FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)
Company Registration No: 200702265R

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

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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 2019

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 2019.

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 2019 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
Michael Chalkias
Michael Oliver
Michael Gray
Narayanan Sreenivasan
Costas Courcoubetis (Appointed on 6 November 2019)

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 2019	At 1January 2019	At 31 December 2019	At 1 January 2019
	(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
20 March 2020

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 2019, 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 2019 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
20 March 2020

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019	2018
		US$	US$
ASSETS			
Non-current assets			
Financial assets	3	467,475	113,787
		467,475	113,787
Current assets			
Cash and cash equivalents	4	483,171	729,451
Other receivables	5	26,803	68,697
Amounts due from related parties	6	159,239	97,042
Total current assets		669,213	895,190
Total assets		1,136,688	1,008,977
EQUITY AND LIABILITIES			
Equity			
Share capital	7	100,012	100,012
Accumulated profits	7	875,169	501,874
Total equity		975,181	601,886
Current liabilities			
Amount due to immediate holding company	8	128,706	389,926
Accrued expenses		20,510	17,165
Income tax payable		12,291	–
Total current liabilities		161,507	407,091
Total equity and liabilities		1,136,688	1,008,977

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 2019

	Note	2019 US$	2018 US$
Revenue	9	2,237,410	2,003,695
Other income/(expense)			
Fair value gain/(loss) on financial assets, at fair value through profit or loss		184,949	(118,423)
Operating expenses			
Corporate marketing		(8,800)	(4,505)
Fees for support services		(1,506,612)	(1,824,101)
Professional fees		(44,062)	(40,162)
Printing and stationery		(210)	(296)
Staff costs		(325,386)	(349,610)
Exchange loss, net		(1,187)	(1,554)
Others		(538)	(536)
Total operating expenses		(1,886,795)	(2,220,764)
Profit/(Loss) before tax	10	535,564	(335,492)
Income tax (expense)/refund	11	(12,269)	2,072
Profit/(Loss) for the year		523,295	(333,420)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income/(loss) for the year		523,295	(333,420)

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 2019

	Share Capital US$	Accumulated Profits US$	Total Equity US$
At 1 January 2019	100,012	501,874	601,886
Profit for the year	–	523,295	523,295
Other comprehensive income	–	–	–
	–	–	–
Total comprehensive income for the year	–	523,295	523,295
Transactions with owner, recognised directly in equity:			
Dividends (Note 13)	–	(150,000)	(150,000)
Total transactions with owner	–	(150,000)	(150,000)
At 31 December 2019	100,012	875,169	975,181
At 1 January 2018	100,012	835,294	935,306
Loss for the year	–	(333,420)	(333,420)
Other comprehensive income	–	–	–
	–	–	–
Total comprehensive loss for the year	–	(333,420)	(333,420)
Total transactions with owner	–	–	–
At 31 December 2018	100,012	501,874	601,886

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 2019

	Note	2019 US$	2018 US$
Cash flows from operating activities			
Profit/(Loss) before tax		535,564	(335,492)
Adjustment for:			
Fair value (gain)/loss on financial assets, at fair value through profit or loss		(184,949)	118,423
Operating cash flows before movements in working capital		350,615	(217,069)
Amount due to immediate holding company		(261,220)	(45,739)
Amounts due from related parties		(62,197)	(32,889)
Other receivables		41,894	(19,665)
Trade payables		–	(4,981)
Accrued expenses		3,345	5,900
Cash generated from/(used in) operations		72,437	(314,443)
Income tax refund/(paid)		22	(20,028)
Net cash generated from/(used in) operating activities		72,459	(334,471)
Cash flows from investing activity			
Preferential offering subscription of financial assets		(168,739)	–
Net cash used in investing activity		(168,739)	–
Cash flows from financing activity			
Dividends paid		(150,000)	–
Net cash used in financing activity		(150,000)	–
Net decrease in cash and cash equivalents		(246,280)	(334,471)
Cash and cash equivalents at 1 January		729,451	1,063,922
Cash and cash equivalents at 31 December	4	483,171	729,451

The accompanying notes form an integral part of these financial statements

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. 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 2019 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 2019, the Company has adopted the following new and revised FRS which is relevant to the Company and mandatory for application:

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 adoption of this standard has no material 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:

Amendments to FRS 103 *Business Combination: Definition of a Business*

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value of the assets acquired is concentrated in a single asset or group of similar assets. The standard is effective for annual periods beginning on or after 1 January 2020.

At the date of this audit 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.

2 Significant Accounting Policies (cont'd)

2.1 Basis of Preparation (cont'd)

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

Amendments to FRS 1 and FRS 8 *Definition of Material*

The amendments refine the definition of "material", provide guidance on its application, and align the definitions used across FRS. Based on the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The standard is effective for annual periods beginning on or after 1 January 2020.

At the date of this audit 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.

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

(a) Financial assets

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 (cont'd)

Classification and measurement (cont'd)

Subsequent measurement (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 income/(expense)".

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.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Impairment (cont'd)

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

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.

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.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Impairment (cont'd)

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.

(b) 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.

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 amount due to immediate holding company and accrued expenses.

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

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

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 issuance of new 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 fees and trustee fees 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 fees 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.

2.7 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 Financial Assets

	2019	2018
	US$	US$
Quoted equity units of a related party, at fair value		
Financial Assets classified as:		
Fair Value through Profit or Loss	467,475	113,787

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

During the financial year ended 31 December 2019, the Company took up its full entitlement for the preferential offering of quoted equity units for a total consideration of US$168,739.

4 Cash and Cash Equivalents

	2019	2018
	US$	US$
Cash at bank per statement of cash flows	483,171	729,451

5 Other Receivables

	2019	2018
	US$	US$
Other receivables	26,803	68,697

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

	2019		2018	
	No. of ordinary shares	Amount paid	No. of ordinary shares	Amount paid
		US$		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.

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

	2019 US$	2018 US$
Management fee income	2,124,789	1,841,838
Trustee fee income	54,946	61,857
Disposal fee income	57,675	100,000
	2,237,410	2,003,695

10 Profit/(Loss) before Tax

	2019 US$	2018 US$
Profit/(Loss) before tax includes the following charges:		
Costs of defined contribution plans included in staff costs	26,738	31,873

11 Income Tax Expense/(Refund)

	2019 US$	2018 US$
Income tax		
- Current tax expense	12,269	–
- Over provision in prior years	–	(2,072)
	12,269	(2,072)

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

	2019 US$	2018 US$
Profit/(Loss) before tax	535,564	(335,492)
Tax calculated using the effective tax rate	78,750	(47,852)
Expenses not deductible for income tax	193	20,275
Income not subjected to tax	(31,793)	–
Utilisation of prior year losses	(27,886)	–
Singapore statutory tax exemption	(6,995)	–
Deferred tax assets not recognised	–	27,577
Over provision in prior years	–	(2,072)
	12,269	(2,072)

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

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 2019, the Company has estimated tax exempt losses of Nil (2018: 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.

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:

	2019	2018
	US$	US$
Management fee income from related parties	2,124,789	1,841,838
Trustee fee income from FSL Trust	54,946	61,857
Disposal fee income from related party	57,675	100,000
Service fee charged by immediate holding company	(1,506,612)	(1,824,101)
Director's fees	–	(10,595)

12 Related Party Transactions (cont'd)

(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% (2018: 106%) of its allocated costs.

13 Dividends

	2019 US$	2018 US$
Ordinary dividends paid:		
One-tier tax exempt interim dividend of US$1.34 cent per share paid in respect of the financial year ended 31 December 2019	150,000	–

14 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.

Other receivables (including amounts due from related parties) are neither past due nor impaired.

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.

14 Financial Risk Management (cont'd)

Impairment on cash and cash equivalents and other receivables (including amounts due from related parties) 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 and other receivables (including amounts due from related parties) 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.

14 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	
	2019	2018
	US$	US$
Cash and cash equivalents	20,522	53,757
Other receivables	25,019	68,697
Financial assets	467,475	113,787
Accrued expenses	(20,510)	(17,165)
	492,506	219,076

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/(loss) before tax by the amounts shown below. This analysis assumes that all other variables remain constant:

	Singapore dollar impact	
	2019	2018
	US$	US$
Profit/(Loss) before tax	49,251	(21,908)

There would be an equal and opposite impact on the profit/(loss) 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% (2018: 10%), with all other variables including the tax rate being held constant, the other comprehensive income/equity will increase/ decrease by US$46,748 (2018: US$11,379).

14 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			
	2019	2018		
	US$	US$	Fair value hierarchy	Valuation techniques and key inputs
Financial assets (Quoted units)	467,475	113,787	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.

14 Financial Risk Management (cont'd)

Capital risk management policies and objectives (cont'd)

Management monitors capital based on a net gearing ratio. The Company's overall strategy remains unchanged from 2018. The net gearing ratio calculated as total liabilities divided by total equity is as follows:

	2019	2018
	US$	US$
Total liabilities	161,507	407,091
Total equity	975,181	601,886
Net gearing ratio	16.6%	67.6%

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