

**FSL TRUST MANAGEMENT PTE. LTD.**  
(Incorporated in Singapore)  
Company Registration No: 200702265R

**DIRECTORS' STATEMENT  
AND FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

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

**31 DECEMBER 2016**

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# **FSL TRUST MANAGEMENT PTE. LTD.**

(Incorporated in Singapore)

## **DIRECTORS' STATEMENT**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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 2016.

In the opinion of the directors,

- (a) the financial statements of the Company as set out on pages 6 to 24 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 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:

Tim Reid  
Michael Oliver  
Michael Gray  
Narayanan Sreenivasan (Appointed on 20 September 2016)

#### **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.

**FSL TRUST MANAGEMENT PTE. LTD.**  
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**DIRECTORS' STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**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.

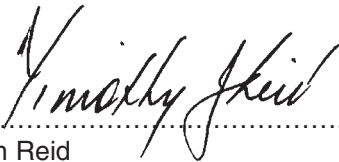
(c) *Unissued shares under option*

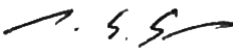
At the end of the financial year, there were no unissued shares of the Company under option.

**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,

  
.....  
Tim Reid

  
.....  
Michael Gray

Singapore  
27 February 2017

# **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) as set out on pages 6 to 24, which comprise the statement of financial position as at 31 December 2016, 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 2016 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.

## **FSL TRUST MANAGEMENT PTE. LTD.**

(Incorporated in Singapore)

### **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.

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

**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  
27 February 2017

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

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2016**

	Note	<u>2016</u> US\$	<u>2015</u> US\$
<b>ASSETS</b>			
<b>Non-current asset</b>			
Available-for-sale financial assets	3	373,002	430,025
<b>Current assets</b>			
Cash and cash equivalents	4	1,046,456	1,806,566
Other receivables	5	72,598	67,373
Amounts due from related parties	6	131,187	154,216
Total current assets		<u>1,250,241</u>	<u>2,028,155</u>
<b>Total assets</b>		<u><u>1,623,243</u></u>	<u><u>2,458,180</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	7	100,012	100,012
Accumulated profits		758,510	1,467,887
Fair value reserve	8	136,215	148,442
Total equity		<u>994,737</u>	<u>1,716,341</u>
<b>Current liabilities</b>			
Trade payables		–	7,682
Accrued expenses		10,781	10,998
Amount due to immediate holding company	9	602,156	605,350
Income tax payable		15,569	117,809
Total current liabilities		<u>628,506</u>	<u>741,839</u>
<b>Total equity and liabilities</b>		<u><u>1,623,243</u></u>	<u><u>2,458,180</u></u>

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 2016**

	Note	<u>2016</u> US\$	<u>2015</u> US\$
<b>Revenue</b>	10	3,136,761	3,814,655
<b>Other (expense)/income</b>			
(Loss)/Gain on disposal of financial assets, available-for-sale		(6,494)	123,272
<b>Operating expenses</b>			
Communication expenses		(40)	(26)
Corporate marketing		(4,607)	(6,847)
Fees for support services		(2,536,749)	(2,213,264)
Professional fees		(81,747)	(85,319)
Printing and stationery		(403)	(389)
Staff costs		(191,085)	(267,887)
Travel and entertainment		(64)	(83)
Exchange loss, net		(4,855)	(25,435)
Others		(786)	(814)
Total operating expenses		<u>(2,820,336)</u>	<u>(2,600,064)</u>
<b>Profit before tax</b>	11	309,931	1,337,863
Income tax expense	12	(19,308)	(121,046)
<b>Profit for the year</b>		<u>290,623</u>	<u>1,216,817</u>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value (loss)/gain on available-for-sale financial assets		(18,721)	261,855
Reversal of fair value loss/(gain) from equity on transfer of available-for-sale financial assets to immediate holding company		6,494	(123,272)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(12,227)</u>	<u>138,583</u>
<b>Total comprehensive income for the year</b>		<u><u>278,396</u></u>	<u><u>1,355,400</u></u>

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 2016**

	<u>Share capital</u> US\$	<u>Accumulated profits</u> US\$	<u>Fair value reserve</u> US\$	<u>Total</u> US\$
<b>At 1 January 2016</b>	100,012	1,467,887	148,442	1,716,341
Profit for the year	–	290,623	–	290,623
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Net fair value loss on available-for-sale financial assets	–	–	(18,721)	(18,721)
Reversal of fair value loss from equity on transfer of available-for-sale financial assets to immediate holding company	–	–	6,494	6,494
	–	–	(12,227)	(12,227)
Total comprehensive income for the year	–	290,623	(12,227)	278,396
Transactions with owner, recognised directly in equity				
Dividends (Note 14)	–	(1,000,000)	–	(1,000,000)
Total transactions with owner	–	(1,000,000)	–	(1,000,000)
<b>At 31 December 2016</b>	<b>100,012</b>	<b>758,510</b>	<b>136,215</b>	<b>994,737</b>
<b>At 1 January 2015</b>	100,012	2,351,070	9,859	2,460,941
Profit for the year	–	1,216,817	–	1,216,817
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Net fair value gain on available-for-sale financial assets	–	–	261,855	261,855
Reversal of fair value gain from equity on transfer of available-for-sale financial assets to immediate holding company	–	–	(123,272)	(123,272)
	–	–	138,583	138,583
Total comprehensive income for the year	–	1,216,817	138,583	1,355,400
Transactions with owner, recognised directly in equity				
Dividends (Note 14)	–	(2,100,000)	–	(2,100,000)
Total transactions with owner	–	(2,100,000)	–	(2,100,000)
<b>At 31 December 2015</b>	<b>100,012</b>	<b>1,467,887</b>	<b>148,442</b>	<b>1,716,341</b>

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 2016**

	Note	2016 US\$	2015 US\$
<b>Cash flows from operating activities</b>			
Profit before tax		309,931	1,337,863
Adjustment for:			
Loss/(Gain) on disposal of financial assets, available-for-sale		6,494	(123,272)
Movements in working capital:			
Amount due to immediate holding company		(3,194)	8,768
Amounts due from related parties		23,029	150,558
Other receivables		(5,225)	(28,400)
Trade payables		(7,682)	(1,436)
Accrued expenses		(217)	(4,500)
Cash generated from operations		323,136	1,339,581
Income tax paid		(121,548)	(50,596)
<b>Net cash generated from operating activities</b>		<b>201,588</b>	<b>1,288,985</b>
<b>Cash flows from investing activities</b>			
Proceeds from the transfer of available-for-sale financial assets to immediate holding company		38,302	302,760
Repayment from ultimate holding company		–	54,842
<b>Net cash generated from investing activities</b>		<b>38,302</b>	<b>357,602</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(1,000,000)	(2,100,000)
Repayment from immediate holding company		–	771,755
<b>Net cash used in financing activities</b>		<b>(1,000,000)</b>	<b>(1,328,245)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(760,110)</b>	<b>318,342</b>
Cash and cash equivalents at 1 January		1,806,566	1,488,224
<b>Cash and cash equivalents at 31 December</b>	4	<b>1,046,456</b>	<b>1,806,566</b>

The accompanying notes form an integral part of these financial statements

# **FSL TRUST MANAGEMENT PTE. LTD.**

(Incorporated in Singapore)

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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. and the ultimate holding company is FSL Holdings Pte. Ltd. The immediate and ultimate holding companies are both incorporated in Singapore.

The financial statements of the Company for the year ended 31 December 2016 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 Singapore Financial Reporting Standards ("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 also requires to 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.

# FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 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 2016, the Company has adopted the following new and revised FRS which is relevant to the Company and mandatory for application:

##### Amendment to FRS 1                      *Disclosure Initiative*

These amendments to FRS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. As this is a disclosure standard, it did not have any impact on the financial performance or financial position of the Company when implemented.

##### 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 not yet effective:

##### Amendment to FRS 7                      *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Company upon implementation.

##### FRS 109                                      *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The standard is effective for annual periods beginning on or after 1 January 2018. The Company is currently determining the impact of this standard.

# FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 Significant Accounting Policies (cont'd)

#### 2.1 Basis of Preparation (cont'd)

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

##### FRS 115 *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under FRS. The core principle of FRS 115 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard is effective for annual periods beginning on or after 1 January 2018. The Company is currently determining the impact of this standard.

#### 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 are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### 2.3 Financial Instruments

##### Non-derivative financial instruments

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. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

# FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 Significant Accounting Policies (cont'd)

#### 2.3 Financial Instruments (cont'd)

##### Non-derivative financial assets

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

##### 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 losses.

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.

##### Available-for-sale financial assets

Available-for-sale financial assets 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.

Available-for-sale financial assets comprise equity securities.

##### Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

##### 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.

# FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 Significant Accounting Policies (cont'd)

#### 2.3 Financial Instruments (cont'd)

##### 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.

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: available-for-sale financial assets

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

Impairment losses on available-for-sale financial assets 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.

##### 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 at the fair value of the consideration received or receivable and represents amounts received for services provided in the normal course of business.

Management fee, trustee fee and acquisition fee are recognised on an accrual basis in accordance with the substance of the trust deed entered with First Ship Lease Trust.

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



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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**2 Significant Accounting Policies (cont'd)**

**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.

**2.6 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.

# FSL TRUST MANAGEMENT PTE. LTD.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3 Available-for-Sale Financial Assets

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Quoted equity units of a related party, at fair value	<u>373,002</u>	<u>430,025</u>

The investments in quoted equity securities offer the Company the opportunity for 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.

During the financial year ended 31 December 2016, the Company transferred 394,676 (2015: 2,333,334) quoted equity securities units amounting to US\$38,302 (2015: US\$302,760) to its immediate holding company.

### 4 Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Cash at bank per statement of cash flows	<u>1,046,456</u>	<u>1,806,566</u>

### 5 Other Receivables

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Other receivables	69,795	61,557
Prepayments	2,803	5,816
	<u>72,598</u>	<u>67,373</u>

### 6 Amounts due from Related Parties

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

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****7 Share Capital**

	<u>2016</u>		<u>2015</u>	
	No. of ordinary shares	Amount paid US\$	No. of ordinary shares	Amount paid US\$
Issued and fully paid				
At 1 January and 31 December	<u>111,997</u>	<u>100,012</u>	<u>111,997</u>	<u>100,012</u>

Ordinary shares do not have 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.

**8 Fair Value Reserve**

	<u>2016</u> US\$	<u>2015</u> US\$
Movement in fair value reserve:		
At 1 January	148,442	9,859
Net fair value (loss)/gain	(18,721)	261,855
Reversal of fair value loss/(gain) from equity on transfer of available-for-sale financial assets to immediate holding company	<u>6,494</u>	<u>(123,272)</u>
At 31 December	<u>136,215</u>	<u>148,442</u>

The fair value reserve arose on the fair value gain of the available-for-sale financial assets.

**9 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.

**10 Revenue**

	<u>2016</u> US\$	<u>2015</u> US\$
Management fee income	3,028,447	3,479,861
Trustee fee income	108,314	116,794
Acquisition fee income	–	218,000
	<u>3,136,761</u>	<u>3,814,655</u>

**FSL TRUST MANAGEMENT PTE. LTD.**

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****11 Profit before Tax**

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Profit before tax includes the following charges:		
Costs of defined contribution plans included in staff costs	20,373	18,975

**12 Income Tax Expense**

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Income tax		
- Current tax expense	19,314	110,561
- (Over)/under provision in prior years	(6)	10,485
	<u>19,308</u>	<u>121,046</u>

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

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Profit before tax	309,931	1,337,863
Tax calculated using the effective tax rate	40,837	161,588
Expenses not deductible for income tax	1,782	2,925
Non-taxable income	-	(20,834)
Singapore statutory tax exemption	(23,173)	(33,118)
Singapore statutory tax deduction	(132)	-
(Over)/under provision in prior years	(6)	10,485
	<u>19,308</u>	<u>121,046</u>

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.

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 are taxed at the statutory corporate tax rate of 17%.

# FSL TRUST MANAGEMENT PTE. LTD.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 13 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.

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:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Management fee income from related parties	3,028,447	3,479,861
Trustee fee income from FSL Trust	108,314	116,794
Acquisition fee income from a related party	–	218,000
Service fee charged by immediate holding company	(2,536,749)	(2,213,264)
Director fees	(53,748)	(53,884)
Transfer of available-for-sale financial assets to immediate holding company	38,302	302,760

(b) Compensation of directors and key management personnel

Other than the director 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% (2015: 106%) of its allocated costs.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 14 Dividends

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Ordinary dividends paid:		
One-tier tax exempt interim dividend of US\$8.93 per share paid in respect of the financial year ended 31 December 2016	1,000,000	–
One-tier tax exempt interim dividend of US\$4.46 per share paid in respect of the financial year ended 31 December 2015	–	500,000
One-tier tax exempt interim dividend of US\$14.29 per share paid in respect of the financial year ended 31 December 2015	–	1,600,000
Total	<u>1,000,000</u>	<u>2,100,000</u>

### 15 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 of 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 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. Cash at bank and other financial assets are with creditworthy parties.

#### 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.

# FSL TRUST MANAGEMENT PTE. LTD.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15 Financial Risk Management (cont'd)

#### 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 short-term basis, which generates interest income for the Company.

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.

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:

	<u>Singapore dollar</u>	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Cash and cash equivalents	32,618	63,962
Other receivables	69,795	61,557
Amount due to immediate holding company	(46,273)	(55,865)
Available-for-sale financial assets	373,002	430,025
Trade payables and accrued expenses	(10,781)	(18,680)
	<u>418,361</u>	<u>480,999</u>

# FSL TRUST MANAGEMENT PTE. LTD.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15 Financial Risk Management (cont'd)

#### Foreign Currency Risk (cont'd)

##### *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 profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant:

	<u>Singapore dollar impact</u>	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Profit or loss	<u>41,836</u>	<u>48,100</u>

There would be an equal and opposite impact on the 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 classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company does not actively trade available-for-sale investments.

Further details of these available-for-sale investments can be found in Note 3 to the financial statements.

##### *Equity Price Sensitivity*

If prices of the quoted equity units increase/decrease by 10% (2015: 10%), with all other variables including tax rate being held constant, the other comprehensive income/equity will increase/decrease by US\$37,300 (2015: US\$43,003).



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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15 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:

	<u>Fair value as at (US\$)</u>		<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>
	<u>2016</u>	<u>2015</u>		
<u>Financial assets</u>	<u>Assets</u>	<u>Assets</u>		
Available-for-sale investments:				
- Quoted equities	373,002	430,025	Level 1	Quoted bid prices in an active market.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15 Financial Risk Management (cont'd)

#### 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 2015.

The net gearing ratio calculated as total liabilities divided by total equity is as follows:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Total liabilities	628,506	741,839
Total equity	994,737	1,716,341
Net gearing ratio	<u>63.2%</u>	<u>43.2%</u>

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