

Company No. 03982107

SHIPSERV LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ShipServ Limited

Directors

Kim Skaarup	Resigned 31 December 2019
Bryan Park	
Henrik Hyldahn	Appointed 1 January 2020

Registered Office

Clockwork Building, 45 Beavor Road, London W6 9AR

Company Number

03982107

Auditors

BDO LLP
55 Baker Street, London W1U 7EU

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal Activity

The principal activity of the company 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.

The results for the year are shown on page 7.

The directors do not recommend the payment of a dividend of \$nil (2018: \$nil).

The Company maintains an overseas branch in Denmark.

Business Outlook

In March 2020 the true economic impact of the Coronavirus outbreak became apparent to the world. ShipServ Limited has a broad customer base in the marine transportation market so is not dependant on the economic health of any one segment but nevertheless will be impacted, particularly in the Cruise segment which has been hit harder than most. The management team have assessed the potential impact to the Company revenues and this has been reviewed and challenged by the full Board of Directors at a Board meeting held on 8th April 2020 and a subsequent Board meeting held on 26th May 2020. The Board of Directors have concluded that the projections are robust. In addition, a number of initial cost savings have been approved by the Board to mitigate the reduced revenue and maintain cash generation.

A review of actual trading levels has substantiated the revised projections in 2020 trading. The Company will continue to monitor the trading activity closely and take the required action as necessary to defend the good cash headroom position.

With travel restrictions impacting operations, the Company implemented its business continuity plans and moved to a "work from home" setup at the end of March 2020. This transition was completed successfully with no negative impact to the operations of the business. The majority of staff continue to work from home and the Directors thank the Staff for their dedication during this time which has contributed to minimal business disruption.

Based on a strong cash position in 2020 and the new projections, the Board are comfortable that the business has sufficient cash headroom to trade for the next 12 months and has the capacity to reduce cash outflows further should the need arise. Expenditure areas which are being considered relate to further reductions in administrative headcount, lower travel spend and optimisation of hosting costs. The Directors note that they will only take these steps as required as they see a very positive future for the business and wish to ensure that sufficient investment is maintained in the ShipServ team and its customers.

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 **30 September 2020** and signed on its behalf.

A handwritten signature in black ink, appearing to be 'Bryan Park', written in a cursive style.

Bryan Park
Director

ShipServ Limited**Statement of Directors' Responsibilities**

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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

We have audited the financial statements of ShipServ Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance 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.

Material uncertainty related to going concern

We draw attention to note 1(d) in the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the financial support of group companies which is not contractually binding, and in addition, the possible effects of the Coronavirus pandemic may mean that the company will need to seek further support to enable it to continue as a going concern. As stated in note 1(d), these events or conditions indicate that material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a strategic report.

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.

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

Independent Auditor's Report to the Members of ShipServ Limited (Continued)**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.

A handwritten signature in black ink, appearing to read 'Mark Ayres', is positioned above the printed name.

Mark Ayres, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 07/10/2020

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

ShipServ Limited

Statement of Comprehensive Income
For the year ended 31 December 2019

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
Turnover	1(e)	8,209,792	8,308,296
Cost of sales		<u>(569,033)</u>	<u>(813,631)</u>
Gross Profit		7,640,759	7,494,665
Administrative expenses		<u>(1,181,656)</u>	<u>(8,048,063)</u>
Operating Profit/(Loss)	4	6,459,103	(553,398)
Other income		-	1,374
Interest receivable		4,223	3,885
Interest payable		<u>-</u>	<u>(80)</u>
Profit/(Loss) on Ordinary Activities Before Taxation		6,463,326	(548,219)
Taxation	5	<u>(174,883)</u>	<u>-</u>
Profit/(Loss) for the Financial Year		<u><u>6,288,443</u></u>	<u><u>(548,219)</u></u>
Other Comprehensive Income			
Currency translation		<u>1,088,944</u>	<u>1,226,302</u>
Total Comprehensive Income for the Year		<u><u>7,377,387</u></u>	<u><u>678,083</u></u>

ShipServ Limited
Registered Number: 03982107

Statement of Financial Position - 31 December 2019

	Note	2019		2018	
		\$	\$	\$	\$
Fixed Assets					
Tangible assets	6		273,454		454,784
Investments	7		<u>1</u>		<u>1</u>
			273,455		454,785
Current Assets					
Debtors	8	1,571,554		2,234,463	
Cash at bank and in hand	9	<u>1,663,370</u>		<u>794,815</u>	
		3,234,924		3,029,278	
Current Liabilities					
Creditors	10	<u>(11,170,689)</u>		<u>(48,585,675)</u>	
Net Current Liabilities			<u>(7,935,765)</u>		<u>(45,556,397)</u>
Net Liabilities			<u>(7,662,310)</u>		<u>(45,101,612)</u>
Capital and Reserves					
Share capital	11		749,037		749,037
Share premium			1,303,509		1,303,509
Share option reserve			966,756		852,295
Foreign exchange reserve			2,779,934		1,690,990
Capital contribution	12		29,947,454		-
Accumulated losses			<u>(43,409,000)</u>		<u>(49,697,443)</u>
Shareholders Deficit			<u>(7,662,310)</u>		<u>(45,101,612)</u>

The financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on **30 September 2020**.



Bryan Park
Director

ShipServ Limited

Statement of Changes in Equity
For the year ended 31 December 2019

	<u>Share Capital</u> \$	<u>Share Premium Account</u> \$	<u>Share Option Reserve</u> \$	<u>Foreign Exchange Reserve</u> \$	<u>Capital Contribution</u> \$	<u>Accumulated Losses</u> \$	<u>Total</u> \$
At 1 January 2018	749,037	1,303,509	673,528	464,688	-	(49,149,224)	(45,958,462)
Loss	-	-	-	-	-	(548,219)	(548,219)
Charge for share based payment	-	-	304,708	-	-	-	304,708
Reversal of share based payment charge	-	-	(125,941)	-	-	-	(125,941)
Other comprehensive income							
Currency translation differences	-	-	-	1,226,302	-	-	1,226,302
At 31 December 2018	749,037	1,303,509	852,295	1,690,990	-	(49,697,443)	(45,101,612)
Profit	-	-	-	-	-	6,288,443	6,288,443
Charge for share based payment	-	-	114,461	-	-	-	114,461
Conversion of balance due to parent to equity (note 12)	-	-	-	-	29,947,454	-	29,947,454
Other comprehensive income							
Currency translation differences	-	-	-	1,088,944	-	-	1,088,944
At 31 December 2019	749,037	1,303,509	966,756	2,779,934	29,947,454	(43,409,000)	(7,662,310)

ShipServ Limited

Notes to the Financial Statements For the year ended 31 December 2019

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The financial statements have been prepared in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The functional and presentation currency is U.S. Dollars.

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

In the application of the Company'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:

Allowances for credit losses

The Company reviews its individual significant receivables at each reporting date to assess whether an allowance should be made for recoverability. In determining this allowance, judgement by management is required in the estimation of the amount and timings of future cash flows. Such estimations are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

(c) Group accounts

The Company has taken advantage of the exemption available in the Companies Act 2006 and has not prepared consolidated financial statements on the basis that, taken together with its subsidiaries, it is a small sized group.

(d) Going concern

At 31 December 2019, the Company's liabilities exceeded its total assets by \$7,662,310 (2018: \$45,101,612). The Company is therefore reliant upon the continued financial support of its parent company ShipServ Inc. and other group companies. ShipServ Inc. and fellow subsidiary ShipServ (CI) Limited have agreed to not recall the debt of the Company until the resources of the Company permit.

The ShipServ Inc. 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.

The Covid-19 pandemic is having an impact on the trading levels of the business. The Shipserv Inc. group has adjusted its forecasts in response to the possible impact of the current Coronavirus pandemic and recognises the increased uncertainty that this casts on the future cash flows. The Shipserv Inc. group has also initiated a number of initial cost savings to mitigate the expected reduced revenue and maintain cash generation. In the event that the results are not met, the group directors would consider bank facilities, or raising additional funding from existing and new shareholders.

ShipServ Limited

Notes to the Financial Statements (Continued) For the year ended 31 December 2019

1. Summary of Significant Accounting Policies (Continued)

(d) Going concern (continued)

Although the directors have no reason to believe that it will not do so, there is no contractual certainty regarding the continued financial support of ShipServ Inc. and ShipServ CI Limited in non-recall of the debt owed. These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern.

The directors consider the going concern basis to be appropriate as they have no reason to believe that ShipServ Inc. or ShipServ CI Limited will not provide the required financial support. 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.

(e) Turnover

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

Term subscription income relates to use of the Company's e-procurement platform, from a basic connection through to full integration. The Company recognises revenue over time because the customer simultaneously receives and consumes the benefits of the services as the Company 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 Company 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 percentage of revenue generated on trading activities in the UK is 100%.

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

(f) Investments in subsidiaries

Investments in subsidiaries are valued at cost less impairment.

(g) Foreign currencies

Monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items are translated at historical rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Exchange gains and losses are included in profit or loss.

The foreign exchange effect of consolidating overseas branches is dealt with through other comprehensive income.

ShipServ Limited

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

1. Summary of Significant Accounting Policies (Continued)

(h) Tangible fixed assets and depreciation

Tangible Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed 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

(i) Taxation

Taxation represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profits differs from net profits 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.

Deferred taxation is provided 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 taxation 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) Research and development tax credits

Where the Company receives a tax credit in relation to Research and Development Tax Credits, the credit is processed through administrative expenses and not taxation, as the basis for the credit is cost based and not profit based.

(k) Operating leases

Operating lease rentals are charged to profit or loss on a straight line basis over the applicable lease term.

(l) Share options

Employees of the Company are eligible to participate in the parent company group share option scheme. For all grants of share options, the fair value at the date of grant is calculated using a Black Scholes pricing model. The corresponding expense is recognised over the vesting period based on the Company's estimate of shares which will actually vest, with the reserve entry being recognised within capital contribution reserve.

At the end of each reporting period, the Company 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.

ShipServ Limited

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

2. Staff Costs

	<u>2019</u>	<u>2018</u>
	\$	\$
Wages and salaries	3,684,953	4,228,584
Social security costs	117,187	236,596
Pension	104,917	92,592
Charge for share based payments	114,461	304,708
Reversal of share based payment charge	-	(125,941)
	<u>4,021,518</u>	<u>4,736,539</u>

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

	<u>2019</u>	<u>2018</u>
Administrative	<u>27</u>	<u>31</u>

3. Director's Remuneration

	<u>2019</u>	<u>2018</u>
	\$	\$
Aggregate remuneration	<u>1,086,809</u>	<u>908,851</u>

During the year, retirement benefits were accruing to 2 directors (2018: 3) in respect of defined contributions pension schemes.

Included in director's remuneration are pension contributions amounting to \$80,035 (2018: \$73,388).

Included in director's remuneration is a charge for share based payments amounting to \$39,560 (2018: \$38,316).

Included in directors emoluments is a termination payment of \$341,808 (2018: \$57,773).

The highest paid director received emoluments of \$811,928 (2018: \$584,140), which included pension contributions of \$28,973 (2018: \$36,833), a termination payment of \$341,808 and a charge for share based payments amounting to \$1,070 (2018: \$3,994).

4. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging/(crediting):

	31 December <u>2019</u>	31 December <u>2018</u>
	\$	\$
Operating lease payments – office rental	169,941	346,286
Auditors' remuneration		
- audit	34,626	36,965
- non-audit	15,721	28,737
Group debtor balance release	(6,288,443)	-
Trade debtor balance provision/(release)	36,377	(19,658)
Depreciation	198,987	214,973
Difference on foreign exchange	<u>1,043,524</u>	<u>1,202,002</u>

ShipServ Limited

Notes to the Financial Statements (Continued) For the year ended 31 December 2019

5. Taxation

No corporation tax is payable because of accumulated trading loss.

The charge of \$174,883 is 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.

A deferred tax asset of \$5,680,000 (2018: \$5,803,000) 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.

A tax credit relating to R&D claims of \$nil (2018: \$85,277) has been included within administrative expenses.

6. Tangible Fixed Assets

	Computer Equipment and Software	Office Equipment	Leasehold Improvement	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>
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>
Net book value				
At 31 December 2019	<u>133,422</u>	<u>35,571</u>	<u>104,461</u>	<u>273,454</u>
At 31 December 2018	<u>276,071</u>	<u>45,746</u>	<u>132,967</u>	<u>454,784</u>

7. Fixed Asset Investments

The Company owns 100% of the ordinary shares in ShipServ America Inc., a company incorporated in the United States of America. The cost of investment in ShipServ America Inc. is \$1. The principal activity of the company is that of online shipping services.

ShipServ America Inc. also owns 100% of the ordinary shares of Charles Kerr Enterprises, Inc. This company has been dormant in the year.

The unaudited shareholder deficit and loss for the year for ShipServ America Inc. group were \$3,445,747 (2018: \$3,425,113) and \$1,189 (2018: \$69,456) respectively.

ShipServ Limited

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

8. Debtors

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade debtors	646,107	991,471
Other debtors	546,163	571,322
Prepayments and accrued income	379,284	586,615
R&D tax credit	-	85,055
	<u>1,571,554</u>	<u>2,234,463</u>

Within other debtors is an amount of \$55,100 (2018: \$54,340), which relates to a deposit on the Company's UK rental property and is secured by a fixed charge.

9. Cash at Bank and in Hand

	<u>2019</u>	<u>2018</u>
	\$	\$
Current bank accounts and deposits	1,663,370	756,613
Restricted cash	-	38,202
	<u>1,663,370</u>	<u>794,815</u>

The restricted cash was secured by a fixed and floating charge over the assets of the Company, but has been discharged in 2019 on change of banking provider.

10. Creditors

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade creditors	48,816	372,831
Other taxation and social security	68,252	55,456
Amount due to parent company	1,057,040	31,251,843
Amount due to subsidiaries	-	428,245
Amount due to group undertakings	7,310,916	14,291,386
Accruals and deferred income	2,676,369	2,145,229
Other creditors	9,296	40,685
	<u>11,170,689</u>	<u>48,585,675</u>

Amount due to parent company, subsidiaries and other group undertakings are unsecured, interest free and have no fixed repayment date.

On 4 December 2019 the Board approved the conversion of \$29,947,454 due to the parent company into equity (see note 12).

Repayment for the amount due to group companies will not be sought until the resources of the Company permit.

11. Share Capital

At 1 January 2019 and at 31 December 2019	<u>\$749,037</u>
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Allotted, called up and fully paid 749,037 shares of \$1 each.

ShipServ Limited

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

12. Capital Contribution

On 4 December 2019 conversion of the amount owed to the parent company included within creditors of \$29,947,454 to equity was agreed and approved.

13. Operating Lease Commitments

As at 31 December 2019, the Company had commitments under non-cancellable operating leases as set out below:

Land and Buildings	<u>2019</u>	<u>2018</u>
	\$	\$
Expiring:		
Less than one year	269,521	249,781
Within 2-5 years	<u>488,556</u>	<u>690,691</u>
	<u>758,077</u>	<u>940,472</u>

14. Related Party Transactions

A shareholder of ShipServ Inc. has an interest in one of the group's customers. Sales for the year amounted to \$183,111 (2018: \$150,350) and the amount due to ShipServ Limited was \$44,810 (2018: \$nil).

The Company has been allocated \$3,067,924 revenue (2018: \$2,571,250) 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 \$639,996 (2018: \$601,499) 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 been recharged cost of sales of \$10,323 (2018: \$188,373) from group companies for commissions paid on behalf of the Company. This has been charged based upon percentage of group revenue recorded by the Company.

The Company has recharged administrative expenses of \$736,989 (2018: \$92,488) to group companies. These costs incurred on behalf of the group have been allocated to group companies based upon percentage of group revenue recorded by each group company.

The Company has been recharged \$241,937 (2018: \$nil) from Shipserv Inc. for other non-operating costs.

The Company has reversed a provision made against group receivable balances of \$6,288,443 in the year ended 31 December 2019 (2018: \$nil). The receivable balances have either been net settled within the ShipServ group or have moved into a liability position and the company now owes amounts to the counterparty.

15. Controlling Party

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

ShipServ Limited

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

16. Share Options

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 10,626,880. 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 ShipServ Limited amounted to 114,461 (2018: \$304,708).

The reversal of the charge for share options cancelled in the year was \$nil (2018: \$125,941).

In June 2018, the Company cancelled 720,000 share options outside their vesting period that had an exercise price of \$1.5 per share. The Company then reissued 720,000 shares with an exercise price of \$0.75, with all other terms consistent to those cancelled.

In June 2018, the Company modified 200,000 share options within their vesting period, to change the exercise price from \$1.5 per share to \$0.75 per share.

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

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price per Share \$</u>
As at 1 January 2018	3,969,975	1.50
Granted	900,000	1.00
Expired	-	1.50
Cancelled	(720,000)	1.50
Forfeited	-	1.50
Reissued	720,000	0.75
	<hr/>	<hr/>
As at 31 December 2018	4,869,975	0.97
Granted	450,000	1.125
Forfeited	(25,000)	1.125
	<hr/>	<hr/>
As at 31 December 2019	<u>5,294,975</u>	<u>0.98</u>

For the share options outstanding at 31 December 2019 and 31 December 2018, the exercise prices ranged between \$0.75 per share and \$1.50 per share.

As at 31 December 2019 the weighted average remaining contractual terms is 4.07 years (2018: 4.42 years).

The weighted average fair value of share options granted in the year was \$0.36 (2018: \$0.45).

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

	<u>2019</u>	<u>2018</u>
Share price at grant date	1	1
Expected life (years)	10	10
Risk free rate	0.30%	1.90%
Expected volatility	30%	30%
Dividend yield	-	-