	183,796	125,204
Recognised on acquisition of subsidiaries during the period (note 27)	307,261	58,592
Foreign exchange	(823)	-
Balance at the end of the period	**490,234**	**183,796**

* See note 33 for details regarding the prior period restatement

12 Goodwill (continued)

No impairment losses were recognised either during the current or previous period.

Allocation of goodwill to Cash-Generating Units (CGUs)

The carrying amount of goodwill has been allocated to CGUs as follows:

	2019	2018 Restated*
	$'000	$'000
Fund solutions	292,334	149,346
Financial solutions	59,653	28,750
Corporate solutions	138,247	5,700
	490,234	**183,796**

* See note 33 for details regarding the prior period restatement

In the current year, as the acquired business are incorporated into the Apex business model, the Group changed the way it measures and reports its performance to better reflect the segments operated in. The CGUs above have therefore been updated to align with the new segments and are representative of the way management view information, track results and present financial data to the Board. Goodwill was allocated to cash generating units on a percentage of revenue.

In accordance with the Group's accounting policy, the carrying value of goodwill is not subject to systematic amortisation but is reviewed annually for impairment. The review assesses whether the carrying value of goodwill could be supported by the recoverable amount which is determined through value in use calculations of each cash-generating unit (CGU). The key assumptions applied in the value in use calculations are the discount rates and the projected cash flows. Details are as follows:

Projected cash flows

Projected cash flows are calculated with reference to each CGU's latest budget and business plan which are subject to a rigorous review and challenge process. The plan shows costs fully allocated to cash generating units. Management prepares the budgets through an assessment of historic revenues from existing clients, the pipeline of new projects, historic pricing, and the required resource base needed to service new and existing clients, coupled with their knowledge of wider industry trends and the economic environment. Specific assumptions around growth in revenue, salaries and direct costs were applied to each CGU for three years, in line with the Group's equity model.

In preparing the business plans of the CGUs, the overall strategy is to focus on revenue growth strategic initiatives to grow at the top rates in the market, along with tight cost control achieved through role relocation initiatives, IT cost consolidation, and tight cost control over all lines of expenses. The input that is most significant in preparing these plans relates to revenue growth rates. These are set out by CGU below:

	2020	**2021**	**2022**
Fund solutions	17.0%	16.6%	14.8%
Financial solutions	23.3%	15.2%	15.0%
Corporate solutions	13.2%	11.6%	11.6%

12 Goodwill (continued)

Discount rates
For impairment assessment with respect to each CGU, management has used a rate of 15.96% which has been determined by reference to the weighted average cost of capital (WACC) of the Group based on gearing levels expected in the industry. Management believes that the discount rate used reflects current market assessments of the time value of money and the risks specific to the goodwill for which the future cash flow estimates have not been adjusted. In assessing the discount rate applicable to the Group the following factors have been considered:

The long-term treasury bond rate for the relevant jurisdiction
ii. The cost of equity based on an adjusted Beta for the relevant industry
iii. The risk premium to reflect the increased risk of investing in equities

Sensitivity to changes in assumptions

Management has performed sensitivity analysis by stress testing the key inputs into impairment testing model. The directors are satisfied that any reasonably possible change in the key assumptions on which the recoverable amount of each CGU is based would not cause the aggregate carrying amount to exceed the recoverable amount of the related CGUs.

13. Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and comprise the following:

	Computer software $'000	Customer relationships $'000	Non-compete $'000	Total $'000
Cost				
At 1 October 2017	**531**	**92,260**	**1,096**	**93,887**
Acquired on acquisition of a subsidiary	-	63,583	3,321	66,904
Additions from separate acquisitions	8,907	-	-	8,907
Exchange difference	-	(33)	-	(33)
At 31 December 2018	**9,438**	**155,810**	**4,417**	**169,665**
Acquired on acquisition of a subsidiary	7,939	350,678	-	358,617
Additions	4,285	-	-	4,285
Disposals	(677)	-	-	(677)
Exchange difference	147	436	(1)	582
At 31 December 2019	**21,132**	**506,924**	**4,416**	**532,472**
Amortisation				
At 1 October 2017	**9**	**774**	**19**	**802**
Amortisation for the period	1,226	14,358	880	16,464
Exchange difference	4	288	8	300
At 31 December 2018	**1,239**	**15,420**	**907**	**17,566**
Amortisation for the period	3,616	39,435	1,165	44,216
Disposal	(308)	-	-	(308)
Exchange difference	(46)	1	35	(10)
31 December 2019	**4,501**	**54,856**	**2,107**	**61,464**
Carrying amount				
31 December 2018	**8,199**	**140,390**	**3,510**	**152,099**
31 December 2019	**16,631**	**452,068**	**2,309**	**471,008**

Accumulated amortisation as at December 2018 of the amount $2,678k has been reallocated from computer software to customer relationships. There is no impact on the carrying value of intangibles assets as presented in the 2018 balance sheet.

The cost and accumulated amortisation of the Group's most material other intangible assets is set out below:

Class of intangible asset	Cost	Accumulated amortisation	Carrying amount	Description
Customer relationships	92,295	(23,491)	68,804	Customer lists recognised on acquisition of Apex Fund Services Holdings Limited.
Customer relationships	46,607	(7,445)	39,162	Customer lists recognised on acquisition of Alternative Fund Services Business – Deutsche Bank AG.
Customer relationships	181,000	(7,542)	173,458	Customer lists recognised on acquisition of Link Group.
Customer relationships	92,692	(8,472)	84,220	Customer lists recognised on acquisition of Ipes Group.

14. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and comprise the following:

	Computer equipment	Office equipment	Furniture and fittings	Leasehold improve-ments	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 31 December 2018	**1,499**	**350**	**2,423**	**1,876**	**1**	**6,149**
Acquired through business combination	1,185	203	588	3,451	64	5,491
Additions	5,327	582	4,018	684	87	10,698
Disposal	(154)	(3)	(23)	-	-	(180)
Exchange difference	(133)	(12)	(84)	(169)	(5)	(403)
At 31 December 2019	**7,724**	**1,120**	**6,922**	**5,842**	**147**	**21,755**
Depreciation						
At 31 December 2018	**387**	**40**	**292**	**367**	**-**	**1,086**
Depreciation expense	2,873	227	1,942	836	73	5,951
Disposal	(24)	(3)	(7)	-	-	(34)
Exchange difference	(97)	(2)	(43)	49	-	(93)
At 31 December 2019	**3,139**	**262**	**2,184**	**1,252**	**73**	**6,910**
Carrying amount						
31 December 2018	**1,112**	**310**	**2,131**	**1,509**	**1**	**5,063**
31 December 2019	**4,585**	**858**	**4,738**	**4,590**	**74**	**14,845**

15. Debt securities held at fair value through other comprehensive income

	2019 **$'000**	2018 $'000
Sovereign and other supranational debt obligations	236,734	-
Credit institutions	184,360	-
	421,094	**-**

The instruments in this category relate to European Depository Bank ('EDB'). These are securities from the following issuers, which are to be classified as highly rated: Federal Republic of Germany, German federal states or banks domiciled in Germany, in particular development banks, and insurance companies. All instruments in the portfolio are ECB-eligible and have investment grade credit ratings from AA to AAA on the Fitch Ratings scale. The residual terms of all instruments in the portfolio are under 4 years.

16. Trade and other receivables

	2019 **$'000**	2018 $'000
Trade receivables	48,634	13,996
Prepayments	8,413	4,510
Accrued income	47,598	24,999
Other receivables	6,019	2,299
	110,664	**45,804**

During the year accrued income of $36,001k (2018: $11,418k) was recognised upon business combinations.

17. Cash and cash equivalents

	2019 **$'000**	2018 $'000
Cash at bank	68,062	20,633
Cash balances at central banks	1,363,640	-
Payable on demand	131,423	-
Cash and cash equivalents	**1,563,125**	**20,633**

Cash at bank earns interest at floating rates based on bank deposit rates.

18. Expected credit losses

Debt securities held and loans and advances held as part of the Group's banking activities

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets using a 'probability of default' ('PD') approach. Under the PD approach, the expected credit losses are calculated using three main parameters:

- a counterparty PD (probability of default),
- expected LGD (loss given default) and;
- EAD (expected exposure at default).

In calculating the expected credit loss the following formula is applied:

Expected Credit Loss (ECL) = PD x LGD x EAD.

The Group recognises a loss allowance for expected credit losses on debt securities and loans and advances by applying the general approach. Under the general approach the Group recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.

The Group assesses credit quality using a grading system. For Level 1 instruments, the ECL is based on a period of one year (12M), whereas for Level 2 instruments the calculation takes into account the respective residual maturity of the instruments (lifetime).

Credit quality grading assessment

Debt securities

For instruments in this portfolio (with low default risk), the Group specifies that the assessment of a possible significant increase in credit risk should be based on changes in the rating assigned by Fitch. For this purpose, the Group compares the instrument rating at the time of purchase of the instrument with the instrument rating on the reporting date. If there is a negative deviation of 3 or more rating grades (Fitch scale) and the instrument rating is worse than A- on the reporting date, the Group considers that there is a significant increase in credit risk. A significant increase in credit risk results in a reclassification of the respective instrument from Level 1 to Level 2

Loans and advances

Similar to the procedure for debt securities, the Group also specifies for loans and advances that the credit risk can be assessed on the basis of the internal rating grades assigned. The Group defines that the credit risk of a specific instrument increases significantly if the internal rating is downgraded by 3 or more grades during the annual review. A significant increase in credit risk results in a reclassification of the respective instrument from Level 1 to Level 2.

Calculation of expected credit losses

Debt securities held and loans and advances to credit institutions

Probability of default

Macroeconomic factors and forward looking data are captured in the underlying Fitch ratings, which are used to model the probabilities of default.

The probability of default is defined as a percentage which, depending on the maturity and rating of the respective instrument, indicates the level of probability of default of the respective instrument. The Group has used Fitch's instrument ratings, among others, to model the PD. In the Group's view, the availability of Fitch's instrument ratings for the majority of the instruments in the portfolio and the type, scope and quality of the rating system were key reasons for this decision.

18. Expected credit losses (continued)

Fitch's instrument ratings have a modular structure and essentially examine or analyse the following factors:

- Structure and finances of the issuer;
- Macroeconomic development and macroeconomic environment; and
- Future-oriented developments in terms of the state, industry or branch of industry.

In the Group's view, the quality and scope of the information processed in the Fitch Instrument Rating with regard to future orientation and macroeconomic developments is sufficient, so that separate modelling of these parameters is not necessary. In order to assign the appropriate PD to the assigned rating grades, the Group uses parameters from Risk Research for the federal government, the federal states and local authorities.

The following table illustrates the assignment of the parameters:

Fitch rating grade	**1J-PD Federal government, federal states/local authorities**[1]	**1J-PD Banks**
AAA	0.005%	0.030%
AA+	0.009%	0.030%
AA	0.016%	0.058%
AA-	0.108%	0.058%
A+	0.108%	0.108%
A	0.108%	0.108%

Loss given default

The default loss rate is defined as the actual pro rata loss of the instrument concerned in the event of a default event. The Group has not implemented an internal model for LGD modelling as it does not have the necessary database. The Group uses external service providers to derive certain risk parameters. The Group uses a risk research model to derive the LGD for sovereigns (federal, state and local authorities) and credit institutions. According to the latest validation, the model provides the following values for LGD for the individual debtor classes:

	Sovereigns	**Domestic banks**	**Foreign banks**
Unit value		60.00%	75.00%
(AAA)-(AA-)	12.50%	-	-
(A+)-(A-)	15.00%	-	-
(BBB+)-(BBB-)	20.00%	-	-
(BB+)-(B+)	30.00%	-	-

18. Expected credit losses (continued)

Exposure at default

The EAD reflects the exact loan amount at the time of default. For the underlying securities portfolio, the Group assumes a constant EAD for all instruments, independent of residual maturity and rating. This corresponds exactly to the amount of the current drawdown, as:

- All instruments are bullet and no redemption occurs
- Early repayment is not possible
- No overdraft or further utilisation is possible (therefore no credit conversion factor is necessary).

Accordingly, the Group sets a fixed EAD of 100% for its impairment calculation.

Loans and advances to non-financial corporations

Due to the size and the associated immateriality of the portfolio the Group has adopted a highly simplified model for calculating the impairment. As there is insufficient information available to develop a more detailed model, the Group uses expert judgement to assess the expected credit losses for the loans in this portfolio. For loans to companies, the Group uses the internally assigned rating grades from Credarate. These ratings are updated annually and therefore adequately reflect the risk liability of the respective loan.

LGD is assumed to be 100% as a fixed value.

The EAD is also fixed at 100% of utilisation, as the instruments are bullet and have no repayments.

Loans and advances to households

Due to the size and the associated immateriality of the portfolio, the Group has adopted a highly simplified model for calculating the impairment. As there is insufficient information available to develop a more detailed model, the Group uses expert judgement to assess the expected credit losses for the loans in this portfolio. The Group assigns all Level 1 household loans the internal rating category 7; Level 2 instruments are assigned the rating categories 12-15, depending on their individual risk liability. Level 3 instruments are assigned to internal risk category 16 (default). The portfolio values reported as off-balance are to be included in the impairment calculation.

LGD is assumed to be 100% as a fixed value.

The EAD is also fixed at 100% of utilisation, as the instruments are bullet and have no repayments.

Loans and advances to other financial corporations

Credit lines are generally granted as a basis for the instruments in this portfolio. The unused portion must be recorded accordingly as off-balance. These are generally to be taken into account in the impairment model by modelling a credit conversion factor. Due to the lack of a data basis and the relatively small size of the portfolio, a more detailed modelling of the CCF is not carried out; a fixed value of 100% is assumed. Accordingly, the off-balance exposure must be taken fully into account when calculating the impairment.

Probability of default

The PD is presented by means of a confidence interval estimate, taking into account existing instruments and defaults. For this purpose, the instruments available in the portfolio in recent years are compared with the actual defaults - in each case the pure number of observations without taking the respective levels into account. With this confidence interval approach, the Group takes into account the fact that, despite the absence of losses in the past, losses could occur in the portfolio in the future (for example, the observations of recent years may not be representative). Overall, the Group considers the calculation using a confidence interval of 90% to be sufficient and not too conservative; from the Group's point of view, the PD calculated adequately reflects the probability of default within the portfolio.

Due to the lack of a data basis, no further inclusion of macroeconomic factors is made. To take account of the forward-looking approach, the Group will also review the chosen approach annually with an updated data basis.

18. Expected credit losses (continued)

Loss given default

LGD is assumed to be 100% as a fixed value.

Exposure at default

The EAD is also fixed at 100% of utilisation, as the instruments are bullet and have no repayments.

Allowance for expected credit losses measured at an amount equal to lifetime expected credit losses:

Allowance for expected credit losses measured at an amount equal to 12-month expected credit losses:	**Financial asset at Fair Value through Other Comprehensive Income (Investments) AAA to AA+ $'000**	**Financial assets at amortised cost AA to BBB+ $'000**	**Financial assets at amortised cost BBB to BB $'000**
As at the date of acquisition by Apex Group	26	35	84
Increase due to changes in expected exposure at default	3	9	23
Increase due to recognition of new financial assets	7	9	12
Decrease due to derecognition of financial assets (matured transactions)	(21)	(27)	(46)
Loss allowance at 31 December 2019	**15**	**26**	**73**
Gross amount (i.e. the contractual amount)	423,327	110,679	41,788
Loss allowance	15	26	73
Carrying amount	423,342	110,705	41,861

Trade and other receivables - non-banking Group companies

At each reporting date the Group recognises a loss allowance for expected credit losses on trade and other receivables by applying the simplified approach. Under the simplified approach the Group always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses.

18. Expected credit losses (continued)

The majority of revenues relate to fund administration services, professional services, corporate secretarial fees and director fees. Typical billing is on a monthly basis in line with the service provided. Therefore, aside from company set-up fees and termination fees, the accounts receivable balance is deemed to be homogenous and the IFRS 9 provision calculated on historical loss rates. Credit losses for these revenue streams have been calculated using the historical loss rates as follows:

	2018 **$'000**	2017 $'000
Historical write-offs	297	329
Revenue	69,819	96,935
% of revenue	0.36%	0.18%

Receivables relating to fund set-up fees are deemed to be non-homogenous to the rest of the balances as, if the fund is not launched, these fees are less likely to be recovered as the fund will no longer be a client of the Group. As soon as the Treasurer becomes aware that any fund is no longer being launched, receivables on set-up fees are written off immediately.

Receivables relating to terminated/resigned funds are also deemed to be non-homogenous receivables, due to collectability presenting a greater challenge on these balances. As this is on a fund by fund basis, and specific circumstances, it is not appropriate to apply an historical loss rate to these balances. Instead current information is used and the policy is to write off any such receivables as soon as it has been identified that the fund has terminated/resigned.

In all instances, the decision to fully write-off a receivable is assessed on a case-by-case basis.

	2019 **$'000**	2018 $'000
Trade receivables at period end	113,339	46,825
Loss allowance	(2,675)	(1,021)
Trade receivables, net of loss allowance	**110,664**	**45,804**

The below table sets out the allowance for credit losses.

	General **$'000**	**Specific** **$'000**	**Total** **$'000**
At 1 January 2019	310	711	1,021
Acquisition	1,155	127	1,282
Increase in provision	1,338	240	1,578
Reversal of provision	(317)	(742)	(1,059)
Write off	(328)	(1)	(329)
Other	196	-	196
Exchange difference	(14)	-	(14)
At 31 December 2019	**2,340**	**335**	**2,675**

The Group's trade receivables are not credit rated.

19. Share capital

Ordinary share capital

	2019 $'000	2018 $'000
Ordinary share capital in issue at the beginning of the period	92,420	131,260
Share capital bought back during the period and held as treasury shares	-	(38,840)
Ordinary share capital in issue at the end of the period	**92,420**	**92,420**

During the prior period the Company bought back 141,235 ordinary shares having a par value of $1 each for a consideration of $38,840 from one of the shareholders. The authorised ordinary share capital of the Company comprises 349,600,000 shares of $1 each. The issued share capital at 31 December 2019 comprised 1,312,593 (2018: 1,312,593) ordinary shares at a par value of $1 each. All shares in issue are fully paid up. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Preference share capital

	2019 $'000	2018 $'000
Preference shares in issue at the beginning of the period	38,840	-
Shares issued during the period	41,000	38,840
Preference shares in issue at the end of the period	**79,840**	**38,840**

During 2019 the Company issued 410,000 (2018: 388,396 Convertible Series A Preferred Shares ('preference shares') at $100 a share and a par value of $1. The Company is authorised to issue a total of 900,000 preference shares.

As described in the subsequent event note 31 the preference shareholders intend to convert their holdings into common equity. As such the accrued liability as at 31 December 2019 was reversed. Preference shareholders are entitled to dividends of $10,448k for the year ended 31 December 2019 (2018: $2,784k)

The Series A Preferred Shares shall, with respect to dividend distributions, distributions upon liquidation, winding-up and dissolution of the Company and redemption, rank senior to any other class of shares or other equity securities of the Company, and carry the following rights:

- Entitle the holders to receive dividends at the rate of 15% per annum of the issue price of $100. Preferred dividends will accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends, and such dividends shall be cumulative.

- In the event of any liquidity event, entitle the holders to receive, prior to and in preference to any distribution of the proceeds of such liquidity event to the holders of ordinary shares, an amount per share equal to the sum of the Series A Original Issue Price, plus any accrued but unpaid preferred dividends.

- The Company may redeem at any time at its sole discretion, all or any number of Series A Preferred Shares and pay to the Holder thereof an amount in cash in immediately available funds equal to (I) the Series A Original Issue Price per share, plus any accrued but unpaid preferred dividends, or, if greater, (ii) the amount that such holder would be entitled to receive if there were a liquidation, dissolution or winding up of the Company as of the redemption date.

- Holders shall not be entitled to any voting rights.

- Entitle the holders the right, but not the obligation, to convert all or any portion of their shares into fully paid and non-assessable ordinary shares.

The preference shares have been classified as equity in their entirety in accordance with IAS 32.

20. Share-based payment

Equity settled share option plan

The Company has a share option plan for executives and senior employees of the Group and its subsidiaries. Two types of options are awarded to recipients under the plan: time-vested options and exit vested options.

Time vested options vest in equal proportions on each anniversary of the vesting commencement date, such that 100% of the time vested options shall have vested on the fifth anniversary of the vesting commencement date subject to holder's continuous employment with a Group company through the applicable vesting dates. Exit vested options vest in proportions subject to the level of satisfaction of a market condition and the holder's continuous employment with a Group company at the time of satisfaction of a market condition. Furthermore, all unvested time vested options vest immediately upon occurrence of the market condition attached to the exit vested options provided the holder remains continuously in employment with the Group.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current year:

Type of option	Number	Grant Date	Vesting Commencement Date	Expiry Date	Exercise Price in $	Fair Value at Grant Date $
Time vested options	746	30-Nov-19	30-Nov-19	29-Nov-24	575	84.05
Exit vested options	746	30-Nov-19	30-Nov-19	29-Nov-24	575	84.05
Time vested options	373	30-Sep-19	30-Sep-19	29-Sep-24	575	89.12
Exit vested options	373	30-Sep-19	30-Sep-19	29-Sep-24	575	89.12
Time vested options	10,256	01-Jul-19	01-Jun-19	30-May-24	560	91.02
Exit vested options	10,256	01-Jul-19	01-Jun-19	30-May-24	560	91.02
Time vested options	32,774	18-Jun-18	18-Jun-18	17-Jun-23	140	25.40
Exit vested options	32,774	18-Jun-18	18-Jun-18	17-Jun-23	140	25.40
Time vested options	42,884	29-Nov-17	01-Oct-17	30-Sep-22	100	19.87
Exit vested options	42,884	29-Nov-17	01-Oct-17	30-Sep-22	100	19.87

20. Share-based payment (continued)

Details of the share options outstanding during the year are as follows.

	31/12/2019		31/12/2018	
	Number of share options	**Weighted average exercise price (in $)**	**Number of share options**	**Weighted average exercise price (in $)**
Outstanding at beginning of year	166,230	118.46	89,496	100.00
Granted during the year	22,750	561.48	76,734	140.00
Forfeited during the year	(14,916)	130.00	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	174,064	175.38	166,230	118.46
Exercisable at the end of the year	67,330		42,130	

Options were priced using a Black-Scholes-Merton model. All the options are expected to be exercised on the expected date for the satisfaction of the market condition relating to share price. For the options that vest before the expected date for the satisfaction of the market condition, it is assumed that the holder has no incentive to early exercise the option and will exercise this option on that very date. Expected volatility is based on the share price volatility of comparable companies.

Inputs into the Model

2019:	**Time vested options granted on 30 November 2019**	**Exit vested options granted on 30 November 2019**	**Time vested options granted on 30 September 2019**	**Exit vested options granted on 30 September 2019**	**Time vested options granted on 1 July 2019**	**Exit vested options granted on 1 July 2019**
Grant date share price	575	575	575	575	560	560
Exercise price	575	575	575	575	560	560
Expected volatility	100%	100%	100%	100%	100%	100%
Expected option life	1.6	1.6	1.8	1.8	2.1	2.1
Dividend yield	0%	0%	0%	0%	0%	0%
Risk free interest rate	3%	3%	3%	3%	3%	3%

2018:	**Time vested options granted on 18 June 2018**	**Exit vested options granted on 18 June 2018**	**Time vested options granted on 29 November 2017**	**Exit vested options granted on 29 November 2017**
Grant date share price	140	140	100	100
Exercise price	140	140	100	100
Expected volatility	25%	25%	25%	25%
Expected option life	3	3	3.5	3.5
Dividend yield	0%	0%	0%	0%
Risk free interest rate	3%	3%	3%	3%

Share options outstanding at the end of the period

The share options outstanding at the end of the year had a weighted average exercise price of $ 175.39 (2018: $ 118.89), and a weighted average remaining contractual life of 1,183 days (2018: 3,195 days). The range of exercise prices was from $100 to $575 (2018: $100 to $140).

21. Employee benefits

The Group contributes towards certain pension plan for its employees. The pension expense recognised by the Group in the current period is $6,420k (2018: $2,528k) representing the Group's share of contributions to these plans the majority of which are defined contribution pension plans.

As at the reporting date, employee benefit liabilities of $2,559k (2018: $1,072k) include the following amounts:

- In compliance with the DIFC Employment Law No. 4 of 2005 in Dubai, the Group has a termination gratuity benefit scheme covering all of the salaried employees of Apex Fund Services (Dubai) Limited who have been employed for more than one year. The cost to cover the obligation under the employees' terminal benefits in the current year is $328k (2018: $232k).

- Expatriate employees are entitled to leaving indemnities payable under Bahrain Labour Law for the Private Sector – Law no. (36) of 2012, based on the length of service, final remuneration and other allowances paid. Provision for this unfunded commitment, which represents a defined contribution scheme under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the statement of financial position date and amounts to $98k (2018: $78k).

- Apex Fund Services (Mauritius) Limited also provides for a defined benefit obligation scheme under IAS 19 – Employee Benefits. The provision for this scheme is based on future long-term salary increases and a discount rate as calculated by its actuarial consultants. As at the reporting date, the liability emanating from such scheme amounted to $577k (2018: $341k).

- EDB operates a defined benefit pension scheme on behalf of its employees. At the reporting date the liability outstanding was $549k (2018: not part of the Group).

22. Trade and other payables

	2019 $'000	2018 $'000
Trade payables	28,275	2,368
Accrued expenses	24,402	12,685
Deferred income	9,013	1,204
Salaries and other benefits payable	16,970	4,519
Other payables	11,443	7,368
	90,103	**28,144**

During the year revenue of $1,204k was recognised in profit or loss that related to brought forward deferred income.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year (2018: none).

During the year deferred income of $8,656k (2018:$nil) was recognised upon business combinations.

23. Loan facility

Loan facility at amortised cost

	2019 $'000	2018 $'000
Loan facility at amortised cost	1,031,909	279,579
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(10,355)	(2,500)
Amounts due for settlement after 12 months	**1,021,554**	**277,079**

During 2019, the Group enjoyed a facility of $810,000k (2018: $500,000k) of which $780k had been drawn down as at 31 December 2019 and repayment made of $7,225k. During 2019, the Group obtained a GBP facility of which £208,588k ($273,625k) had been fully drawn down as at 31 December 2019 and repayments made of £1,050k ($1,377k).

On 31 January 2019 there was an amendment to the existing facility increasing the $ Multi-Draw Term Loan from $100,000k to $410,000k. As at this date the previously capitalised costs less the amortisation to date of $9,610k were released through profit or loss and replaced with newly capitalised costs of $10,095k. Upon the addition of the GBP facility on 28 June 2019 additional fees of $7,585k were capitalised. These are being deferred in accordance with the requirements of IFRS 9 and are being amortised using the effective interest rate over the life of the loan.

The loans are repayable in full by 15 June 2025. Fixed principle repayments and interest are repayable at each fiscal quarter end. The first repayment commenced on 30 September 2018.

The loan facility is repayable as follows:

	2019 $'000	2018 $'000
Within one year	10,355	2,500
In the second year	10,355	2,500
In the third year	10,355	2,500
In the fourth year	10,355	2,500
After five years	1,003,603	278,750
	1,045,023	288,750

Terms and conditions of outstanding loans were as follows:

2019 Facilities	**Currency**	**Limit**	**Interest rate**	**Repayment per quarter**	**31-Dec-19**
		$'000		**$'000**	**$'000**
Tranche A Term Loan	$	250,000	7%+LIBOR	625	246,250
Multi-Draw Term Loan	$	410,000	7%+LIBOR	1,025	407,425
Delayed-Draw Term Loan	$	120,000	7%+LIBOR	300	119,100
GBP Term Loan	GBP	273,626	7%+LIBOR	689	272,248
Revolving Commitment	$	30,000	7%+LIBOR	-	-
		1,083,626			1,045,023

2018 Facilities	**Currency**	**Limit**	**Interest rate**	**Repayment per quarter**	**31-Dec-18**
		$'000		**$'000**	**$'000**
Tranche A Term Loan	$	250,000	6.5%+LIBOR	625	248,750
Multi-Draw Term Loan	$	100,000	6.5%+LIBOR	At maturity	40,000
Delayed-Draw Term Loan	$	120,000	6.5%+LIBOR	-	-
Revolving Commitment	$	30,000	6.5%+LIBOR	-	-
		500,000			288,750

23. Loan facility (continued)

During March 2020 $15,000k was drawn down on the revolving commitment facility.

The effective interest rate used to discount the estimated future cash payments through the expected life of this loan to the carrying amount was 10.08%. As at 31 December 2019, the Group had no accrued interest to be recognised.

The credit facility is secured by a first priority loan on substantially all of the Group's assets, including a pledge on all the shares held by a subsidiary. Furthermore, certain subsidiaries of the Group act as guarantors in connection with the credit facility.

24. Leases

Right-of-use assets	**Buildings**	**Office equipment**	**Motor vehicles**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost					
At 1 January 2019	**12,347**	**73**	**-**	**1,880**	**14,300**
Acquisition of subsidiaries	33,216	239	431	-	33,886
Additions	27,995	-	365	759	29,119
Disposals	(9,544)	-	-	-	(9,544)
Exchange difference	(111)	-	(4)	(14)	(129)
At 31 December 2019	**63,903**	**312**	**792**	**2,625**	**67,632**
Accumulated depreciation					
At 1 January 2019	-	-	-	-	-
Charge for the year	8,074	124	196	830	9,224
Exchange difference	65	-	-	(1)	64
At 31 December 2019	**8,139**	**124**	**196**	**829**	**9,288**
Carrying amount					
At 31 December 2019	**55,764**	**188**	**596**	**1,796**	**58,344**

The Group enters into leases in respect of buildings, office equipment and motor vehicles. The lease terms range form 1 – 18 years, with an average lease term of 43 months.

The maturity analysis of lease liabilities is presented in note 29.

Amounts recognised in profit and loss	**2019**
	$'000
Depreciation expense on right-of-use assets	9,544
Interest expense on lease liabilities	3,512
Expense relating to short-term leases	155
Expense relating to leases of low value assets	103
Expense relating to variable lease payments not included in the measurement of the lease liability	61
Income from subleasing right-of-use assets	(25)
Total	13,030

Total cash outflow for leases in the period in respect of leases was $9,274k. At 31 December 2019, the Group is committed to $3k of short-term lease payments.

24. Leases (continued)

Lease liabilities are analysed between:

	2019 **$'000**
Current	13,743
Non-current	48,620
Total	62,363

Notes to consolidated financial statements
For the year ended 31 December 2019

25. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

		Cash changes		Non-cash changes				
	At 1 January	Acquisition of subsidiaries	Financing cash flows	Foreign exchange movement	New finance leases	Effective interest charge	Other	At 31 December
2019								
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loan facility	279,579	-	730,182	8,399	-	4,265	9,484	1,031,909
Lease liabilities	14,300	35,708	(9,274)	-	18,053	3,512	64	62,363
	293,879	35,708	720,908	(8,400)	18,053	5,369	9,548	1,075,065
2018								
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loan facility	964,504	-	(684,925)	-	-	-	-	279,579
	964,504	-	(684,925)	-	-	-	-	279,579

26. Provisions

	Contingent consideration $'000	Contingent liability $'000	Dilapidation provision $'000	Legal provision $'000	Other provisions $'000	Total $'000
At 1 January 2019	11,330	-	-	-	-	11,330
On acquisition of subsidiary (note 27)	20,550	2,769	833	-	3,165	27,317
Legal provision	-	-	-	1,000	-	1,000
Releases	(1,931)	(1,506)	-	-	-	(3,437)
Increase in the year	-	-	-	-	522	522
At 31 December 2019	**29,949**	**1,263**	**833**	**1,000**	**3,687**	**36,732**
Analysed as:						
Current	13,353	1,263	120	1,000	3,687	19,423
Non-current	16,596	-	713	-	-	17,309
	29,949	**1,263**	**833**	**1,000**	**3,687**	**36,732**

The contingent consideration represents the estimated fair value of the contingent consideration in relation to the acquisition of Alternative Fund Services Business of Deutsche Bank, Broadscope Fund Administrator, Beacon Fund Services (Bermuda) Ltd and Atlantic Fund Services as further explained in note 27.

In addition, a contingent liability of $2,769k was recognised on acquisition comprising collateral provided by EDB on behalf of customers to third parties.

In April 2020 Apex Group agreed to pay an amount of $1,000k in full and final settlement to a third party on a no fault basis to resolve a claim that was outstanding at 31 December 2019.

27. Acquisition of subsidiaries

Current year acquisitions

Goodwill recognised in all the business combination represents the Group's expectation of the future performance of the acquiree, taking into the operational and reputational synergies that will be gained from integration of the acquiree into the Group's existing business.

All consideration paid for the acquisitions was in the form of cash.

Due to the acquisitions during the year the Group incurred transaction costs in the profit and loss account. Those pertaining to legal, investment and other external advisors amounted to $18,406k which are broken out by each acquired business below. This was partially offset by movements in contingent consideration of ($8,165k).

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

All acquired receivables are held at fair value at acquisition in the below table. The gross contractual amounts listed to not materially differ from the fair value and it is management's opinion that all contractual cash flows will be collected.

The only contingent liabilities acquired are in relation to the purchase of the European Depository bank ('EDB'). This amount represents collateral held on behalf of customers. On a standalone basis EDB is not required to hold on balance sheet however in line with IFRS 3 upon acquisition it is recognised at the Group level. Due to the nature of these contingent liabilities there are no material assumptions involved in the valuing of these amounts and all collateral is expected to be recovered.

27. Acquisition of subsidiaries (continued)

1. Link

On 28 June 2019 the Group announced the acquisition of a 100% equity stake in Corporate and Private Client Services ('CPCS') and Throgmorton businesses of Link Group's Asset Services division.

The acquisition substantially bolsters Apex's corporate services capabilities adding specialist hubs in the UK, Jersey, Ireland, Luxembourg, the Netherlands, Hungary and Switzerland. In addition, the businesses have an established and robust service infrastructure, administering and safeguarding assets across seven highly-regulated European jurisdictions. Combined, the Apex Group's service offering now spans fund administration, banking and depositary solutions, a comprehensive middle office offering and a leading corporate services solution.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. All goodwill recognised on the LINK acquisition has been allocated to the cash generating unit ('CGU') corporate solutions.

The closing statement has not been signed by the acquiree and the Group, however the Group has a maximum of 12 months per IFRS 3 to finalise the acquisition accounting based on the final acquisition balance sheet acquired.

Acquisition costs, included in transaction costs, amounted to $7,654k in 2019.

Post-acquisition contributions include revenue of $46,759k.

2. M.M. Warburg & CO (EDB, Augeo)

On 31 January 2019 the Group announced the acquisition 100% equity stake in M.M. Warburg & CO's Asset Management and Servicing business in Luxembourg.

The simultaneous closings of Warburg Invest Luxembourg S.A. ('Warburg Invest') and M.M. Warburg & CO Luxembourg S.A. ('Warburg Bank') have solidified Apex's position as a leading fund services provider in Europe. M.M. Warburg & CO (AG & Co.) KGaA ('Warburg') and Apex have now formed a strategic partnership for Luxembourg based asset management services businesses.

Immediately upon the Warburg closing, the acquired entities of Warburg Bank were rebranded as European Depositary Bank and Warburg Invest as Augeo Capital Management. Augeo Capital Management has since been merged into LRI Capital Management.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. Goodwill recognised on the Warburg acquisition has been allocated to the CGU financial solutions.

Acquisition costs, included in transaction costs, amounted to $3,107k in 2019.

Post-acquisition contributions include revenue of $57,754k.

3. Ipes

On 31 January 2019 the Group announced the acquisition of a 100% equity stake in private equity administrator Ipes Group. The addition of the Ipes business further strengthens Apex's breadth of service and expertise in the private equity space while also solidifying its position as one of the largest private equity fund administrators in the world.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

27. Acquisition of subsidiaries (continued)

Goodwill recognised on the IPES acquisition has been allocated between all three CGU's; fund solutions, corporate solutions and financial solutions.

Acquisition costs, included in transaction costs, amounted to $4,421k in 2019.

Post-acquisition contributions include revenue of $39,546k.

4. LRI

On 20 February 2019 the Group announced the acquisition of an 88% equity stake in private equity administrator LRI fund administration via purchasing the share capital of the holding company, Augur Financial Holdings V S.A. LRI Group manages Luxembourg funds and cross-border investments in Germany and operates depository services and runs registration and administrative offices. This acquisition has added to a further breath and expertise of the Apex Group as a whole.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. Goodwill recognised on the LRI acquisition has been allocated between all three CGU's; fund solutions, corporate solutions and financial solutions.

The non-controlling interest in the acquiree has been recognised at the acquisition date at fair value, which has been measured based on the fair value of the consideration transferred to acquire the 88% shareholding.

The Group has elected to measure the non-controlling interest ('NCI') at fair value at the date of acquisition, which means that goodwill includes a portion attributable to ordinary NCI (12%). Management did not deem it appropriate to apply a non-controlling discount to the NCI so no additional assumptions were used in the valuation method of the NCI.

Acquisition costs, included in transaction costs, amounted to $2,334k in 2019.

Post-acquisition contributions include revenue of $20,403k.

5. Beacon

On 26 February 2019 the Group announced the acquisition of a 100% equity stake in Beacon Fund Services (Bermuda) Ltd, Beacon Corporate Services Ltd and Beacon Management Ltd ('Beacon'). The acquisition of Beacon, a well-established Bermuda-based fund administrator, adds further weight to Apex's hedge fund administration, corporate services and transfer agency solutions.

The purchase price included contingent consideration of $1,487k which is subject the acquiree meeting certain performance targets including the realisation of synergies. This has been measured at the present value of expected cash flows. As at the year-end there has been no change to the expected cash flows.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. Goodwill recognised on the Beacon acquisition has been allocated to the CGU fund solutions.

Acquisition costs, included in transaction costs, amounted to $311k in 2019.

Post-acquisition contributions include revenue of $1,069k.

27. Acquisition of subsidiaries (continued)

6. Atlantic

On 6 March 2019 the Group announced the acquisition of a 100% equity stake in Atlantic Fund Services ('Atlantic'), a US-based fund administrator serving the traditional and alternative mutual fund market. The acquisition is a strong strategic fit for Apex's US expansion given Atlantic's complementary mutual fund client base and specialist 40-Act service capabilities. The addition of the Atlantic business further builds on Apex's growing presence in North America. The combined group now delivers a full suite of solutions to US managers and continues to win larger mandates in the region as it further expands its product portfolio and local expertise.

The purchase price included contingent consideration of $5,978k which is subject the acquiree meeting certain revenue performance targets over the three year period since acquisition. This has been measured at the present value of the expected cash flows.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. Goodwill recognised on the Atlantic acquisition has been allocated to the CGU's fund solutions and financial solutions.

As at the year end, using Atlantic's post acquisition results, it is estimated that the final cash outflow in respect of settling the contingent consideration liability will be $2,033k before discounting for the time value of money.

Acquisition costs, included in transaction costs, amounted to $316k in 2019.

Post-acquisition contributions include revenue of $8,494k.

7. Broadscope

On 20 March 2019 the Group announced the acquisition of a 100% equity stake in Broadscope Fund Administrators LLC ('Broadscope'), a US-based private equity fund administrator. The deal further strengthens the Group's capabilities and presence in the US. The acquisition adds a robust fund administration business delivering solutions to North American private equity clients' utilising the AltaReturn technology platform: a platform Broadscope has used exclusively since 2011. The deal bolsters Apex's unique technology offering and solidifies its position in the North American fund services space. Broadscope's strong management team and extensive local experience complement Apex's existing private equity capabilities and recent entry into the 40Act funds market via the Atlantic acquisition.

The purchase price included contingent consideration of $13,085k which is subject the acquiree meeting certain revenue performance targets over the post-acquisition period of two years. This has been measured at the present value of the weighted average cash flow outcomes.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. Goodwill recognised on the Broadscope acquisition has been allocated to the CGU fund solutions.

As at the year end, using Broadscope's post acquisition results, it is estimated that the final cash outflow in respect of settling the contingent consideration liability will be $14,116k before discounting for the time value of money.

Acquisition costs, included in transaction costs, amounted to $263k in 2019.

Post-acquisition contributions include revenue of $10,334k.

27. Acquisition of subsidiaries (continued)

	Warburg	LRI	IPES	Broadscope	LINK	Atlantic	Beacon
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consideration	106,517	42,993	200,383	46,082	308,444	12,067	6,325
Contingent consideration	-	-	-	13,085	-	5,978	1,487
	106,517	**42,993**	**200,383**	**59,167**	**308,444**	**18,045**	**7,812**
Tangible assets	4,925	1,148	1,383	342	2,669	458	-
Participations / shares in related companies	10,293	12,238	-	-	-	-	-
Investment securities	358,994	-	-	-	-	-	-
Loans to customers	63,467	-	-	-	-	-	-
Accounts receivable	9,321	6,523	4,801	388	15,022	1,034	676
Prepaid expenses	23,072	-	842	76	1,453	-	49
Other debtors	-	-	3,699	-	11,495	-	-
Other assets	-	-	-	144	-	615	-
Cash and cash equivalents	1,264,011	10,418	4,153	350	18,038	1,810	224
Due to customers and financial institutions	(1,636,858)	-	-	-	-	-	-
Credits with financial institutions	(1,373)	(1,492)	-	-	-	-	-
Provisions	(12,546)	-	-	-	-	-	-
Accounts payable	(3,196)	(7,440)	(424)	(422)	(3,948)	(147)	-
Accruals	-	-	(1,519)	(92)	(4,957)	-	(46)
Other liabilities	(14,396)	-	(1,711)	-	(13,597)	(1,709)	(276)
Contingent liabilities	(2,767)	-	-	-	-	-	-
Net assets acquired	**62,947**	**21,395**	**11,224**	**786**	**26,175**	**2,061**	**627**
Deferred tax liability	(8,582)	(4,937)	(6,421)	(3,359)	(22,147)	(2,098)	-
Intangible assets recognised	33,260	17,344	96,250	17,677	182,787	7,388	3,727
Goodwill on acquisition	18,891	9,189	99,329	44,063	121,629	10,694	3,458

27. Acquisition of subsidiaries (continued)

Prior period acquisitions

On 28 December 2018, the Group acquired all of the shares and voting rights of Custom House Holdings Malta Limited ('CH') obtaining control of CH. CH operates within the fund administration sector in 6 countries within Europe.

On 16 October 2017 Apex Group Ltd. also entered into a Sale and Purchase Agreement with Deutsche Bank AG (DB), for the purchase of their Alternative Fund Services business. The transaction was executed on 15 June 2018 at which time the Group took control of this business and took over the risks and rewards of the operations. The business acquired comprises a significant portfolio of fund administration business as well as custody business.

The acquisitions are part of the Group's strategy to further expand its fund administration business and global presence.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Alternative Fund Services Business - Deutsche Bank AG $'000	**Custom House Holdings Malta Limited $'000**	**Total $'000**
Assets and liabilities acquired:			
Assets			
Cash	97	3,207	3,304
Trade receivables	15,841	5,599	21,440
Fixed assets	-	671	671
Prepayments	890	-	890
Other assets	-	318	318
Intangible assets	50,195	16,710	66,905
Liabilities			
Payable and other liabilities	(1,550)	(4,401)	(5,951)
Total identifiable assets	65,473	22,104	87,577
Goodwill (note 12)	29,692	14,553	44,245
Total consideration	**95,165**	**36,657**	**131,822**
Satisfied by:			
Cash	87,764	36,658	124,422
Contingent consideration	7,401	-	7,401
Total consideration transferred	**95,165**	**36,658**	**131,823**
Net cash outflow on acquisitions:			
Cash consideration	87,764	36,658	124,422
Less: cash balances acquired	(97)	(3,207)	(3,304)
	87,667	**33,451**	**121,118**

Excluded from consideration transferred above in relation to acquisition of Alternative Fund Services Business - Deutsche Bank AG were transaction costs of $482k which were expensed through the income statement.

Excluded from consideration transferred above in relation to acquisition of Custom House Holdings Malta Limited were transaction costs of $928k which were expensed through the income statement.

27. Acquisition of subsidiaries (continued)

Under the contingent consideration arrangement in relation to Alternative Fund Services Business - Deutsche Bank AG, the Group is required to pay an earn-out payment within the range of €25,000k to €0k. The earn out payment is dependent on the extent of difference of aggregate revenues earned from DBAFS's top 15 clients in 2019 in comparison with 2016. The reduction to maximum earn out payment of €25,000k 5 times the 2019 revenue change in comparison with 2016.

As part of the above acquisitions, no contingent liabilities were transferred to the Group.

Goodwill represents the excess of the cost of the acquisition over fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill represents the benefits that the Group expects to derive from synergies, revenue growth, future market development and the assembled workforce of Alternative Fund Services Business - Deutsche Bank AG and Custom House Holdings Malta Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impact of prior year acquisitions on the results of the Group

Included in the loss for the year is the loss of $1,500k attributable to the additional business generated by Alternative Fund Services Business - Deutsche Bank AG. Revenue for the period includes $26,900k in respect of Alternative Fund Services Business - Deutsche Bank AG.

No income or expenditure attributable to Custom House Global Fund Services Ltd was recognised in the financial statements for the period ended 31 December 2018 as this acquisition was concluded on 28 December 2018.

28. Related party transactions

	1 January 2019 to 31 December 2019 $'000	1 January 2018 to 31 December 2018 $'000
Compensation paid to the Company's directors		
Directors remuneration	100	100
Group key management personnel compensation		
Salaries, post-employment benefits and share-based payment	6,535	4,336

29. Financial instruments

Financial assets and liabilities by class

Financial assets	2019 $'000	2018 $'000
Derivatives held at fair value through profit and loss		
Derivative financial instruments	6,835	-
Debt securities held at fair value through other comprehensive income		
Sovereign and other supranational debt obligations	236,734	-
Credit institutions	184,360	
Total financial assets at fair value	**427,929**	**-**
Debt instruments at amortised cost		
Loans and advances to credit institutions and banking customers	-	-
Trade receivables	48,634	13,996
Total financial assets at amortised cost	**48,634**	**13,996**
Total financial assets	**476,563**	**13,996**

Financial liabilities	2019 $'000	2018 $'000
Derivatives held at fair value through profit and loss		
Derivative financial instruments	6,418	-
Financial liabilities at fair value through profit or loss		
Contingent consideration	29,949	11,330
Total financial liabilities at fair value	**36,367**	**11,330**
Interest-bearing loans and borrowings		
Lease liabilities (note 24)	62,363	-
Loan facility (note 23)	1,031,909	279,579
	1,094,272	**279,579**
Other financial liabilities at amortised cost		
Amounts owed to credit institutions and banking customers	1,871,971	-
Trade payables	28,275	2,368
Total financial liabilities at amortised cost	**2,994,518**	**281,947**
Total financial liabilities	**3,030,885**	**293,277**

29. Financial instruments (continued)

The Group has exposure to the following risks from the financial instruments held:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

Non-banking Group companies

The key areas of exposure to credit risk for the Group results through its bank deposits and trade receivables.

The Group provides unsecured credit to its customers in the normal course of business.

Customers are risk assessed for their credit quality, taking into account their current financial position, past experience and other factors.

The impact of this is mitigated through the operation of controls in this area and the close monitoring of the aging of trade receivables by the treasury department which reports weekly to the Board.

The Group does not have any significant concentration of credit risk.

Banking operations

Credit risks are entered into in accordance with approved authorities, counterparty and issuer limits and credit lines approved in line with the Group's strategic orientation and the Group's limit systems, and subject to compliance with the regulatory requirements. The limits are subject to annual approval and monitoring involving the Supervisory Board. Within the framework of a credit value-at-risk model, unexpected losses, quantified in monetary terms, are calculated on the basis of the unsecured portions of the debt, the likelihood of the counterparty defaulting and the relevant correlations. In respect of public-sector borrowers and banks, recovery factors are also taken into consideration.

In accordance with its lending strategy, the Group's primary lending business represents a complementary business activity as part of the depositary or custody business. Loans will only be granted to fund clients, clients of external asset managers, professional private clients and companies in which the Group holds the depositary or custody function as well as to entities within the Group. The lending business focuses on low-risk, well-secured and less processing intensive loans.

The Group limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, the Group does not expect any bank to fail to meet its obligations.

29. Financial instruments (continued)

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 $'000	**2018 $'000**
Debt securities held at fair value through other comprehensive income	421,094	-
Derivatives held at fair value through profit and loss	6,835	-
Trade and other receivables	110,664	45,804
Cash and cash equivalents	1,563,125	20,633
	2,101,718	**66,437**

Further details in respect of expected credit losses are set out in note 18.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient liquid resources to be able to meet its financial obligations as they fall due. The Group manages its cash flows centrally.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Funding across all subsidiaries is provided by head office which supports the daily demands of certain subsidiaries in order to meet their obligations as required.

The following are the contractual maturities of financial liabilities at the reporting date:

	Carrying amount $'000	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Total contractual maturities $'000**
2019					
Amounts owed to credit institutions and banking customers	1,871,971	1,871,971	-	-	1,871,971
Derivatives held at fair value through profit and loss	6,418	6,418	-	-	6,418
Trade payables	28,275	28,275	-	-	28,275
Other payables	11,443	11,443	-	-	11,443
Accrued expenses	24,402	24,402	-	-	24,402
Deferred income	9,013	9,013	-	-	9,013
Salaries and other benefits payable	16,970	16,970	-	-	16,970
Contingent consideration	29,949	13,353	16,596	-	29,949
Lease liabilities	62,363	14,896	45,717	36,748	97,361
Loan facility	1,031,909	10,355	31,065	1,003,603	1,045,023
Employee benefits	2,559	-	2,559	-	2,559
	3,095,272	**2,007,096**	**95,937**	**1,040,351**	**3,143,384**

29. Financial instruments (continued)

	Carrying amount $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual maturities $'000
2018					
Trade payables	2,368	2,368	-	-	2,368
Other payables	7,368	7,368	-	-	7,368
Accrued expenses	12,685	12,685	-	-	12,685
Deferred income	1,204	1,204	-	-	1,204
Salaries and other benefits payable	4,519	4,519	-	-	4,519
Contingent consideration	11,330	11,330	-	-	11,330
Loan facility	279,579	2,500	7,500	269,579	279,579
Employee benefits	1,072	-	1,072	-	1,072
	320,125	**41,974**	**8,572**	**269,579**	**320,125**

Fair values of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

29. Financial instruments (continued)

At the reporting date, fair value through other comprehensive income instruments and fair value through profit and loss instruments were measured using inputs on the followings basis:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Assets				
Debt securities	421,094	-	-	421,094
Derivative financial instruments	-	6,835	-	6,835
	421,094	6,835	-	427,929
Liabilities				
Derivative financial instruments	-	6,418	-	6,418
	-	6,418	-	6,418

Debt securities are valued with reference to quoted market prices.

Each leg of the foreign currency derivatives have been valued using the current foreign currency rate, discounted to the remaining maturity by using the Bloomberg Composite Rate (CMP).

At 31 December 2019 the carrying amounts of all financial assets and liabilities approximates their fair values.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The Group is exposed to risk in respect of changes in interest rates on its interest-bearing assets and liabilities. A sensitivity analysis prepared with a 0.5% increase or decrease in interest rates is set out below:

	2019 $'000	2018 $'000
Loan facility drawn at the reporting date	**1,031,909**	**279,579**
Impact on of an increase in interest rate of 0.5%	(5,160)	(1,398)
Impact on of a decrease in interest rate of 0.5%	5,160	1,398

The Group is exposed on asset balances through its variable rate regulatory cash balances, these balances are predominantly denominated in Euros. The European Central Bank rate is currently negative and the ring-fenced cash balances are mainly subject to a 0% floor. In the impact assessment below the reduction in interest rates does not have any significant impact as the floor has been reached:

	2019 $'000	2018 $'000
Ring-fenced cash at the reporting date	**77,875**	**9,812**
Impact on of an increase in interest rate of 0.5%	389	49
Impact on of a decrease in interest rate of 0.5%	-	-

29. Financial instruments (continued)

The Group is also exposed to interest rate risk on its unseparated cash and cash equivalents. A sensitivity analysis prepared with a 0.5% increase or decrease in interest rates is set out below:

	2019 $'000	2018 $'000
Working capital cash at the reporting date	**1,485,250**	**10,821**
Impact on of an increase in interest rate of 0.5%	7,426	54
Impact on of a decrease in interest rate of 0.5%	(7,426)	(54)

Banking operations

Risk of losses due to unfavourable fluctuations in interest rates, prices, currencies and volatility are monitored within a framework of fixed limits designed to capitalise on income opportunities. For the daily evaluation of such market price risks, the European Depository Bank within the Group employs a value-at-risk procedure which compares and contrasts the potential results with the limits that have been fixed.

VaR calculation as at 31 December 2019	**VaR 99.5% EUR $'000**	**VaR 99.5% USD $'000**
Market price risk	275	308
Credit risk	6,561	7,348
Operational risk	3,344	3,745
Total	**10,181**	**11,402**

Foreign currency risk

Non-banking Group companies

The Group is exposed to foreign currency exchange risks due to the Group holding foreign currency monetary assets and liabilities which are exposed to exchange rate fluctuations. This risk is assessed on an on-going basis. The Group does not use derivate financial instruments to manage currency exchange movements.

Banking operations

Since the EDB is a non-trading book institution, derivatives are traded solely for the account of customers, and are secured by corresponding counter-transactions.

Differences arising from currency conversions in respect of cash/spot transactions hedged by forward transactions and, conversely, forwards covered by cash/spot transactions have been recorded as neutral in their effects on profits. As at the reporting date, there were largely closed-out or hedged positions. Income and expense items are recorded at their rate of transaction date.

29. Financial instruments (continued)

The table below illustrates the sensitivity analysis of the Group's reported profit to a 1% increase or decrease in the respective foreign exchange rates to which they are exposed. The sensitivity analysis is calculated on balances outstanding at the year end, with all other variables held constant.

	Impact of profit or loss and equity $'000
2019	
Change in GBP	935
Change in EUR	(246)
2018	
Change in GBP	1,194
Change in EUR	(32)

30. Ultimate controlling party

The Company's ultimate parent is Genstar GP. The Group does not have an ultimate controlling party.

31. Events after the reporting period

The UK has now left the EU and is in a transition period until the end of 2020 whilst the legal and regulatory framework governing the relationship between the EU and the UK after the end of the transition period are negotiated. The directors are managing this risk by closely monitoring developments to assess its impact on the business.

As per note 19 on 10 July 2018 Apex Group Limited issued Convertible Series A Preferred Shares of Apex Group Ltd. On March 13, 2020 Genstar Capital Partners VIII AIV, L.P., Genstar Capital Partners VIII BL, L.P., Genstar Capital Partners VIII (EU), L.P., Genstar Capital Partners VIII (Del), L.P., and Stargen VIII AIV, L.P. elected to convert 334,251.93 of these Series A Preferred Shares of the Company, par value $1 per share. These have converted into 121,546.16 ordinary shares.

32. Contingencies and commitments

Business acquisitions

As part of its historic business acquisitions, Apex Group provides for various contingent consideration amounts, the value of which depend on future business performance. Such amounts are recognised at fair value through the profit and loss account and within provisions on the consolidated balance sheet. Refer to note 27 for further details.

Legal and other matters

Apex Group evaluates contingencies arising from legal (and other) matters on an ongoing basis and establishes provisions for matters in which losses or other settlements are probable and where the magnitude of the loss can be reasonably estimated. Contingent gains are not recognised. Such provisions are recorded through the profit and loss account and held within provisions on the consolidated balance sheet. Other than those recognised at the reporting date, there are no legal or other matters outstanding as at 31 December 2019 that the directors believe will result in a probable loss or settlement in accordance with the above.

33. Prior period restatement

The prior period restatement relates to deferred tax impact on business combinations, which was previously not recognised. The impact on the prior period is set out below.

	As at 31 December 2018	**Adjustment**	**As at 31 December 2018- restated**
	$'000	**$'000**	**$'000**
Goodwill	154,696	29,100	183,796
Deferred tax liability	-	(29,100)	(29,100)

34. Accounting policies applied in prior periods

The accounting policies set out below describe policies that were applicable for periods ended 31 December 2018 and prior, which have been replaced by the adoption of new and revised described in notes 5 and 5 of these financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for de-recognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument are evaluated to determine whether the financial instruments are financial liabilities, financial assets or equity instruments or whether they contain separate components, in which case such components are classified separately as financial liabilities, financial assets and equity instruments.

(viii) Trade and other receivables

Trade and other receivables are classified within current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

(ix) Other financial liabilities

Subsequent to initial recognition, interest-bearing other financial liabilities are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest net of transaction costs incurred.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

34. Accounting policies applied in prior periods (continued)

(x) Trade and other payables

Trade and other payables are classified within current liabilities and are stated at their nominal value.

(xi) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(xii) Shares issued by the Company

Ordinary shares issued by the Company are classified as equity instruments. Preference shares are classified as equity instruments if they meet the definition of equity in terms of IAS32.

Redemptions or refinancing of equity instruments are recognised as changes in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

i) Services rendered

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

iii) Dividend income

Dividend income is recognised when the shareholder’s right to receive payment is established.

Operating leases

An operating lease is a lease other than a finance lease. Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Opinion
In our opinion:

- the non-statutory, consolidated financial statements of Apex Group Ltd and its subsidiaries (together the “Group”) give a true and fair view of the state of the Group’s affairs as at 31st December 2019 and of the Group’s loss for the year then ended; and
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial positions;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent auditor’s report to the members of Apex Group Ltd. (continued)

Use of our report

This report is made solely to the company’s directors, as a body, in accordance with our engagement letter and solely for the purpose of our audit of the financial statements. Our audit work has been undertaken so that we might state to the company’s directors those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Alastair Morley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 May 2020