FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)
Company Registration No: 200702265R

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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(Incorporated in Singapore)

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FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in Singapore)

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the member together with the audited financial statements of FSL Trust Management Pte. Ltd. (the "Company") for the financial year ended 31 December 2018.

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Stathis Topouzoglou	(Appointed on 28 February 2018)
Michael Chalkias	(Appointed on 9 March 2018)
Michael Oliver	
Michael Gray	
Narayanan Sreenivasan	

2 Arrangements to Enable Directors to Acquire Benefits By Means of the Acquisition of Shares and Debentures

Neither at the end nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 Directors' Interests in Shares and Debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act (the "Act"), none of the directors who held office at the end of the financial year had any interest in the shares, debentures, or share options of the Company and its related corporations, except as follows:

	Direct Interest		Deemed Interest	
	At 31 December 2018	At 1 January 2018/Date of Appointment	At 31 December 2018	At 1 January 2018/Date of Appointment
	(Number of ordinary shares)			
The Company				
FSL Trust Management Pte. Ltd.				
Stathis Topouzoglou	–	–	111,997	111,997
Michael Chalkias	–	–	111,997	111,997
Ultimate Holding Company				
Joelma Holding Inc.				
Stathis Topouzoglou	500	500	–	–

4 Share Options

(a) *Options to take up unissued shares*

During the financial year, there were no options granted to take up unissued shares of the Company.

(b) *Options exercised*

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company under option.

5 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Stathis Topouzoglou

Michael Chalkias

Singapore
18 March 2019

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in Singapore)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

FSL TRUST MANAGEMENT PTE. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FSL Trust Management Pte. Ltd. (the Company) which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement" but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 MEMBER OF

FSL TRUST MANAGEMENT PTE. LTD.

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

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 SSAs 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

FSL TRUST MANAGEMENT PTE. LTD.

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2019

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 US$	2017 US$
ASSETS			
Non-current assets			
Financial assets	3	113,787	232,210
		113,787	232,210
Current assets			
Cash and cash equivalents	4	729,451	1,063,922
Other receivables	5	68,697	49,032
Amounts due from related parties	6	97,042	64,153
Total current assets		895,190	1,177,107
Total assets		1,008,977	1,409,317
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	100,012	100,012
Accumulated profits	7	501,874	845,881
Fair value reserve	7	–	(10,587)
Total equity		601,886	935,306
Current liabilities			
Amount due to immediate holding company	8	389,926	435,665
Trade payables		–	4,981
Accrued expenses		17,165	11,265
Income tax payable		–	22,100
Total current liabilities		407,091	474,011
Total equity and liabilities		1,008,977	1,409,317

The accompanying notes form an integral part of these financial statements

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$	2017 US$
Revenue	9	2,003,695	2,357,582
Other (expense)/income			
Fair value loss on financial assets, at fair value through profit or loss		(118,423)	–
Gain on disposal of financial assets, available-for-sale		–	871
Operating expenses			
Corporate marketing		(4,505)	(3,693)
Fees for support services		(1,824,101)	(1,780,472)
Professional fees		(40,162)	(99,218)
Printing and stationery		(296)	(357)
Staff costs		(349,610)	(365,030)
Exchange loss, net		(1,554)	(1,805)
Others		(536)	(362)
Total operating expenses		(2,220,764)	(2,250,937)
(Loss)/Profit before tax	10	(335,492)	107,516
Income tax refund/(expense)	11	2,072	(20,145)
(Loss)/Profit for the year		(333,420)	87,371
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on financial assets, available-for-sale		–	(145,931)
Reversal of fair value gain from equity on transfer of financial assets, available-for-sale from immediate holding company		–	(871)
Other comprehensive loss for the year, net of tax		–	(146,802)
Total comprehensive loss for the year		(333,420)	(59,431)

The accompanying notes form an integral part of these financial statements

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share Capital	Accumulated Profits	Fair value Reserve	Total Equity
	US$	US$	US$	US$
At 31 December 2017	100,012	845,881	(10,587)	935,306
Adoption of FRS 109	–	(10,587)	10,587	–
At 1 January 2018	100,012	835,294	–	935,306
Loss for the year	–	(333,420)	–	(333,420)
Other comprehensive loss	–	–	–	–
	–	–	–	–
Total comprehensive loss for the year	–	(333,420)	–	(333,420)
At 31 December 2018	100,012	501,874	–	601,886
At 1 January 2017	100,012	758,510	136,215	994,737
Profit for the year	–	87,371	–	87,371
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Net fair value loss on financial assets, available-for-sale	–	–	(145,931)	(145,931)
Reversal of fair value gain from equity on transfer of financial assets, available-for-sale from immediate holding company	–	–	(871)	(871)
	–	–	(146,802)	(146,802)
Total comprehensive income/(loss) for the year	–	87,371	(146,802)	(59,431)
At 31 December 2017	100,012	845,881	(10,587)	935,306

The accompanying notes form an integral part of these financial statements

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$	2017 US$
Cash flows from operating activities			
(Loss)/Profit before tax		(335,492)	107,516
Adjustment for:			
Fair value loss on financial assets, at fair value through profit or loss		118,423	–
Gain on disposal of financial assets, available-for-sale		–	(871)
Operating cash flows before movements in working capital		(217,069)	106,645
Amount due to immediate holding company		(45,739)	(166,491)
Amounts due from related parties		(32,889)	67,034
Other receivables		(19,665)	23,566
Trade payables		(4,981)	4,981
Accrued expenses		5,900	484
Cash (used in)/generated from operations		(314,443)	36,219
Income tax paid		(20,028)	(13,614)
Net cash (used in)/generated from operating activities		(334,471)	22,605
Cash flows from investing activity			
Reversal from the transfer of financial assets, available-for-sale to immediate holding company		–	(5,139)
Net cash used in investing activity		–	(5,139)
Net (decrease)/increase in cash and cash equivalents		(334,471)	17,466
Cash and cash equivalents at 1 January		1,063,922	1,046,456
Cash and cash equivalents at 31 December	4	729,451	1,063,922

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General Information

FSL Trust Management Pte. Ltd. (the "Company") is incorporated in Singapore with its principal place of business and registered office at 9 Temasek Boulevard, #19-03, Suntec Tower Two, Singapore 038989.

The Company acts as a trustee manager for First Ship Lease Trust ("FSL Trust"). The Company holds vessels acquired through special purpose companies, on trust for unit holders of FSL Trust. The financial statements contained herein are those of the Company in its individual capacity.

The immediate holding company is FSL Asset Management Pte. Ltd., incorporated in Singapore. On 28 February 2018, Godan GMBH, the sole shareholder of FSL Holdings Pte. Ltd. entered into and completed a sale and purchase agreement for the sale of all of its shares in FSL Holdings Pte. Ltd. to Prime Shareholdings Inc. The ultimate parent of the Company is Joelma Holding Inc. and the ultimate controlling party is Stathis Topouzoglou.

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors of the Company on the date of the Directors' Statement.

2 Significant Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement and make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates, assumptions and judgements are reviewed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates and assumptions that would affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses and disclosures made. In the process of applying the Company's accounting policies, which are described below, the management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

2 Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

Adoption of New and Revised FRS

For the financial year ended 31 December 2018, the Company has adopted the following new and revised FRS which is relevant to the Company and mandatory for application:

FRS 109	*Financial Instruments*

FRS 109 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" model. The Company adopted FRS 109 from 1 January 2018.

In accordance with the transitional provisions in FRS 109 paragraph 7.2.15 and 7.2.26, comparative figures have not been restated. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Accounting policy Note 2.3(b)). Additionally, the Company is exempted from complying with FRS 107 for the comparative period to the extent that the disclosures required by FRS 107 relate to the items within the scope of FRS 109. As a result, the requirements under FRSs are applied in place of the requirements under FRS 107 and FRS 109 to comparative information about items within the scope of FRS 109.

Changes in accounting policies resulting from the adoption of FRS 109 have been generally applied by the Company retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
  - The designation of an equity investment that is not held-for trading as at fair value through profit or loss.
- If a debt instrument has a low credit risk at 1 January 2018, the Company assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption of FRS 109 did not have a significant effect on the Company's accounting policies for financial liabilities.

2 Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

Adoption of New and Revised FRS (cont'd)

FRS 109 *Financial Instruments* (cont'd)

Details of their impact on the Company's financial statements as well as the new requirements are described below.

(i) Classification and measurement of financial assets

For financial assets held by the Company on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under FRS 109. Material reclassifications resulting from management's assessment are disclosed below.

	Financial Assets			
	Available-for-sale (AFS)	Fair value through profit or loss (FVPL)	Accumulated profits	Fair value reserve
	US$	US$	US$	US$
At 31 December 2017 before adoption of FRS 109	232,210	–	845,881	(10,587)
Reclassify investments from AFS to FVPL	(232,210)	232,210	(10,587)	10,587
At 1 January 2018 after adoption of FRS 109	–	232,210	835,294	–

(ii) Impairment of financial assets

FRS 109 replaces the "incurred loss" model in FRS 39 with an "expected credit loss" model. The new impairment model applies to other receivables (including amounts due from related parties) measured at amortised cost.

The application of FRS 109 impairment requirements at 1 January 2018 did not have a significant impact on the financial performance and financial position of the Company. Additional information about how the Company measures the allowance for impairment is described in Note 13.

2 Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

Adoption of New and Revised FRS (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company adopted FRS 115 in its financial statements using the retrospective application approach. The adoption of FRS 115 did not have a significant impact on the financial performance or financial position of the Company.

New and Revised FRS Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the Company has not adopted the following standards that have been issued but are not yet effective:

FRS 116 *Leases*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on a classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Company upon implementation.

INT FRS 123 *Uncertainty over Income Tax Treatments*

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a Company. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. INT FRS 123 provides the following guidance on determining an entity's accounting tax positions:

- If it is probable that the taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filing.

- If it is not probable, an entity should estimate the effect of the uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

2 Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

New and Revised FRS Issued But Not Yet Effective (cont'd)

INT FRS 123 *Uncertainty over Income Tax Treatments* (cont'd)

The amendments are effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will not have any impact on the financial performance or financial position of the Company.

Amendments to FRS 12 *Income Taxes*

This amendment requires an entity to recognise the income tax consequences of dividends paid in profit or loss, other comprehensive income, or equity, according to where the entity originally recognised those past transactions or events. The tax consequences should be recognised when the liability to pay the dividend is recognised. The amendments are effective for annual period beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will not have any impact on the financial performance or financial position of the Company.

2.2 Foreign Currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements of the Company are presented in United States dollar ("US$"), which is the functional currency of the Company.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value was retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(a) Financial assets (accounting policies are applicable from 1 January 2018)

Recognition and de-recognition

Financial assets are recognised when, and only when the Company becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. The Company 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 party. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognises fair value changes in other comprehensive income.

Classification and measurement

The Company classifies its financial assets in the following measurement categories: (i) Amortised cost (ii) Fair value through profit or loss (FVPL).

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and other receivables (including amounts due from related parties). The Company measures its debt instruments at amortised cost.

These are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(a) Financial assets (accounting policies are applicable from 1 January 2018) (cont'd)

Equity instruments

The Company subsequently measures all its equity investments at their fair values. Equity instruments are classified as fair value through profit or loss with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses)".

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with (i) financial assets measured at amortised cost and (ii) intra-company financial guarantee contracts.

Loss allowances of the Company are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime expected credit losses – represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

General approach - Other financial instruments and financial guarantee contracts

The Company applies the general approach to provide for expected credit losses on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, a loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Company's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(a) Financial assets (accounting policies are applicable from 1 January 2018) (cont'd)

Impairment (cont'd)

General approach - Other financial instruments and financial guarantee contracts (cont'd)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Company considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired.

Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(b) Financial assets (accounting policies are applicable up to 31 December 2017)

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

The Company classifies non-derivative financial assets into the following categories: loans and receivables and financial assets, available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any allowance for impairment.

Loans and receivables comprise trade and other receivables (including amounts due from related parties) and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits.

Financial assets, Available-for-sale

Financial assets, available-for-sale are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Financial assets, available-for-sale comprise equity securities.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment of financial assets: loans and receivables

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(b) Financial assets (accounting policies are applicable up to 31 December 2017) (cont'd)

Impairment of financial assets: loans and receivables (cont'd)

Significant loans and receivables are tested for impairment on an individual basis. The remaining loans and receivables are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss in respect of financial assets measured at amortised cost is reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

Impairment of financial assets: Financial assets, available-for-sale

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that a financial asset, available-for-sale is impaired.

Impairment losses on financial assets, available-for-sale are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(c) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(c) Financial liabilities and equity instruments (cont'd)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis, except for short-term balances when the recognition of interest would be immaterial.

Other financial liabilities comprise trade payables and accrued expenses (including amount due to immediate holding company).

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.4 Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Management fee and trustee fee are recognised over time as the performance obligation is satisfied on an accrual basis in accordance with the substance of the trust deed entered with First Ship Lease Trust.

Disposal fee are recognised at a point in time in accordance with the substance of the trust deed entered with First Ship Lease Trust.

2.5 Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Funds, are dealt with as payments to defined contribution plans where the obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2 Significant Accounting Policies (cont'd)

2.6 Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Financial Assets

	2018	2017
	US$	US$
Quoted equity units of a related party, at fair value		
Financial Assets classified as:		
Fair Value through Profit or Loss	113,787	–
Available-for-Sale	–	232,210
	113,787	232,210

The investments in quoted equity securities offer the Company the opportunity for a return through distribution income and fair value gains. The fair value of these securities is based on the quoted closing market prices on the last market day of the financial year.

4 Cash and Cash Equivalents

	2018 US$	2017 US$
Cash at bank per statement of cash flows	729,451	1,063,922

5 Other Receivables

	2018 US$	2017 US$
Other receivables	68,697	47,158
Prepayments	–	1,874
	68,697	49,032

6 Amounts due from Related Parties

The amounts due from related parties are trade in nature, unsecured, repayable on demand and interest-free.

7 Share Capital and Reserves

	2018		2017	
	No. of ordinary shares	Amount paid US$	No. of ordinary shares	Amount paid US$
Issued and fully paid				
At 1 January and 31 December	111,997	100,012	111,997	100,012

Ordinary shares do not have a par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

The fair value reserve arose from the fair value of the financial assets, available-for-sale. The movement of accumulated profits and fair value reserve are set out in the Statement of Changes in Equity.

8 Amount due to Immediate Holding Company

The amount due to the immediate holding company is trade in nature, unsecured, repayable on demand and interest-free.

9 Revenue

	2018	2017
	US$	US$
Management fee income	1,841,838	2,240,511
Trustee fee income	61,857	86,096
Disposal fee income	100,000	30,975
	2,003,695	2,357,582

10 (Loss)/Profit before Tax

	2018	2017
	US$	US$
(Loss)/Profit before tax includes the following charges:		
Costs of defined contribution plans included in staff costs	31,873	35,693

11 Income Tax (Refund)/Expense

	2018	2017
	US$	US$
Income tax		
- Current tax expense	–	7,062
- (Over)/under provision in prior years	(2,072)	13,083
	(2,072)	20,145

11 Income Tax (Refund)/Expense (cont'd)

The reconciliation of the current year income tax (refund)/expense and (loss)/profit before tax multiplied by the applicable tax rate is as follows:

	2018 US$	2017 US$
(Loss)/Profit before tax	(335,492)	107,516
Tax calculated using the effective tax rate	(47,852)	12,066
Expenses not deductible for income tax	20,275	126
Deferred tax assets not recognised	27,577	–
Income not subjected to tax	–	(132)
Singapore statutory tax exemption	–	(4,998)
(Over)/under provision in prior years	(2,072)	13,083
	(2,072)	20,145

The Company has been awarded the Approved Shipping Investment Manager ("ASIM") Status with effect from its date of incorporation (2007) for a period of 10 years and a further extension for a period of 5 years from 08 February 2017 was granted. Under this status, income from qualifying activities under Section 43W of the Singapore Income Tax Act and any prescribing regulations is eligible for the concessionary tax rate of 10%. Other income is taxed at the statutory corporate tax rate of 17%.

As at 31 December 2018, the Company has estimated tax exempt losses of US$216,000 that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. The deferred tax benefits arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the Company's accounting policies (Note 2.6).

12 Related Party Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

12 Related Party Transactions (cont'd)

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and the related parties during the financial year at terms agreed between the parties.

(a) Significant transactions with related parties:

	2018	2017
	US$	US$
Management fee income from related parties	1,841,838	2,240,511
Trustee fee income from FSL Trust	61,857	86,096
Disposal fee income from related parties	100,000	30,975
Service fee charged by immediate holding company	(1,824,101)	(1,780,472)
Director's fees	(10,595)	(52,983)
Transfer of financial assets, available-for-sale from immediate holding company	–	(5,139)

(b) Compensation of directors and key management personnel

Other than the director's fees disclosed, there are no key management personnel or directors' remuneration on the Company's payroll. The compensation to directors and key management personnel are paid by its immediate holding company which charges the Company a service fee of 106% (2017: 106%) of its allocated costs.

13 Financial Risk Management

Overview

The financial risk management policies of the Company set out the Company's overall business strategies and its risk management philosophy. The Company's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Company.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures risk. Market risk exposures are measured using a sensitivity analysis indicated below.

Credit Risk

The Company has adopted procedures in extending credit terms and in monitoring its credit risk.

The maximum exposure to credit risk in the event that the counterparties fail to perform obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Company's credit exposure is concentrated mainly in Singapore.

Trade and other receivables (including amounts due from related parties) are neither past due nor impaired.

13 Financial Risk Management (cont'd)

Credit Risk (cont'd)

Cash and cash equivalents are placed with financial institution counterparties, which are rated A3, based on rating agency ratings. Debt instruments measured at amortised cost are considered low credit risk as the instrument is of a good rating.

Impairment on cash and cash equivalents, other receivables (including amounts due from related party) has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets have a low credit risk based on the external credit ratings of the counterparties and these counterparties having low risk of default. The amount of the allowance on cash and cash equivalents are assessed to be immaterial.

Liquidity Risk

Liquidity risk is managed by matching the payment and receipt cycle. The Company's operations are financed mainly through accumulated profits.

The financial liabilities of the Company are repayable on demand or due within 1 year from the end of the reporting period.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

The Company's exposure to interest rate risk is limited to excess funds placed with banks on a short-term basis, which generates interest income for the Company. Fluctuations in interest rates are not expected to have a material impact on the Company's operating results.

No sensitivity analysis is prepared as the Company does not expect any material impact on its operating results arising from the effects of reasonably possible changes to interest rates at the end of the reporting period.

Foreign Currency Risk

The Company's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar with the Singapore dollar and Euro.

In respect of monetary assets and liabilities held in currencies other than the United States dollar, the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary to address short term imbalances.

13 Financial Risk Management (cont'd)

Foreign Currency Risk (cont'd)

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the Company are mainly in Singapore dollars as follows:

	Singapore dollar	
	2018	2017
	US$	US$
Cash and cash equivalents	53,757	49,271
Other receivables	68,697	47,158
Amounts due from related parties	–	561
Financial assets	113,787	232,210
Trade payables and accrued expenses	(17,165)	(16,246)
	219,076	312,954

Foreign Currency Sensitivity

A 10% strengthening of the relevant foreign currencies against the functional currency at the end of the financial year would result in an increase/(decrease) of the (loss)/profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant:

	Singapore dollar impact	
	2018	2017
	US$	US$
(Loss)/Profit before tax	(21,908)	31,295

There would be an equal and opposite impact on the (loss)/profit before tax if the relevant foreign currencies weaken by 10% against the functional currency of the Company.

Equity Price Risk Management

The Company is exposed to equity risks arising from quoted equity investments (Note 3). These equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Equity Price Sensitivity

If prices of the quoted equity units increase/decrease by 10% (2017: 10%), with all other variables including the tax rate being held constant, the other comprehensive income/equity will increase/decrease by US$11,379 (2017: US$23,221).

13 Financial Risk Management (cont'd)

Fair Values of Financial Assets and Financial Liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table gives information about how the fair values of financial assets are determined:

	Fair value as at			
	2018	2017	Fair value	Valuation techniques
	US$	US$	hierarchy	and key inputs
Financial assets (Quoted equities) (Note 3)	113,787	232,210	Level 1	Quoted bid prices in an active market.

Capital risk management policies and objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to the parent, comprising issued capital, reserves and accumulated profits. The Company is not subject to any externally imposed capital requirements.

Management monitors capital based on a net gearing ratio. The Company's overall strategy remains unchanged from 2017. The net gearing ratio calculated as total liabilities divided by total equity is as follows:

	2018	2017
	US$	US$
Total liabilities	407,091	474,011
Total equity	601,886	935,306
Net gearing ratio	67.6%	50.7%

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