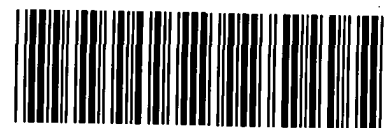


Company No. 03982107

SHIPSERV LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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COMPANIES HOUSE

ShipServ Limited
Company Information

Directors

Bryan Park
Henrik Hyldahn (Appointed 1 January 2020)

Registration Number

03982107

Registered Office

Clockwork Building, 45 Beavor Lane, Ravenscourt Park, London W6 9AR

Auditors

BDO LLP
55 Baker Street, London W1U 7EU

ShipServ Limited

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ShipServ Limited

Strategic Report

Principal activity

The principal activity of the Group during the year continued to be that of providing ship supply management technology and services to ship owners, ship managers, cruise ships, and their suppliers.

Review of the business

As has been the case for many businesses, 2020 was a challenging year for ShipServ with trading volumes and financial results impacted by the Coronavirus outbreak. Whilst the business has a broad customer base in the marine transportation market, it did suffer the impact of reduced trading volumes in Q2 2020 as the full impact of the epidemic became clear. Trading volumes have rebounded strongly throughout the second half of 2020 and into 2021 but remain below prior year levels, particularly in the Cruise segment which has been hit harder than most and will be the last to recover. Despite this, the Group has continued to trade profitably and report solid financial results.

The Group continues to execute on its business plans and whilst carefully keeping an eye on the market for further disruption, it is planning for the business to grow strongly in 2021. The majority of staff continue to work from home and whilst demonstrating the flexibility to do so for the last 12 months with minimal business disruption, we will be looking carefully at how our staff can return safely to the offices as and when circumstances allow. The Directors again thank staff for the resilience and dedication that they have shown during this period of disruption.

With a strong cash position at the end of 2020 and the business making a solid start to 2021, the Board are comfortable that the business has sufficient cash headroom to trade for the next 12 months. Whilst the business has demonstrated its ability to control costs and reduce cash outflows further should the need arise, the Directors are focused on growing the business and they see a very positive future for the business. As we come out of a year of unprecedented disruption, the Board is focused on ensuring that sufficient investment is maintained in the ShipServ team and its customers to support its growth agenda.

The ShipServ Group undertook a corporate restructure during the year. A summary of the changes made during 2020 are as follows:

- ShipServ Asia Limited, ShipServ Singapore Limited, and ShipServ (CI) Philippines, Inc. have been transferred from being wholly owned subsidiaries of ShipServ (CI) Limited to being wholly owned subsidiaries of ShipServ Limited;
- All employees of ShipServ (CI) Limited (ROHQ), a branch of ShipServ (CI) Limited, have been transferred to ShipServ (CI) Philippines, Inc.; and
- We established a Danish legal entity, ShipServ ApS, shortly before the end of the year. This wholly owned subsidiary of ShipServ Limited did not trade during the year. All activities previously performed by our Danish branch, ShipServ AS, will be performed by ShipServ ApS from the start of 2021 and the Danish branch will be closed in due course

The above actions have enabled the ShipServ Group to move forward with a simplified corporate structure.

Risks and uncertainties

The Directors are aware of the risks to the business relating to general economic conditions and the ship supply industry in particular. These risks are managed through regular reviews of their impact on the Group.

ShipServ Limited

Strategic Report (continued)

Risks and uncertainties (continued)

Currency and price risk

Sales invoices are predominantly raised in US Dollars whilst costs are incurred in local currency (details of all risks and financial instruments are disclosed in Note 19). Foreign exchange transactions required to support the day-to-day operations of the business are conducted via spot currency purchases on a monthly basis. The business does not undertake any hedging or forward purchasing of currency.

Credit risk

The business has credit exposure in relation to customers who have consumed more transaction credits than they have paid for. Negative credit positions are reviewed on a monthly basis and customers are either invoiced to bring them back into a positive position or a provision of between 25% and 100% is made against their negative credit balance. The balance of negative credits is small (under \$0.3 million), particularly when considered in light of the closing cash position at 31 December 2020. Management and the Board monitor the cash position of the business on a monthly basis and with significant cash reserves at the end of 2020 and no debt funding, this is not considered to be a risk area for the business.

Liquidity and cash flow risk

Customers are billed in advance and the business does not have a history of significant bad debts. The business continues to trade profitably and generate positive cash flows on a month-to-month basis. Furthermore, Management have demonstrated the ability to control costs and deliver cost savings as required to ensure profitable trading.

Economic conditions

The business continued to trade profitably during the Covid-19 pandemic, albeit with an impact on trading volumes from the start of Q2 2020. Through the latter part of 2020 and into 2021 we have seen trading volumes recover strongly and outside of the Cruise sector, which was hit hardest by Covid-19 and will be the slowest to recover, volumes are now above pre Covid-19 levels. We continue to develop and release new functionality to enhance the user experience for our customers. The Directors are confident that the new functionality being developed will create additional revenue growth opportunities for the Group in 2021 and beyond as the marine sector increasingly adopts digitisation and remote working arrangements.

Key performance indicators

A range of financial and operational metrics are used to track performance and growth within the business. Whilst the annual budget is the main process for setting high level trading expectations for the year, there are a number of financial and operational KPIs that are used to track performance. Three key operational KPIs tracked by Management and the Board are:

- Number of active vessels
- Revenue growth
- Number of paying suppliers

Whilst all three of these KPIs were impacted by the Covid-19 pandemic during 2020, they remain key metrics for the business.

This Report has been approved by the Board on 21 May 2021 and signed on its behalf by



Bryan Park
Director

ShipServ Limited

Directors' Report

The Directors present their Report and Financial Statements for the year ended 31st December 2020. The Financial Statements have been prepared under, and comply with, International Accounting Standards in conformity with the requirements of the Companies Act 2006. This is the first set of financial statements that have been prepared on a consolidated basis.

Please refer to pages 1 to 4 for the names of the Directors, a review of the business, and discussion of key risks and uncertainties.

Results and dividends

The results for the year are shown on page 10.

The Directors do not recommend the payment of a dividend (2019: \$nil).

The Company maintains an overseas branch in Denmark.

Disclosure of information to auditors

Each person who is a Director at the time when this Report is approved has confirmed that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each Director has taken all the steps that ought to have been taken as a director, in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This Report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

This Report has been approved by the Board on 21 May 2021 and signed on its behalf by



Bryan Park
Director

ShipServ Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of ShipServ Limited

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Shippers Ltd ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement, the company cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including 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

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this Report.

Other matter

The consolidated comparative figures are unaudited.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of ShipServ Limited (continued)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the 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 Financial Statements, the Directors are responsible for assessing the Company'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 Company 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Audit procedures performed by the engagement team included:

- evaluation of Management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by Management in areas involving significant estimates; and
- identifying and testing journal entries, in particular any material journal entries posted and/or with unusual descriptions

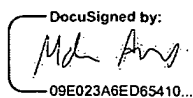
Independent Auditor's Report to the Members of ShipServ Limited (continued)

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Mark Ayres (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

21 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ShipServ Limited

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020**

| | | 2020 \$ | 2019 \$ Unaudited |
|---|------|-------------------|-------------------------|
| | Note | | |
| Revenue | 6 | 10,612,162 | 11,004,359 |
| Cost of sales | | (1,173,083) | (996,435) |
| Gross profit | | 9,439,079 | 10,007,924 |
| Administrative expenses | | (5,420,717) | (3,424,003) |
| Operating profit | 9 | 4,018,362 | 6,583,921 |
| Write-back of negative goodwill | 5 | 1,563,507 | - |
| Other income | | 286 | - |
| Finance income | | 591 | 4,294 |
| Finance costs | 10 | (40,829) | (50,681) |
| Profit on ordinary activities before tax | | 5,541,917 | 6,537,534 |
| Tax | 11 | 174,716 | (208,595) |
| Profit for the year | | 5,716,633 | 6,328,939 |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | (1,953,296) | 1,088,944 |
| Total comprehensive income for the year | | 3,763,337 | 7,417,883 |

All the activities of the Group are classed as continuing in both 2019 and 2020.

The accounting policies and notes on pages 17 to 51 form an integral part of these Financial Statements.

ShipServ Limited

Consolidated Statement of Financial Position as at 31 December 2020

| | | 2020 | 2019 | 1 January |
|---|-------------|-------------------------|---------------------------|----------------------------|
| | | \$ | \$ | 2019 |
| | | | Unaudited | Unaudited |
| Assets | Note | | | |
| Non-current assets | | | | |
| Tangible assets | 12 | 170,542 | 289,592 | 485,679 |
| Right-of-use assets | 16 | 496,372 | 686,360 | 790,045 |
| | | <u>666,914</u> | <u>975,952</u> | <u>1,275,724</u> |
| Current assets | | | | |
| Trade receivables and contract assets | 13 | 3,640,232 | 1,818,964 | 2,670,610 |
| Cash and short-term deposits | 14 | 5,003,126 | 1,956,463 | 943,641 |
| | | <u>8,643,358</u> | <u>3,775,427</u> | <u>3,614,251</u> |
| Total assets | | <u>9,310,272</u> | <u>4,751,379</u> | <u>4,889,975</u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 17 | 749,037 | 749,037 | 749,037 |
| Share premium reserve | | 1,303,509 | 1,303,509 | 1,303,509 |
| Share option reserve | | 1,020,930 | 966,756 | 852,295 |
| Foreign exchange reserve | | 826,638 | 2,779,934 | 1,690,990 |
| Capital contribution | 17 | 35,947,454 | 29,947,454 | - |
| Retained losses | | <u>(37,984,981)</u> | <u>(43,701,614)</u> | <u>(50,030,553)</u> |
| Shareholders' equity/(deficit) | | <u>1,862,587</u> | <u>(7,954,924)</u> | <u>(45,434,722)</u> |
| Non-current liabilities | | | | |
| Leases | 16 | 212,905 | 458,281 | 606,952 |
| Current liabilities | | | | |
| Trade payables and contract liabilities | 15 | 6,892,367 | 11,965,858 | 49,441,260 |
| Leases | 16 | <u>342,413</u> | <u>282,164</u> | <u>276,485</u> |
| Total liabilities | | <u>7,447,685</u> | <u>12,706,303</u> | <u>50,324,697</u> |
| Total equity and liabilities | | <u>9,310,272</u> | <u>4,751,379</u> | <u>4,889,975</u> |

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 21 May 2021.



Bryan Park
Director

ShipServ Limited
Company Registration: 03982107

Company Statement of Financial Position as at 31 December 2020

| | | 2020 | 2019 | 1 January |
|---|-------------|-------------------------|-------------------------|-------------------------|
| | | \$ | \$ | \$ |
| Assets | Note | | | |
| Non-current assets | | | | |
| Tangible assets | 12 | 135,851 | 273,454 | 454,784 |
| Right-of-use assets | 16 | 361,908 | 598,546 | 790,045 |
| Investments | 4 | 371,570 | 1 | 1 |
| | | <u>869,329</u> | <u>872,001</u> | <u>1,244,830</u> |
| Current assets | | | | |
| Trade receivables and contract assets | 13 | 2,941,977 | 1,571,554 | 2,234,463 |
| Cash and short-term deposits | 14 | 3,877,468 | 1,663,370 | 794,815 |
| | | <u>6,819,445</u> | <u>3,234,924</u> | <u>3,029,278</u> |
| Total assets | | <u>7,688,774</u> | <u>4,106,925</u> | <u>4,274,108</u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 17 | 749,037 | 749,037 | 749,037 |
| Share premium reserve | | 1,303,509 | 1,303,509 | 1,303,509 |
| Share option reserve | | 1,020,930 | 966,756 | 852,295 |
| Foreign exchange reserve | | 826,638 | 2,779,934 | 1,690,990 |
| Capital contribution | 17 | 35,947,454 | 29,947,454 | - |
| Retained losses | | (39,569,252) | (43,464,642) | (49,790,835) |
| Shareholders' equity/(deficit) | | <u>278,316</u> | <u>(7,717,952)</u> | <u>(45,195,004)</u> |
| Non-current liabilities | | | | |
| Leases | 16 | 198,582 | 393,654 | 606,952 |
| Current liabilities | | | | |
| Trade payables and contract liabilities | 15 | 6,990,829 | 11,170,689 | 48,585,675 |
| Leases | 16 | 221,047 | 260,534 | 276,485 |
| Total liabilities | | <u>7,410,458</u> | <u>11,824,877</u> | <u>49,469,112</u> |
| Total equity and liabilities | | <u>7,688,774</u> | <u>4,106,925</u> | <u>4,274,108</u> |

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income and related notes. The Company's comprehensive profit for the year was £1,942,094 (2019: £7,415,137).

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 21 May 2021.



Bryan Park - Director

ShipServ Limited

Consolidated Statement of Changes in Equity
for the year-ended 31 December 2020

| | Share Capital \$ | Share Premium Reserve \$ | Share Option Reserve \$ | Foreign Exchange Reserve \$ | Capital Contribution \$ | Retained Losses \$ | Total \$ |
|---|------------------------|-----------------------------------|----------------------------------|--------------------------------------|-------------------------------|--------------------------|--------------|
| As at 1 January 2019 - Unaudited | 749,037 | 1,303,509 | 852,295 | 1,690,990 | - | (50,030,553) | (45,434,722) |
| Profit for the period – unaudited | - | - | - | - | - | 6,328,939 | 6,328,939 |
| Other comprehensive income – unaudited | - | - | - | 1,088,944 | - | - | 1,088,944 |
| Total comprehensive income – unaudited | - | - | - | 1,088,944 | - | 6,328,939 | 7,417,883 |
| Share based payments (Note 18) – unaudited | - | - | 114,461 | - | - | - | 114,461 |
| Conversion of balance due to parent to equity (Note 17) | - | - | - | - | 29,947,454 | - | 29,947,454 |
| As at 31 December 2019 - unaudited | 749,037 | 1,303,509 | 966,756 | 2,779,934 | 29,947,454 | (43,701,614) | (7,954,924) |
| Profit for the period | - | - | - | - | - | 5,716,633 | 5,716,633 |
| Other comprehensive income | - | - | - | (1,953,296) | - | - | (1,953,296) |
| Total comprehensive income | - | - | - | (1,953,296) | - | 5,716,633 | 3,763,337 |
| Share based payments (Note 18) | - | - | 54,174 | - | - | - | 54,174 |
| Conversion of balance due to parent to equity (Note 17) | - | - | - | - | 6,000,000 | - | 6,000,000 |
| As at 31 December 2020 | 749,037 | 1,303,509 | 1,020,930 | 826,638 | 35,947,454 | (37,984,981) | 1,862,587 |

ShipServ Limited

Company Statement of Changes in Equity
for the year-ended 31 December 2020

| | Share Capital \$ | Share Premium Reserve \$ | Share Option Reserve \$ | Foreign Exchange Reserve \$ | Capital Contribution \$ | Retained Losses \$ | Total \$ |
|---|------------------------|-----------------------------------|----------------------------------|--------------------------------------|-------------------------------|--------------------------|---------------------|
| As at 31 December 2018 as originally stated | 749,037 | 1,303,509 | 852,295 | 1,690,990 | - | (49,697,443) | (45,101,612) |
| Adoption of IFRS 16 | - | - | - | - | - | (93,392) | (93,392) |
| As at 1 January 2019 restated | 749,037 | 1,303,509 | 852,295 | 1,690,990 | - | (49,790,835) | (45,195,004) |
| Profit for the period | - | - | - | - | - | 6,326,193 | 6,326,193 |
| Other comprehensive income | - | - | - | 1,088,944 | - | - | 1,088,944 |
| Total comprehensive income | - | - | - | 1,088,944 | - | 6,326,193 | 7,415,137 |
| Share based payments (Note 18) | - | - | 114,461 | - | - | - | 114,461 |
| Conversion of balance due to parent to equity (Note 17) | - | - | - | - | 29,947,454 | - | 29,947,454 |
| As at 31 December 2019 | 749,037 | 1,303,509 | 966,756 | 2,779,934 | 29,947,454 | (43,464,642) | (7,717,952) |
| Profit for the period | - | - | - | - | - | 3,895,390 | 3,895,390 |
| Other comprehensive income | - | - | - | (1,953,296) | - | - | (1,953,296) |
| Total comprehensive income | - | - | - | (1,953,296) | - | 3,895,390 | 1,942,094 |
| Share based payments (Note 18) | - | - | 54,174 | - | - | - | 54,174 |
| Conversion of balance due to parent to equity (Note 17) | - | - | - | - | 6,000,000 | - | 6,000,000 |
| As at 31 December 2020 | 749,037 | 1,303,509 | 1,020,930 | 826,638 | 35,947,454 | (39,569,252) | 278,316 |

ShipServ Ltd

**Consolidated Statement of Cash Flows
for the year-ended 31 December 2020**

| | 2020 \$ | 2019 \$ Unaudited |
|---|------------------|-------------------------|
| Operating activities | | |
| Profit before tax | 5,541,917 | 6,537,534 |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation – tangible fixed assets | 182,940 | 210,313 |
| Depreciation – right-of-use assets | 351,855 | 209,062 |
| Loss on disposal of tangible fixed assets | 7,936 | 4,320 |
| Share-based payment expense | 54,174 | 114,461 |
| Net foreign exchange differences | (2,016,245) | 1,115,910 |
| Write-back of negative goodwill | (1,563,507) | - |
| Intercompany balance release | - | (6,288,443) |
| Working capital changes: | | |
| Decrease in trade and other receivables | 1,410,212 | 851,646 |
| Decrease in trade and other payables | (1,385,185) | (1,239,505) |
| Interest received | (591) | (4,294) |
| Interest paid | 40,829 | 50,681 |
| Income tax | 174,716 | (208,595) |
| Net cash flows from operating activities | 2,799,051 | 1,353,090 |
| Investing activities | | |
| Interest received | 591 | 4,294 |
| Purchase of tangible fixed assets | (42,259) | (18,546) |
| Net cash flow on acquisition of subsidiaries | 606,842 | - |
| Net cash flows generated by/(used in) investing activities | 565,174 | (14,252) |
| Financing activities | | |
| Payment of principal portion of lease liabilities | (380,033) | (299,050) |
| Net cash flows used in financing activities | (380,033) | (299,050) |
| Net increase in cash and cash equivalents | 2,984,192 | 1,039,788 |
| Net foreign exchange difference | 62,471 | (26,967) |
| Cash and cash equivalents at 1 January | 1,956,463 | 943,641 |
| Cash and cash equivalents as at 31 December | 5,003,126 | 1,956,463 |

ShipServ Ltd

**Company Statement of Cash Flows
for the year-ended 31 December 2020**

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Operating activities | | |
| Profit before tax | 3,729,524 | 6,501,076 |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation – tangible fixed assets | 164,676 | 198,987 |
| Depreciation – right-of-use assets | 236,639 | 191,499 |
| Loss on disposal of tangible fixed assets | 7,936 | 889 |
| Share-based payment expense | 54,174 | 114,461 |
| Net foreign exchange differences | (1,981,680) | 1,110,208 |
| Group debtor balance release | - | (6,288,443) |
| Working capital changes: | | |
| (Increase)/decrease in trade and other receivables | (1,370,422) | 662,909 |
| Decrease/(increase) in trade and other payables | 1,820,140 | (1,179,089) |
| Interest received | (499) | (4,223) |
| Interest paid | 32,490 | 48,170 |
| Income tax | 165,865 | (174,883) |
| Net cash flows from operating activities | 2,858,843 | 1,181,561 |
| Investing activities | | |
| Interest received | 499 | 4,223 |
| Purchase of tangible fixed assets | (35,012) | (18,546) |
| Investment in subsidiaries | (371,569) | - |
| Net cash flows used in investing activities | (406,082) | (14,323) |
| Financing activities | | |
| Payment of principal portion of lease liabilities | (266,775) | (277,419) |
| Net cash flows used in financing activities | (266,775) | (277,419) |
| Net increase in cash and cash equivalents | 2,185,986 | 889,819 |
| Net foreign exchange difference | 28,112 | (21,264) |
| Cash and cash equivalents at 1 January | 1,663,370 | 794,815 |
| Cash and cash equivalents as at 31 December | 3,877,468 | 1,663,370 |

ShipServ Limited

Notes to the Financial Statements for the year-ended 31 December 2020

1. Corporate information

ShipServ Limited (the "Company") is a limited liability company incorporated in the United Kingdom. Both its registered office and principal place of business is located at The Clockwork Building, 45 Beavor Lane, Ravenscourt Park, London W6 9AR.

The principal activity of ShipServ Limited and its subsidiaries (collectively "ShipServ" or the "Group") (Note 4) is that of software development related to ship supply management as well as the provision of related services. There have been no significant changes in the nature of these activities during the year.

2. Significant accounting policies

(a) Basis of preparation

The consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

For all periods up to and including the year ended 31 December 2019, the Company prepared standalone financial statements in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

These Financial Statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with IFRS. Please refer to Note 3 for information on how the Company adopted IFRS. The date of transition from FRS 102 section 1A, was 1 January 2019.

As noted in more detail per accounting policy 2(b), the Company has also prepared consolidated financial statements for the first time in 2020. The consolidated 2019 comparatives have also been prepared under IFRS.

The consolidated Financial Statements are presented in U.S. Dollars, except when otherwise indicated.

(b) Basis of consolidation

The consolidated Financial Statements of the Group include the financial statements of ShipServ Limited and its subsidiaries, as set out in Note 4.

In the year ended 31 December 2019, the Company previously reported standalone financial statements as the Company took advantage of the exemption available in the Companies Act 2006 not to prepare consolidated financial statements on the basis that, taken together with its subsidiaries, it was a small sized group.

In 2020, the Company has decided to prepare consolidated financial statements for the first time, and as a result, the Company has prepared consolidated statements for the year ended 31 December 2019 and 31 December 2020.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by other members of the Group. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All inter-company transactions and balances within the Group are eliminated on consolidation.

ShipServ Limited

Notes to the Financial Statements for the year-ended 31 December 2020

2. Significant accounting policies (continued)

(c) Going concern

At 31 December 2020, the Group reported Shareholders' Equity of \$1,862,587 (2019: Deficit \$7,954,924).

The Group has projected that it has sufficient cash facilities to meet its liabilities as they fall due for at least one year after the date of the audit report, but the Group's ability to continue beyond these twelve-months as a going concern is dependent upon meeting forecasted trading results.

Whilst the Covid-19 pandemic has had an impact upon the business in 2020 and continues to impact trading levels of the business, the Group has continued to trade profitably and expects to continue to do so going forward. The Group has delivered on cost saving action plans initiated during 2020 to mitigate the impact of the Coronavirus pandemic in recognition of the increased uncertainty that this casts on future cash flows. The business has robust growth plans in place and is focusing on continued profitability in 2021.

The Financial Statements have therefore been prepared on a going concern basis which assumes the recoverability of assets and the settlement of liabilities in the ordinary course of business.

(d) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates. The following summarises the judgements, estimates and assumptions that may cause amounts recognised or disclosed to change in following reporting periods:

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

ShipServ Limited

Notes to the Financial Statements (continued)
for the year-ended 31 December 2020

2. Significant accounting policies (continued)

(d) Critical accounting judgements and key sources of estimation uncertainty (continued)

Expected credit losses (continued)

The expected loss rates are based on the Group's historical credit losses. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Asset impairment testing

The Group reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Fair value is assessed by the Directors and reflects the underlying economic value of the assets in normal market conditions.

Changes in the residual value and estimated lives of tangible fixed assets would result in adjustments to the current and future rate of depreciation through profit or loss.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used for estimating fair value for share based payments are disclosed in Note 18.

(e) Foreign currency translation

Transactions during the year in foreign currencies have been translated at rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the reporting date have been translated at the rate ruling on that date. All resulting exchange differences are dealt within profit or loss.

Assets and liabilities of the entities having a functional currency other than the Group presentation currency are translated into equivalent U.S. Dollars at exchange rates ruling at the reporting date. Equity transactions are translated into equivalent U.S. Dollars at the exchange rates ruling on the date of the transaction. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of transactions. All resultant differences are recognised in Other Comprehensive Income.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

2. Significant accounting policies (continued)

(f) Revenue

The Group engages in the provision of an e-procurement platform for shipping companies. Revenue represents amounts receivable for term subscriptions, advertising fees and "credits".

Term subscription income relates to the use of the Group's e-procurement platform, from a basic connection through to full integration. The Group recognises revenue over time because the customer simultaneously receives and consumes the benefits of the services as the Group provides the e-procurement platform and performs the agency service. Revenue from these arrangements is recognised based on the price and terms specified in the agreement, net of discounts.

All customers are entitled to a basic company profile on the ShipServ website free of charge. Income from advertising fees relates to enhanced profiles (premium profiles), banners and spotlight features. The Group recognises revenue over time because the customer simultaneously receives and consumes the benefits of the enhanced advertising services. Revenue from these arrangements is recognised based on the price and terms specified in the agreement, net of discounts.

Credits can be pre-sold which allows customers to purchase credit to be used at a later date at a discount or customers can purchase pay-per-use credits. For both, revenue is recognised when used.

The Group generates its intercompany revenue through the recharge of applicable costs incurred on behalf of the Group.

(g) Share options

Employees of the Group are eligible to participate in the ShipServ, Inc. Group Share Option Scheme. For all grants of share options, the fair value at the date of grant is calculated using the Black-Scholes-Merton pricing model. The corresponding expense is recognised over the vesting period based on the Group's estimate of shares which will actually vest, with the reserve entry being recognised within the capital contribution reserve.

At the end of each reporting period, the Group revises its estimates on the expected forfeiture rate and recognises expense only for those shares expected to vest. The estimate of forfeiture rates is based on historical experience and is adjusted for actual experience over the term of the award. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

(h) Research and development costs

Research costs are recognised as an expense in the period in which they are incurred. Direct expenditure and related costs incurred in developing new products are capitalised and deferred only when there is a clearly defined project and the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability. Deferred development costs are amortised over the lesser of expected product life or five years, commencing in the year when the products are put into commercial production.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

2. Significant accounting policies (continued)

(i) Taxation

Taxation represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Where the Group receives tax credits in relation to research and development, the credit is processed through administrative expenses and not taxation, as the basis for the credit is cost based and not profit based.

Deferred tax is provided for in full on all timing differences which result in an obligation to pay more tax, or a right to pay less tax, in the future at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax balances are not discounted and are recognised only to the extent that it is more likely than not there will be suitable taxable profits from which future reversals of the underlying timing differences can be deducted.

(j) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of an item is comprised of its purchase price and any directly attributable cost of bringing the item to its working condition and location for its intended use.

Depreciation is provided for at rates calculated to write off the cost of assets, less their estimated residual value, over their expected useful lives on the following basis:

| | | |
|---------------------------------|---|-------------|
| Office equipment | - | 20% on cost |
| Computer equipment and software | - | 30% on cost |
| Leasehold improvements | - | 20% on cost |

(k) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

(l) Leases

Prior to 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as right-of-use assets with corresponding liabilities at the date at which the lease asset is made available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

2. Significant Accounting Policies (continued)

(l) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measure of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company applied IFRS 16: Leases for the first time in the year ended 31 December 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described in Note 3.

(m) Financial instruments

Financial assets and liabilities are initially recognised on the Statement of Financial Position at fair value when the Group has become party to the contractual provisions of the instruments.

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 the Statement of Comprehensive Income.

Classification of financial asset

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- 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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- 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

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

2. Significant Accounting Policies (continued)

(m) Financial instruments (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Group's financial assets are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method, if the time value of money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost including 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 assesses at the reporting date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The Group uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties, and breaches of contract as objective evidence.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(n) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

2. Significant Accounting Policies (continued)

(n) Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

3. First-time adoption of IFRS

These Financial Statements for the year ended 31 December 2020 are the first the Company and Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Company previously reported its standalone financial statements in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Accordingly, the Company and Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the Summary of Significant Accounting Policies.

In preparing the Financial Statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2019, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its FRS 102 financial statements, including the Statement of Financial Position as at 1 January 2019 and the Financial Statements as of, and for, the year ended 31 December 2019.

The consolidated results for the comparatives have been prepared under IFRS as at 1 January 2019 and 31 December 2019.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2019. Use of this exemption means that the FRS 102 carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise any assets or liabilities that were not recognised under FRS 102 or exclude any previously recognised amounts as a result of IFRS recognition requirements.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

3. First-time adoption of IFRS (continued)

- The Group has not applied IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2019.
- The Group assessed all contracts existing at 1 January 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2019.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before 1 January 2019. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Estimates

The estimates at 1 January 2019 and at 31 December 2019 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies) apart from the following items where application of FRS 102 did not require estimation:

- Share based payment transactions

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2019, the date of transition to IFRS and as at 31 December 2019.

Other standards

New standards that have been adopted in the Financial Statements for the year ended 31 December 2020, but have not had a significant effect on the Group are: -

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting

The Group does not expect any other standards issued, but not yet effective, to have a material impact on the Group.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

3. First time adoption of IFRS (continued)

Company reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

| | | FRS 102 | Adoption | IFRS as at |
|---|-------------|----------------------------|------------------------|----------------------------|
| | | | Changes | 1 January 2019 |
| Assets | Note | \$ | \$ | \$ |
| Non-current assets | | | | |
| Tangible assets | | 454,784 | - | 454,784 |
| Investments | | 1 | - | 1 |
| Right-of-use assets | (a) | - | 790,045 | 790,045 |
| | | <u>454,785</u> | <u>790,045</u> | <u>1,244,830</u> |
| Current assets | | | | |
| Trade receivables and contract assets | | 2,234,463 | - | 2,234,463 |
| Cash and short-term deposits | | 794,815 | - | 794,815 |
| | | <u>3,029,278</u> | <u>-</u> | <u>3,029,278</u> |
| Total assets | | <u>3,484,063</u> | <u>790,045</u> | <u>4,274,108</u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | 749,037 | - | 749,037 |
| Share premium reserve | | 1,303,509 | - | 1,303,509 |
| Share option reserve | | 852,295 | - | 852,295 |
| Foreign exchange reserve | | 1,690,990 | - | 1,690,990 |
| Retained losses | (a) | (49,697,443) | (93,392) | (49,790,835) |
| Shareholders' deficit | | <u>(45,101,612)</u> | <u>(93,392)</u> | <u>(45,195,004)</u> |
| Non-current liabilities | | | | |
| Leases | (a) | - | 606,952 | 606,952 |
| Current liabilities | | | | |
| Trade payables and contract liabilities | | 48,585,675 | - | 48,585,675 |
| Leases | (a) | - | 276,485 | 276,485 |
| Total liabilities | | <u>48,585,675</u> | <u>883,437</u> | <u>49,469,112</u> |
| Total equity and liabilities | | <u>3,484,063</u> | <u>790,045</u> | <u>4,274,108</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

3. First time adoption of IFRS (continued)

Company reconciliation of equity as at 31 December 2019

| | | FRS 102 | Adoption Changes | IFRS as at 31 December 2019 |
|---|------|-------------------------|-----------------------|--------------------------------|
| Assets | Note | \$ | \$ | \$ |
| Non-current assets | | | | |
| Tangible assets | | 273,454 | - | 273,454 |
| Investments | | 1 | - | 1 |
| Right-of-use assets | (a) | - | 598,546 | 598,546 |
| | | <u>273,455</u> | <u>598,546</u> | <u>872,001</u> |
| Current assets | | | | |
| Trade receivables and contract assets | | 1,571,554 | - | 1,571,554 |
| Cash and short-term deposits | | 1,663,370 | - | 1,663,370 |
| | | <u>3,234,924</u> | <u>-</u> | <u>3,234,924</u> |
| Total assets | | <u><u>3,508,379</u></u> | <u><u>598,546</u></u> | <u><u>4,106,925</u></u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | 749,037 | - | 749,037 |
| Share premium reserve | | 1,303,509 | - | 1,303,509 |
| Share option reserve | | 966,756 | - | 966,756 |
| Foreign exchange reserve | | 2,779,934 | - | 2,779,934 |
| Capital contribution | | 29,947,454 | - | 29,947,454 |
| Retained losses | (a) | (43,409,000) | (55,642) | (43,464,642) |
| Shareholders' deficit | | <u>(7,662,310)</u> | <u>(55,642)</u> | <u>(7,717,952)</u> |
| Non-current liabilities | | | | |
| Leases | (a) | - | 393,654 | 393,654 |
| Current liabilities | | | | |
| Trade payables and contract liabilities | | 11,170,689 | - | 11,170,689 |
| Leases | (a) | - | 260,534 | 260,534 |
| Total liabilities | | <u>11,170,689</u> | <u>654,188</u> | <u>11,824,877</u> |
| Total equity and liabilities | | <u><u>3,508,379</u></u> | <u><u>598,546</u></u> | <u><u>4,106,925</u></u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

3. First time adoption of IFRS (continued)

Company reconciliation of total comprehensive income for the year-ended 31 December 2019

| | | FRS 102 | Adoption | IFRS for the |
|--|------|--------------------|-----------------|--------------------------------|
| | Note | \$ | Changes | year-ended 31 December 2019 |
| | | \$ | \$ | \$ |
| Revenue | | 8,209,792 | - | 8,209,792 |
| Cost of sales | | (569,033) | - | (569,033) |
| Gross profit | | 7,640,759 | - | 7,640,759 |
| Administrative expenses | (a) | (1,181,656) | 85,920 | (1,095,736) |
| Operating profit | | 6,459,103 | 85,920 | 6,545,023 |
| Finance income | | 4,223 | - | 4,223 |
| Finance costs | (a) | - | (48,170) | (48,170) |
| Profit on ordinary activities before tax | | 6,463,326 | 37,750 | 6,501,076 |
| Tax | | (174,883) | - | (174,883) |
| Profit for the year | | 6,288,443 | 37,750 | 6,326,193 |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign operations | | 1,088,944 | - | 1,088,944 |
| Total comprehensive income for the year, net of tax | | 7,377,387 | 37,750 | 7,415,137 |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

3. First time adoption of IFRS (continued)

Notes to the reconciliation of equity as at 1 January 2019 and 31 December 2019 and total comprehensive income for the year-ended 31 December 2019

- (a) Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of the initial application, as permitted under the specific transition provisions in the standard. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019 (being 5.25%).

As a result, at 1 January 2019, the Company recognised an increase of \$883,437 of lease liabilities and \$790,045 of right-of-use assets. The difference between lease liabilities and right-of-use assets has been recognised in retained earnings.

At 31 January 2019, the Company had recognised \$654,188 of lease liabilities and \$598,546 of right-of-use assets.

Additionally, the depreciation charge for the Company increased by \$191,499 (included within administration costs) and finance costs increased by \$48,170 for the year ended 31 December 2019. Lease charges previously classed as operating leases reversed by \$277,419 (included within administration costs).

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

4. Group information

Subsidiaries

The wholly owned subsidiaries of ShipServ Limited as at 31 December 2020 were as follows:

| Name | Country of incorporation | Principle activities |
|--------------------------------|--------------------------|--------------------------|
| ShipServ America, Inc. | USA | Online shipping services |
| ShipServ Asia Limited | Hong Kong | Online shipping services |
| ShipServ Singapore Pty Limited | Singapore | Online shipping services |
| ShipServ CI Philippines Inc. | Philippines | Online shipping services |
| ShipServ ApS | Denmark | Online shipping services |

ShipServ America, Inc. wholly owns Charles Kerr Enterprises, Inc. at 31 December 2020. This company is incorporated in the United States of America and was dormant for the entirety of 2019 and 2020.

Holding company and ultimate controlling party

ShipServ, Inc., a company incorporated in the United States of America, is the parent and ultimate holding company of ShipServ Limited. In the opinion of the Directors, there is no ultimate controlling party of ShipServ Limited.

Fixed asset investments – Company

| | 2020 | 2019 | 1 January 2019 |
|--|----------------|----------|-------------------|
| | \$ | \$ | \$ |
| Investment in ShipServ America, Inc. | 1 | 1 | 1 |
| Investment in ShipServ Asia Limited | 1 | - | - |
| Investment in ShipServ Singapore Pty Limited | 1 | - | - |
| Investment in ShipServ CI Philippines Inc. | 365,300 | - | - |
| Investment in ShipServ ApS | 6,267 | - | - |
| | <u>371,570</u> | <u>1</u> | <u>1</u> |

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

5. Business combinations

Acquisition of ShipServ Asia Limited

On 25 July 2020, the Company acquired 100% of the shares of ShipServ Asia Limited, a company based in Hong Kong specialising in online shipping services. The Company acquired ShipServ Asia Limited from a fellow group company, ShipServ (CI) Limited, as part of a wider group restructure.

The fair values of the identifiable assets and liabilities of ShipServ Asia Limited as at the date of acquisition were:

| | Fair Value \$ |
|---|--------------------|
| Tangible fixed assets | 2,549 |
| Right-of-use assets | 115,793 |
| Trade and other receivables | 2,485,403 |
| Cash and cash equivalents | 531,410 |
| Trade and other payables | (1,804,276) |
| Leases | (116,191) |
| Total identifiable net assets | 1,214,688 |
| Purchase consideration transferred | 1 |
| Less: total identifiable net assets | (1,214,688) |
| Negative goodwill on acquisition | (1,214,687) |

Consideration paid for the shares of ShipServ Asia Limited totalled \$1 resulting in negative goodwill of \$1,214,687 arising on acquisition. This was recognised within the Statement of Comprehensive Income.

Acquisition of ShipServ Singapore Pty Limited

On 25 July 2020, the Company acquired 100% of the shares of ShipServ Singapore Pty Limited, a company based in Singapore specialising in online shipping services. The Company acquired ShipServ Singapore Pty Limited from a fellow group company, ShipServ (CI) Limited, as part of a wider group restructure.

ShipServ Limited

Notes to the Financial Statements (continued) **for the year-ended 31 December 2020**

5. Business combinations (continued)

Acquisition of ShipServ Singapore Pty Limited (continued)

The fair values of the identifiable assets and liabilities of ShipServ Singapore Pty Limited as at the date of acquisition were:

| | Fair Value \$ |
|---|------------------|
| Right-of-use assets | 8,532 |
| Trade and other receivables | 60,581 |
| Cash and cash equivalents | 249,650 |
| Trade and other payables | (97,362) |
| Leases | (8,151) |
| Total identifiable net assets | 213,250 |
| Purchase consideration transferred | 1 |
| Less: total identifiable net assets | (213,250) |
| Negative goodwill arising on acquisition | (213,249) |

Consideration paid for the shares of ShipServ Singapore Pty Limited totalled \$1 resulting in negative goodwill of \$213,249 arising on acquisition. This was recognised within the Statement of Comprehensive Income.

Acquisition of ShipServ CI Philippines Inc.

On 16 September 2020, the Company acquired 100% of the shares of ShipServ CI Philippines Inc., a company based in the Philippines specialising in online shipping services. The Company acquired ShipServ CI Philippines Inc. from a fellow group company, ShipServ (CI) Limited, as part of a wider group restructure.

The fair values of the identifiable assets and liabilities of ShipServ CI Philippines Inc. as at the date of acquisition were:

| | Fair Value \$ |
|---|------------------|
| Tangible fixed assets | 27,021 |
| Right-of-use assets | 37,542 |
| Trade and other receivables | 685,497 |
| Cash and cash equivalents | 191,084 |
| Trade and other payables | (410,057) |
| Leases | (30,217) |
| Total identifiable net assets | 500,870 |
| Purchase consideration transferred | 365,300 |
| Less: total identifiable net assets | (500,870) |
| Negative goodwill arising on acquisition | (135,570) |

Consideration paid for the shares of ShipServ CI Philippines Inc. totalled \$365,300 resulting in negative goodwill of \$135,570 arising on acquisition. This was recognised within the Statement of Comprehensive Income.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

5. Business combinations (continued)

Investment in ShipServ ApS

On 21 December 2020, the Company incorporated a wholly owned subsidiary, ShipServ ApS, a company based in Denmark specialising in online shipping services.

6. Revenue

The Group has disaggregated revenue in the following table based on the type of service provided to customers:

| | 2020 \$ | 2019 \$ Unaudited |
|--------------------|-------------------|-------------------------|
| Term subscriptions | 6,922,848 | 8,552,854 |
| Advertising fees | 365,098 | 301,934 |
| Credits | 3,324,216 | 2,149,571 |
| | <u>10,612,162</u> | <u>11,004,359</u> |

7. Staff costs

| | 2020 \$ | 2019 \$ Unaudited |
|--|------------------|-------------------------|
| Wages and salaries | 4,346,740 | 4,541,699 |
| Employee benefits | 287,022 | 313,255 |
| Social security | 265,691 | 238,627 |
| Pension | 137,626 | 104,917 |
| Charge for share based payments | 94,584 | 114,461 |
| Reversal of share based payment charge | (40,410) | - |
| | <u>5,091,253</u> | <u>5,312,959</u> |

The average number of employees, including Directors, during the year was as follows:

| | 2020 | 2019 Unaudited |
|----------------|-----------|-------------------|
| Administrative | <u>56</u> | <u>34</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

8. Remuneration of Directors and key management personnel

Key management personnel, which includes the Directors of the Company, aggregate remuneration comprised:

| | 2020 \$ | 2019 \$ Unaudited |
|-----------------------|------------------|-------------------------|
| Remuneration | | |
| Emoluments | 1,058,713 | 1,954,101 |
| Pension contributions | 74,575 | 97,599 |
| Share-based payments | 47,802 | 111,153 |
| | <u>1,181,090</u> | <u>2,162,853</u> |

Directors' aggregate remuneration comprised:

| | 2020 \$ | 2019 \$ Unaudited |
|-----------------------|----------------|-------------------------|
| Remuneration | | |
| Emoluments | 540,713 | 969,078 |
| Pension contributions | 67,901 | 80,114 |
| Share-based payments | 88,212 | 39,559 |
| | <u>696,826</u> | <u>1,088,751</u> |

The highest paid Director's remuneration comprised:

| | 2020 \$ | 2019 \$ Unaudited |
|-----------------------|----------------|-------------------------|
| Remuneration | | |
| Emoluments | 325,327 | 783,858 |
| Pension contributions | 16,211 | 29,046 |
| Share-based payments | 44,106 | 1,070 |
| | <u>385,644</u> | <u>813,974</u> |

9. Operating profit

Operating profit is stated after charging/(crediting):

| | 2020 \$ | 2019 \$ Unaudited |
|--------------------------------|-------------|-------------------------|
| Auditors' remuneration | | |
| - audit | 56,000 | 34,626 |
| - non-audit | 8,421 | 15,721 |
| Trade debtor balance provision | 155,727 | 35,232 |
| Depreciation | | |
| - tangible fixed assets | 182,940 | 210,313 |
| - right-of-use assets | 351,855 | 209,062 |
| Difference on foreign exchange | (2,007,097) | 1,043,524 |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

10. Finance costs

| | 2020 \$ | 2019 \$ Unaudited |
|-------------------------------|---------------|-------------------------|
| Interest on lease liabilities | <u>40,829</u> | <u>50,681</u> |

11. Taxation

(a) Tax charge for the period

| | 2020 \$ | 2019 \$ Unaudited |
|--|----------------|-------------------------|
| UK corporation tax | - | - |
| Adjustment in relation to prior period | 165,865 | (174,883) |
| Foreign tax | 8,851 | (33,712) |
| | <u>174,716</u> | <u>(208,595)</u> |

(b) Tax reconciliation

| | 2020 \$ | 2019 \$ Unaudited |
|--|----------------|-------------------------|
| Profit before tax | 5,541,917 | 6,537,534 |
| Tax on profit before tax at 19% (2019: 19%) | 1,052,964 | 1,242,132 |
| Disallowable expenses | 18,830 | 33,999 |
| Difference between depreciation and capital allowances | 33,882 | 113,122 |
| Tax losses used in the year | (762,333) | (199,526) |
| Intercompany balance write-off | - | (1,175,628) |
| Write back of negative goodwill | (297,066) | - |
| Adjustment in relation to prior period | 165,865 | (174,883) |
| Foreign tax | 8,851 | (14,099) |
| Difference in tax rates with foreign subsidiaries | (46,277) | (33,712) |
| | <u>174,716</u> | <u>(208,595)</u> |

The charge of \$174,883 in 2019 was a provision for potential underpaid tax in 2016 relating to taxable profits of ShipServ (CI) Limited which exceed the amount available for loss relief in ShipServ Limited. This provision has been settled by ShipServ (CI) Limited in the period.

A deferred tax asset of \$4,955,000 (2019: \$5,680,000) is not recognised in relation to losses carried forward, as it is uncertain whether there will be sufficient taxable profits in the foreseeable future against which the deferred tax can be offset. The deferred tax asset has been determined using a deferred tax rate of 19% (2019: 17%).

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

12. Tangible fixed assets

Group

| | Computer equipment and software \$ | Office equipment \$ | Leasehold improvements \$ | Total \$ |
|---|---|------------------------------------|--|-----------------------|
| Cost | | | | |
| At 1 January 2019 | 759,010 | 119,109 | 157,157 | 1,035,276 |
| Additions | 15,541 | 3,005 | - | 18,546 |
| Disposals | <u>(5,452)</u> | <u>-</u> | <u>-</u> | <u>(5,452)</u> |
| At 31 December 2019 | 769,099 | 122,114 | 157,157 | 1,048,370 |
| Additions | 10,404 | 24,608 | 7,247 | 42,259 |
| Additions on the acquisition of a subsidiary | 75,106 | 23,538 | 81,259 | 179,903 |
| Disposals | <u>(583,126)</u> | <u>(11,780)</u> | <u>-</u> | <u>(594,906)</u> |
| At 31 December 2020 | <u>271,483</u> | <u>158,480</u> | <u>245,663</u> | <u>675,626</u> |
| Accumulated Depreciation | | | | |
| At 1 January 2019 | 453,272 | 72,135 | 24,190 | 549,597 |
| Charge for the year | 167,708 | 14,099 | 28,506 | 210,313 |
| Disposals | <u>(1,132)</u> | <u>-</u> | <u>-</u> | <u>(1,132)</u> |
| At 31 December 2019 | 619,848 | 86,234 | 52,696 | 758,778 |
| Charge for the year | 139,950 | 11,412 | 31,578 | 182,940 |
| Additions on the acquisition of a subsidiary | 59,428 | 7,216 | 83,689 | 150,333 |
| Disposals | <u>(579,502)</u> | <u>(7,465)</u> | <u>-</u> | <u>(586,967)</u> |
| At 31 December 2020 | <u>239,724</u> | <u>97,397</u> | <u>167,963</u> | <u>505,084</u> |
| Net book value | | | | |
| At 31 December 2020 | <u>31,759</u> | <u>61,083</u> | <u>77,700</u> | <u>170,542</u> |
| At 31 December 2019 (unaudited) | <u>149,251</u> | <u>35,880</u> | <u>104,461</u> | <u>289,592</u> |
| At 1 January 2019 (unaudited) | <u>305,738</u> | <u>46,974</u> | <u>132,967</u> | <u>485,679</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

12. Tangible fixed assets (continued)

Company

| | Computer equipment and software \$ | Office equipment \$ | Leasehold improvements \$ | Total \$ |
|-------------------------------------|---|------------------------------------|--|-----------------------|
| Cost | | | | |
| At 1 January 2019 | 709,953 | 113,428 | 157,157 | 980,538 |
| Additions | 15,541 | 3,005 | - | 18,546 |
| Disposals | (2,021) | - | - | (2,021) |
| At 31 December 2019 | <u>723,473</u> | <u>116,433</u> | <u>157,157</u> | <u>997,063</u> |
| Additions | 10,404 | 24,608 | - | 35,012 |
| Disposals | <u>(583,126)</u> | <u>(11,780)</u> | <u>-</u> | <u>(594,906)</u> |
| At 31 December 2020 | <u>150,751</u> | <u>129,261</u> | <u>157,157</u> | <u>437,169</u> |
| Accumulated Depreciation | | | | |
| At 1 January 2019 | 433,882 | 67,682 | 24,190 | 525,754 |
| Charge for the year | 157,301 | 13,180 | 28,506 | 198,987 |
| Disposals | (1,132) | - | - | (1,132) |
| At 31 December 2019 | <u>590,051</u> | <u>80,862</u> | <u>52,696</u> | <u>723,609</u> |
| Charge for the year | 125,862 | 10,308 | 28,506 | 164,676 |
| Disposals | <u>(579,502)</u> | <u>(7,465)</u> | <u>-</u> | <u>(586,967)</u> |
| At 31 December 2020 | <u>136,411</u> | <u>83,705</u> | <u>81,202</u> | <u>301,318</u> |
| Net book value | | | | |
| At 31 December 2020 | <u>14,340</u> | <u>45,556</u> | <u>75,955</u> | <u>135,851</u> |
| At 31 December 2019 | <u>133,422</u> | <u>35,571</u> | <u>104,461</u> | <u>273,454</u> |
| At 1 January 2019 | <u>276,071</u> | <u>45,746</u> | <u>132,967</u> | <u>454,784</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

13. Trade receivables and contract assets

Trade receivables - Group

| | 2020 \$ | 2019 \$ Unaudited | 1 January 2019 \$ Unaudited |
|----------------------------------|------------------|-------------------------|--------------------------------------|
| Trade receivables | 2,316,100 | 888,896 | 1,393,028 |
| Less: impairment | (190,685) | (55,489) | (31,000) |
| Other receivables | 1,051,758 | 546,162 | 573,287 |
| Contract assets | 40,556 | 309,325 | 281,538 |
| Prepayments | 380,578 | 85,260 | 368,702 |
| R&D tax credit | - | - | 85,055 |
| Amounts due from related parties | 41,925 | 44,810 | - |
| | <u>3,640,232</u> | <u>1,818,964</u> | <u>2,670,610</u> |

Within other receivables is an amount of \$57,939 (31 December 2019: \$55,100), which relates to a deposit on ShipServ Limited's rental property and is secured by a fixed charge.

The movement in the expected credit loss allowance for impairment of trade receivables for the Group is as follows:

| | 2020 \$ | 2019 \$ Unaudited |
|--------------------------|----------------|-------------------------|
| As at 1 January | 55,489 | 31,000 |
| Impairment | 135,196 | 24,489 |
| As at 31 December | <u>190,685</u> | <u>55,489</u> |

Included in the above are allowances for individually impaired receivables of \$190,685 (31 December 2019: \$55,489). These individually impaired receivables relate to customers that were in default or delinquency in the settlement of the outstanding debts and only a portion of the receivables are expected to be recovered.

The Company and Group use the simplified approach for trade receivables. The probability of default takes into consideration financial and non-financial information about customers. The consideration is forward-looking and verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations or if trade accounts receivable are more than 90 days overdue. To measure the expected credit losses from these receivables, maturity structures, credit standing, and historical defaults are considered, while taking into account predicted future economic conditions.

All receivables are due within a year of 31 December 2020.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

13. Trade receivables and contract assets (continued)

Contract assets - Group

| | 2020 \$ | 2019 \$ Unaudited |
|--|----------------------|-------------------------|
| As at 1 January | 309,325 | 281,538 |
| Transfers from contract assets to trade receivables | (309,325) | (281,538) |
| Excess of revenue recognised over cash (or rights to cash) | 40,556 | 309,325 |
| As at 31 December | <u>40,556</u> | <u>309,325</u> |

Trade receivables - Company

| | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|-------------------|-------------------------|-------------------------|-------------------------|
| Trade receivables | 1,920,869 | 674,526 | 1,007,471 |
| Less: impairment | (131,194) | (28,419) | (16,000) |
| Other receivables | 842,594 | 546,163 | 571,321 |
| Contract assets | 6,636 | 299,915 | 281,538 |
| Prepayments | 303,072 | 79,369 | 305,078 |
| R&D tax credit | - | - | 85,055 |
| | <u>2,941,977</u> | <u>1,571,554</u> | <u>2,234,463</u> |

The movement in the expected credit loss allowance for impairment of trade receivables for the Company is as follows:

| | 2020 \$ | 2019 \$ |
|--------------------------|-----------------------|----------------------|
| As at 1 January | 28,419 | 16,000 |
| Impairment | 102,775 | 12,419 |
| As at 31 December | <u>131,194</u> | <u>28,419</u> |

Included in the above are allowances for individually impaired receivables of \$131,194 (31 December 2019: \$28,419). These individually impaired receivables relate to customers that were in default or delinquency in the settlement of the outstanding debts and only a portion of the receivables are expected to be recovered.

All receivables are due within a year of 31 December 2020.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

13. Trade receivables and contract assets (continued)

Contract assets – Company

| | 2020 \$ | 2019 \$ |
|--|---------------------|-----------------------|
| As at 1 January | 299,915 | 281,538 |
| Transfers from contract assets to trade receivables | (299,915) | (281,538) |
| Excess of revenue recognised over cash (or rights to cash) | 6,636 | 299,915 |
| As at 31 December | <u>6,636</u> | <u>299,915</u> |

14. Cash and cash equivalents

Group

| | 2020 \$ | 2019 \$ Unaudited | 1 January 2019 \$ Unaudited |
|------------------------------------|-------------------------|-------------------------|--------------------------------------|
| Current bank accounts and deposits | 4,922,726 | 1,926,463 | 875,439 |
| Restricted cash | 80,400 | 30,000 | 68,202 |
| | <u>5,003,126</u> | <u>1,956,463</u> | <u>943,641</u> |

The Group has a multi-option banking facility which is secured via restricted cash collateral deposits held in separate accounts with Danske Bank, HSBC and Silicon Valley Bank. These cash collateral deposit accounts receive interest and are repayable on demand.

Company

| | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| Current bank accounts and deposits | 3,877,468 | 1,663,370 | 756,613 |
| Restricted cash | - | - | 38,202 |
| | <u>3,877,468</u> | <u>1,663,370</u> | <u>794,815</u> |

Restricted cash was secured by a fixed and floating charge over the assets of the ShipServ Limited but was discharged in 2019 on change of banking provider.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

15. Trade payables and contract liabilities

Trade payables – Group

| | 2020 \$ | 2019 \$ Unaudited | 1 January 2019 \$ Unaudited |
|------------------------------------|------------------|-------------------------|--------------------------------------|
| Trade payables | 347,838 | 52,867 | 401,665 |
| Other taxation and social security | 66,732 | 68,252 | 55,456 |
| Other payables | 196,172 | 24,457 | 59,095 |
| Contract liabilities | 4,512,469 | 1,378,142 | 1,815,086 |
| Accruals | 1,752,274 | 2,074,183 | 1,381,964 |
| Amounts due to parent company | 16,882 | 1,057,040 | 31,251,843 |
| Amounts due to group undertakings | - | 7,310,917 | 14,476,151 |
| | <u>6,892,367</u> | <u>11,965,858</u> | <u>49,441,260</u> |

Contract liabilities – Group

| | 2020 \$ | 2019 \$ Unaudited |
|---|-------------------------|-------------------------|
| As at 1 January | 1,378,142 | 1,815,086 |
| Amounts recognised as revenue during the period | (1,378,142) | (1,815,086) |
| Cash received in advance of performance, not recognised | 4,512,469 | 1,378,142 |
| As at 31 December | <u>4,512,469</u> | <u>1,378,142</u> |

Trade payables – Company

| | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|------------------------------------|------------------|-------------------|-------------------------|
| Trade payables | 323,152 | 48,816 | 372,831 |
| Other taxation and social security | 66,732 | 68,252 | 55,456 |
| Other payables | 43,711 | 9,296 | 40,685 |
| Contract liabilities | 3,599,053 | 842,249 | 1,144,603 |
| Accruals | 1,162,022 | 1,834,119 | 1,000,626 |
| Amounts due to parent company | 16,882 | 1,057,040 | 31,251,843 |
| Amounts due to subsidiaries | 1,779,277 | - | 428,245 |
| Amounts due to group undertakings | - | 7,310,917 | 14,291,386 |
| | <u>6,990,829</u> | <u>11,170,689</u> | <u>48,585,675</u> |

The Board approved the conversion of \$6,000,000 due to ShipServ Limited's parent company to equity on 15 December 2020 (2019: \$29,947,454) (see Note 17).

Amounts due to ShipServ Limited's parent company, its subsidiaries, and other group undertakings are unsecured, interest free, and have no fixed repayment date.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

15. Trade payables and contract liabilities (continued)

Contract liabilities – Company

| | 2020 \$ | 2019 \$ |
|---|-------------------------|-----------------------|
| As at 1 January | 842,249 | 1,144,603 |
| Amounts recognised as revenue during the period | (842,249) | (1,144,603) |
| Cash received in advance of performance, not recognised | 3,599,053 | 842,249 |
| As at 31 December | <u>3,599,053</u> | <u>842,249</u> |

16. Right of Use Assets and Leases

Both the Company and a number of its subsidiaries have entered into several commercial property leases. The amounts recognised in these Financial Statements are as follows:

Group

| | 2020 \$ | 2019 \$ Unaudited | 1 January 2019 \$ Unaudited |
|---|-----------------------|-------------------------|--------------------------------------|
| Right-of-use assets | | | |
| As at 1 January | 686,360 | 790,045 | - |
| Adoption of IFRS 16 | - | - | 790,045 |
| Addition on acquisition of subsidiaries | 161,867 | - | - |
| Additions | - | 105,377 | - |
| Depreciation | (351,855) | (209,062) | - |
| As at 31 December | <u>496,372</u> | <u>686,360</u> | <u>790,045</u> |
| Lease liabilities | | | |
| As at 1 January | 740,445 | 883,437 | - |
| Adoption of IFRS 16 | - | - | 883,437 |
| Addition on acquisition of subsidiaries | 154,559 | - | - |
| Additions | - | 105,377 | - |
| Interest expense | 40,829 | 50,681 | - |
| Repayments | (380,033) | (299,050) | - |
| Foreign exchange | (482) | - | - |
| As at 31 December | <u>555,318</u> | <u>740,445</u> | <u>883,437</u> |
| Shown as: | | | |
| - current | 342,413 | 282,164 | 235,465 |
| - non-current | 212,905 | 458,281 | 647,972 |
| As at 31 December | <u>555,318</u> | <u>740,445</u> | <u>883,437</u> |
| Future minimum lease payments | | | |
| - within one year | 344,487 | 300,007 | 276,485 |
| - between two and five years | 277,253 | 529,591 | 700,220 |
| | 621,740 | 829,598 | 976,705 |
| Impact of finance expenses | (66,422) | (89,153) | (93,268) |
| Carrying amount of liability | <u>555,318</u> | <u>740,445</u> | <u>883,437</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

16. Right of Use Assets and Leases (continued)

Company

| | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|--------------------------------------|----------------|----------------|-------------------------|
| Right-of-use assets | | | |
| As at 1 January | 598,546 | 790,045 | - |
| Adoption of IFRS 16 | - | - | 790,045 |
| Depreciation | (236,638) | (191,499) | - |
| As at 31 December | 361,908 | 598,546 | 790,045 |
| Lease liabilities | | | |
| As at 1 January | 654,188 | 883,437 | - |
| Adoption of IFRS 16 | - | - | 883,437 |
| Interest expense | 32,490 | 48,170 | - |
| Repayments | (266,775) | (277,419) | - |
| Foreign exchange | (274) | - | - |
| As at 31 December | 419,629 | 654,188 | 883,437 |
| Shown as: | | | |
| - current | 221,047 | 260,534 | 235,465 |
| - non-current | 198,582 | 393,654 | 647,972 |
| As at 31 December | 419,629 | 654,188 | 883,437 |
| Future minimum lease payments | | | |
| - within one year | 221,047 | 262,515 | 276,485 |
| - between two and five years | 257,889 | 471,911 | 700,220 |
| | 478,936 | 734,426 | 976,705 |
| Impact of finance expenses | (59,307) | (80,238) | (93,268) |
| Carrying amount of liability | 419,629 | 654,188 | 883,437 |

The total cash outflow for leases in 2020 was \$380,033 (31 December 2019: \$299,050)

ShipServ Limited entered into a short-term serviced office agreement in May 2020 for its Danish branch. Due to its duration and small value this agreement has not been treated as a lease under IFRS 16. Total cash outflows for this agreement in 2020 were \$39,034.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

17. Share capital

Share capital

As at 1 January 2020 and 31 December 2020

\$749,037

Allotted, called up, and fully paid 749,037 shares of \$1 each.

Capital Contribution

The Board approved the conversion of \$6,000,000 due to ShipServ Limited's parent company to equity on 15 December 2020 (2019: \$29,947,454) (see Note 15). This balance was previously included within trade payables and contract liabilities.

18. Share based payments

The parent company of ShipServ Limited, ShipServ, Inc., operates and administers a group share option scheme. The authorised total number of shares under the scheme is 10,626,886. Options vest over a four year period. Once vested, the options can be exercised at any date up to 10 years from the grant date.

The charge for the year attributable to the Group amounted to \$94,584 (2019: \$114,461).

The reversal of the charge for share options cancelled in the year was \$40,410 (2019: \$nil).

Details of the number and weighted average exercise price of options granted, exercised, cancelled, or forfeited, and reissued during the year, applicable to UK employees, are as follows:

| | Number of shares | Weighted average exercise price per share \$ |
|-------------------------------|-------------------------|---|
| As at 1 January 2019 | 4,869,975 | 0.970 |
| Granted | 450,000 | 1.125 |
| Forfeited | (25,000) | 1.125 |
| As at 31 December 2019 | 5,294,975 | 0.980 |
| Cancelled | (209,266) | 0.834 |
| As at 31 December 2020 | <u>5,085,709</u> | 1.120 |

For the share options outstanding at 31 December 2020 and 31 December 2019, the exercise prices ranged between \$0.75 per share and \$1.50 per share.

As at 31 December 2020 the weighted average remaining contractual term is 3.86 years (2019: 4.07 years).

The weighted average fair value of share options granted in the year was \$nil (2019: \$0.36).

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

18. Share based payments (continued)

The inputs to the Black Scholes Pricing model are as follows:

| | 2019 |
|---------------------------|-------------|
| Share price at grant date | 1.00 |
| Expected life (years) | 10 |
| Risk free rate | 0.30% |
| Expected volatility | 30% |
| Dividend yield | - |

19. Risks and financial instruments

The following information is presented to assist users of the Financial Statements in assessing the extent of risk related to financial instruments:

Group

| | 2020 | 2019 | 1 January |
|--|-------------------------|--------------------------|--------------------------|
| | \$ | \$ | 2019 |
| | | Unaudited | Unaudited |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | 5,003,126 | 1,956,463 | 943,641 |
| Trade receivables and contract assets | 3,640,232 | 1,818,964 | 2,670,610 |
| | <u>8,643,358</u> | <u>3,775,427</u> | <u>3,614,251</u> |
| Financial liabilities at amortised cost | | | |
| Trade payables and contract liabilities | 6,892,367 | 11,965,858 | 49,441,260 |
| Leases | 555,318 | 740,445 | 883,437 |
| | <u>7,447,685</u> | <u>12,706,303</u> | <u>50,324,697</u> |

Company

| | 2020 | 2019 | 1 January |
|--|-------------------------|--------------------------|--------------------------|
| | \$ | \$ | 2019 |
| | | | \$ |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | 3,877,468 | 1,663,370 | 794,815 |
| Trade receivables and contract assets | 2,941,977 | 1,571,554 | 2,234,463 |
| | <u>6,819,445</u> | <u>3,234,924</u> | <u>3,029,278</u> |
| Financial liabilities at amortised cost | | | |
| Trade payables and contract liabilities | 6,990,829 | 11,170,689 | 48,585,675 |
| Leases | 419,629 | 654,188 | 883,437 |
| | <u>7,410,458</u> | <u>11,824,877</u> | <u>49,469,112</u> |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

19. Risks and financial instruments (continued)

Categories of financial instruments:

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Directors monitor the financial risk of the Group and take such measures as considered necessary from time to time to minimise such financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The most significant financial risks to which the Group are exposed to are described below:

(a) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can provide returns to its shareholders. Total Shareholders Equity at 31 December 2020 was \$1,862,587 (31 December 2019: Deficit \$7,954,924).

(b) Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The tables below summarise both the Company and the Group's exposure to interest rate risk:

Group

| | Within 1 year \$ | Total interest bearing \$ |
|-------------------------------|---------------------------------|--|
| As at 31 December 2020 | | |
| Cash and cash equivalents | 5,003,126 | 5,003,126 |
| As at 31 December 2019 | | |
| Cash and cash equivalents | 1,956,463 | 1,956,463 |
| As at 1 January 2019 | | |
| Cash and cash equivalents | 943,641 | 943,641 |

Company

| | Within 1 year \$ | Total interest bearing \$ |
|-------------------------------|---------------------------------|--|
| As at 31 December 2020 | | |
| Cash and cash equivalents | 3,877,468 | 3,877,468 |
| As at 31 December 2019 | | |
| Cash and cash equivalents | 1,663,370 | 1,663,370 |
| As at 1 January 2019 | | |
| Cash and cash equivalents | 794,815 | 794,815 |

At 31 December 2020 and 2019, should yields have increased/decreased by 100 basis points with all other variables remaining constant, the impact on the decrease or increase respectively in net equity of the Company or Group would be minimal.

(c) Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

19. Risks and financial instruments (continued)

(c) Credit risk (continued)

At 31 December 2020 there are no counterparties which represent more than five percent of trade receivables.

Material concentrations of credit risk exist to the extent that the following current accounts, restricted cash and short-term credit facilities were held with financial institutions as follows:

Group

| Bank | Credit rating | Location | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|---------------------|---------------|----------------|------------|------------|-------------------------|
| Silicon Valley Bank | A3 | U.S.A. | 229,923 | 293,093 | 148,826 |
| Danske Bank | A2 | Denmark | - | - | 794,815 |
| Lloyds Bank | Aa3 | United Kingdom | 3,877,468 | 1,663,370 | - |
| HSBC | A2 | Hong Kong | 807,977 | - | - |

Company

| Bank | Credit rating | Location | 2020 \$ | 2019 \$ | 1 January 2019 \$ |
|-------------|---------------|----------------|------------|------------|-------------------------|
| Danske Bank | A2 | Denmark | - | - | 794,815 |
| Lloyds Bank | Aa3 | United Kingdom | 3,877,468 | 1,663,370 | - |

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

ShipServ Limited

Notes to the Financial Statements (continued)
for the year-ended 31 December 2020

19. Risks and financial instruments (continued)

(d) Liquidity risk (continued)

Group

| | Within 1 year \$ | Between 2 And 5 years \$ | After 5 years \$ | Total \$ |
|---|------------------------|--------------------------------|------------------------|-------------------|
| As at 31 December 2020 | | | | |
| Trade payables and contract liabilities | 6,892,367 | - | - | 6,892,367 |
| Leases | 342,413 | 212,905 | - | 555,318 |
| | 7,234,780 | 212,905 | - | 7,447,685 |
| As at 31 December 2019 | | | | |
| Trade payables and contract liabilities | 11,965,858 | - | - | 11,965,858 |
| Leases | 282,164 | 458,281 | - | 740,445 |
| | 12,248,022 | 458,281 | - | 12,706,303 |
| As at 1 January 2019 | | | | |
| Trade payables and contract liabilities | 49,441,260 | - | - | 49,441,260 |
| Leases | 276,485 | 606,952 | - | 883,437 |
| | 49,717,745 | 606,952 | - | 50,324,697 |

Company

| | Within 1 year \$ | Between 2 And 5 years \$ | After 5 years \$ | Total \$ |
|---|------------------------|--------------------------------|------------------------|-------------------|
| As at 31 December 2020 | | | | |
| Trade payables and contract liabilities | 6,990,829 | - | - | 6,990,829 |
| Leases | 221,047 | 198,582 | - | 419,629 |
| | 7,211,876 | 198,582 | - | 7,410,458 |
| As at 31 December 2019 | | | | |
| Trade payables and contract liabilities | 11,170,689 | - | - | 11,170,689 |
| Leases | 260,534 | 393,654 | - | 654,188 |
| | 11,431,223 | 393,654 | - | 11,824,877 |
| As at 1 January 2019 | | | | |
| Trade payables and contract liabilities | 48,585,675 | - | - | 48,585,675 |
| Leases | 276,485 | 606,952 | - | 883,437 |
| | 48,862,160 | 606,952 | - | 49,469,112 |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

19. Risks and financial instruments (continued)

(e) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk since it carries out international operations and owns subsidiaries in the United Kingdom, Denmark, Singapore, Hong Kong, the Philippines and the U.S.A. which all operate using multiple currencies. The Group actively manages its residual foreign currency exposures through the use of foreign currency forward instruments, as appropriate, to manage future foreign exchange rates.

As at 31 December 2020, 31 December 2019 and 1 January 2019, the majority of trade receivables, trade payables, contract assets, contract liabilities, leases, and cash and cash equivalents, were denominated in the following currencies:

Group

| | U.S. Dollar | Euros | Pounds sterling |
|---|-------------|-----------|-----------------|
| As at 31 December 2020 (\$) | | | |
| Cash and cash equivalents | 3,498,784 | 866,634 | 131,443 |
| Trade receivables and contract assets | 1,810,158 | 760,887 | 553,751 |
| Trade payables and contract liabilities | 2,603,139 | 2,758,183 | 484,595 |
| Leases | 52,640 | - | 419,629 |
| As at 31 December 2019 (\$) | | | |
| Cash and cash equivalents | 956,723 | 748,317 | 127,079 |
| Trade receivables and contract assets | 860,193 | 408,459 | 521,129 |
| Trade payables and contract liabilities | 6,683,807 | 3,650,866 | 481,624 |
| Leases | 86,257 | - | 611,459 |
| As at 1 January 2019 (\$) | | | |
| Cash and cash equivalents | 347,215 | 167,680 | 357,543 |
| Trade receivables and contract assets | 1,241,465 | 745,386 | 684,609 |
| Trade payables and contract liabilities | 34,224,678 | 2,359,159 | 545,171 |
| Leases | - | - | 791,614 |

ShipServ Limited

**Notes to the Financial Statements (continued)
for the year-ended 31 December 2020**

19. Risks and financial instruments (continued)

(e) Currency risk (continued)

Company

| | U.S. Dollar | Euros | Pounds sterling |
|---|-------------|-----------|-----------------|
| As at 31 December 2020 (\$) | | | |
| Cash and cash equivalents | 3,030,992 | 431,710 | 126,368 |
| Trade receivables and contract assets | 1,377,250 | 755,850 | 553,751 |
| Trade payables and contract liabilities | 3,173,217 | 2,551,595 | 468,732 |
| Leases | - | - | 419,629 |
| As at 31 December 2019 (\$) | | | |
| Cash and cash equivalents | 663,631 | 748,317 | 127,079 |
| Trade receivables and contract assets | 607,293 | 406,516 | 516,869 |
| Trade payables and contract liabilities | 2,697,807 | 3,647,206 | 467,855 |
| Leases | - | - | 611,459 |
| As at 1 January 2019 (\$) | | | |
| Cash and cash equivalents | 198,389 | 167,680 | 357,543 |
| Trade receivables and contract assets | 808,332 | 741,953 | 684,609 |
| Trade payables and contract liabilities | 31,247,062 | 2,359,153 | 542,441 |
| Leases | - | - | 791,614 |

As at 31 December 2020, 31 December 2019 and 1 January 2019, had the exchange rate between the U.S. Dollar and the Euro or Pounds Sterling increased or decreased by 5 per cent with all other variables held constant, the impact on the decrease or increase respectively in equity would be minimal for the Company and Group.

(f) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade receivables and contract assets, cash and cash equivalents, trade payables and contract liabilities, leases, and short-term credit facilities) are assumed to approximate their fair values.

ShipServ Limited

Notes to the Financial Statements (continued) for the year-ended 31 December 2020

20. Related party transactions

A shareholder of ShipServ, Inc. has an interest in one of the Group's customers. Sales for the year amounted to \$171,313 (2019: \$183,111) and the amount due to ShipServ Limited was \$41,925 (2019: \$44,810).

The Company has been allocated revenue of \$983,230 (2019: \$3,067,924) from group companies, where the account is managed by the Company, but invoicing has been performed by a fellow group company.

The Company has charged \$513,382 (2019: \$639,996) to group companies for research and development costs and management costs incurred on behalf of the Group. The basis of the charge is 10% of the corresponding group company's revenue on the first \$2,000,000 and 5% on any excess.

The Company has recharged cost of sales of \$74,741 (2019: -\$10,323) from group companies for commissions paid on behalf of the Company. This has been charged based upon the percentage of group revenue recorded by the Company.

The Company has recharged administrative expenses of \$270,342 (2019: \$746,989) to group companies. These costs have been allocated to group companies based upon the percentage of group revenue recorded by each group company.

The Company has been recharged \$nil (2019: \$241,937) from ShipServ, Inc. for other non-operating costs.

The Company reversed a provision made against an intercompany receivable balance of \$6,288,443 in the year ended 31 December 2019 (2020: \$nil). The receivable balances have either been net settled within the ShipServ, Inc. Group or have moved into a liability position and the Company owed amounts to the counterparty.

21. Post balance sheet events

During Q1 2021 all employees of the ShipServ Limited branch office in Denmark have been transferred into the newly created subsidiary, ShipServ ApS. The Danish branch is now dormant and will be closed in due course.