FSL TRUST MANAGEMENT PTE. LTD.
(Registration No. 200702265R)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

FSL TRUST MANAGEMENT PTE. LTD.

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the financial year ended December 31, 2014.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Simon Davidson

Michael Oliver

Tim Reid

Alan Hatton

Esben Poulsson (Appointed on September 30, 2014)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year 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 financial year had any interest in the shares, debenture, or share options of the company and its related corporations.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company was granted.

(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.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Tim Reid

....
Alan Hatton

March 16, 2015

FSL TRUST MANAGEMENT PTE. LTD.

STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements set out on pages 6 to 25 are drawn up so as to give a true and fair view of the state of affairs of the company as at December 31, 2014, and of the results, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

. . . .
Tim Reid

. . . .
Alan Hatton

March 16, 2015

Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF FSL TRUST MANAGEMENT PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of FSL Trust Management Pte. Ltd. (the "company"), which comprise the statement of financial position of the company as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 25.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards 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 profit and loss account and balance sheet and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF FSL TRUST MANAGEMENT PTE. LTD.

Opinion

In our opinion, the financial statements of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at December 31, 2014 and of the results, changes in equity and cash flows of the company for the year ended on that date.

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.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

March 16, 2015

FSL TRUST MANAGEMENT PTE. LTD.

STATEMENT OF FINANCIAL POSITION
December 31, 2014

	Note	2014 US$	2013 US$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,488,224	998,123
Other receivables	8	38,973	73,754
Amount due from ultimate holding company	5	54,842	324,842
Amount due from immediate holding company	5	175,173	609,005
Amount due from related party	6	304,774	313
Total current assets		2,061,986	2,006,037
Non-current asset			
Available-for-sale investments	10	470,930	224,889
Total assets		2,532,916	2,230,926
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		9,118	–
Accrued expenses and other payables		15,498	68,483
Derivative financial instruments	9	–	1,241
Income tax payable		47,359	8,535
Total current liabilities		71,975	78,259
Capital and reserves			
Share capital	11	100,012	100,012
Accumulated profits		2,351,070	2,053,896
Hedging reserve	12	–	(1,241)
Revaluation reserve	13	9,859	–
Total equity		2,460,941	2,152,667
Total liabilities and equity		2,532,916	2,230,926

See accompanying notes to financial statements.

FSL TRUST MANAGEMENT PTE. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2014

	Note	2014 US$	2013 US$
Revenue	14	3,160,019	2,941,313
Operating expenses			
Communication expenses		(78)	(532)
Corporate marketing		(3,387)	(61,117)
Fees for support services	5	(1,967,334)	(1,970,153)
Professional fees		(126,510)	(70,107)
Printing and stationery		(518)	(705)
Staff costs		(222,294)	(193,338)
Travel and entertainment		(271)	(13,843)
Exchange gain, net		(1,350)	1,051
Others		(1,324)	(17,456)
Total operating expenses		(2,323,066)	(2,326,200)
Other income (expenses)			
Finance income		–	897
Other income		–	115
Impairment loss on available-for-sale investments		–	(130,967)
Net other expenses		–	(129,955)
Profit before tax	15	836,953	485,158
Income tax	16	(39,779)	21,165
Profit for the year		797,174	506,323
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		1,241	(12,700)
Available-for-sale investments		9,859	–
Other comprehensive income for the year, net of tax		11,100	(12,700)
Total comprehensive income for the year		808,274	493,623

See accompanying notes to financial statements.

FSL TRUST MANAGEMENT PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2014

	Share capital	Accumulated profits	Revaluation reserve	Hedging reserve	Total
	US$	US$	US$	US$	US$
Balance at January 1, 2013	100,012	1,547,573	–	11,459	1,659,044
Total comprehensive income for the year					
Profit for the year	–	506,323	–	–	506,323
Other comprehensive income for the year	–	–	–	(12,700)	(12,700)
Balance at December 31, 2013	100,012	2,053,896	–	(1,241)	2,152,667
Total comprehensive income for the year					
Profit for the year	–	797,174	–	–	797,174
Other comprehensive income for the year	–	–	9,859	1,241	11,100
Transaction with owner recognised directly in equity					
Dividends (Note 17)	–	(500,000)	–	–	(500,000)
Balance at December 31, 2014	100,012	2,351,070	9,859	–	2,460,941

See accompanying notes to financial statements.

FSL TRUST MANAGEMENT PTE. LTD.

STATEMENT OF CASH FLOWS
Year ended December 31, 2014

	2014 US$	2013 US$
Operating activities		
Profit before tax	836,953	485,158
Adjustments for:		
Impairment loss on available-for-sale investments	–	130,967
Interest income	–	(897)
Operating cash flows before movements in working capital	836,953	615,228
Amount due from ultimate holding company	–	(9,804)
Amounts due from immediate holding company	433,832	(547,543)
Amounts due from related party	(304,461)	20,853
Other receivables	34,781	(32,239)
Trade payables	9,118	(13,583)
Accrued expenses and other payables	(52,985)	52,386
Income tax (paid) refund	(955)	599
Net cash from (used in) operating activities	956,283	85,897
Investing activities		
Interest received	–	959
Repayment of loans from (Loans to) ultimate holding company	270,000	(270,000)
Purchase of available-for-sale investments	(236,182)	–
Net cash (used in) from investing activities	33,818	(269,041)
Financing activity		
Dividend paid, representing net cash used in financing activity	(500,000)	–
Net increase (decrease) in cash and cash equivalents	490,101	(183,144)
Cash and cash equivalents at beginning of year	998,123	1,181,267
Cash and cash equivalents at end of year	1,488,224	998,123

See accompanying notes to financial statements.

1 GENERAL

The company (Registration No. 200702265R) is incorporated in Singapore with its principal place of business and registered office at 9 Temasek Boulevard, Suntec Tower Two, #19-03 Singapore 038989. The financial statements are expressed in United States dollars.

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 financial statements of the company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on March 16, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2014, the company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, management anticipates that the adoption of the other FRSs and INT FRSs issued but only effective in future periods does not result in changes to the company's accounting policies and has no material effect on the financial statements of the company reported for the current or prior years.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

The company's investments in certain equity securities are classified as available-for-sale financial assets and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, which is recognised directly in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established. When an investment is derecognised, the cumulated gain or loss in other comprehensive income and accumulated in revaluation reserve is transferred to profit or loss.

Loans and receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments 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

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method except for short-term balances when the recognition of interest would be immaterial.

Derecognition of financial liabilities

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

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The company designates derivative instruments used to hedge foreign currency risk as cash flow hedges.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of the changes in the fair value of the derivative hedging instrument that is designated and qualify as a cash flow hedge are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 and trustee 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.

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.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS - The financial statements of the company are measured and presented in United States dollars, which is the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of the monetary items, and on retranslation of monetary items are included in profit or loss for the period.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise bank balances and deposits and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Fair value measurement and valuation process

The company has financial assets and liabilities that are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, management determines fair value of the financial assets and liabilities based on market observable inputs.

The company's financial assets that are measured at fair value are derivative financial instruments and available-for-sale investments which are disclosed in Notes 9 and 10 respectively.

Impairment of available-for-sale investments (Note 10)

Management exercises their judgement in estimating recoverable amounts of its investment in available-for-sale investments.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the carrying amounts of the investments are determined on the basis of the net recoverable amounts to determine the extent of the impairment loss.

During the current financial year, the management carried out a review of the fair value of the available-for-sale investments, and has recognised a gain of US$9,859 in other comprehensive income.

In 2013, the management carried out a review of the fair value of the available-for-sale investments, and had assessed for an impairment loss of US$130,967.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2014 US$	2013 US$
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,061,986	2,006,037
Available-for-sale investments	470,930	224,889
Financial liabilities		
Amortised cost	24,616	68,483
Derivative instruments in designated hedge accounting relationships	–	1,241

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

Type of financial assets/liabilities	Gross amount US$	Gross amounts set off in the statement of financial position US$	Net amounts of financial assets/ liabilities presented in statement of financial position US$
As at December 31, 2014			
Immediate holding company:			
– Other receivables	812,075	(636,902)	175,173
– Other payables	(636,902)	636,902	–
As at December 31, 2013			
Immediate holding company:			
– Other receivables	941,860	(332,855)	609,005
– Other payables	(332,855)	332,855	–

(c) Financial risk management policies and objectives

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.

The company uses cross currency swaps to hedge the foreign exchange rate risks associated with its certain forecasted management fee income which is denominated in Euro.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

The company does not hold or issue derivative financial instruments for speculative purposes.

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.

i) 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 as follows:

	Singapore dollar		Euro	
	2014	2013	2014	2013
	US$	US$	US$	US$
Cash and cash equivalents	71,269	12,384	568	645
Other receivables	38,973	19,500	–	–
Amount due from holding companies and related party	2,379	240,772	–	–
Available-for-sale investments	470,930	224,889	–	–
Trade payables, accrued expenses and other payables	(24,616)	(23,706)	–	–
Derivative financial instruments	–	–	–	(129,499)[1]
	558,935	473,839	568	(128,854)

(1) This represents the payment leg of the company's cross-currency swaps (Note 9).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

i) Foreign currency risk (cont'd)

Foreign currency sensitivity

A 10% strengthening of the relevant foreign currencies against the functional currency at the reporting date would result in an increase (decrease) of the profit before tax and/or equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Singapore dollar impact		Euro impact	
	2014	2013	2014	2013
	US$	US$	US$	US$
Profit or loss	55,894	47,384	57	65
Equity	–	–	–	(12,950)

There would be an equal and opposite impact on the profit before tax and/or equity if the relevant foreign currencies weaken by 10% against the functional currency of the company.

ii) 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.

iii) 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 10 to the financial statements.

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the equity price had been 10% higher/lower while all other variables were held constant at reporting date, the company's net profit for the year would increase/decrease by US$47,093 (2013 : US$22,489).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

iv) 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.

v) Liquidity risk

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

vi) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, other receivables, amounts due from related companies and related party, trade and other payables, amount due to related company and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

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 and financial liabilities are determined.

Financial assets/ Financial liabilities	Fair value as at (US$) 2014 Assets (Liabilities)	2013 Assets (Liabilities)	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale investments:				
– Quoted equities	470,930[1]	–	Level 1	Quoted bid prices in an active market.
– Quoted equities	–	224,889[1]	Level 2	Quoted bid prices in an inactive market.
Derivative financial instruments	–	(1,241)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the counterparty credit risk.

(1) During the year, the company reclassified the quoted equities from Level 2 to Level 1 as transactions in these securities had occurred with sufficient frequency and volume to constitute an active market. The securities held by the company were suspended from trading on November 20, 2013 and resumed trading on March 4, 2014 in the Singapore Stock Exchange.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(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's overall strategy remains unchanged from 2013.

5 HOLDING COMPANY AND RELATED COMPANIES

The company is a wholly-owned subsidiary of FSL Asset Management Pte. Ltd., incorporated in Singapore. The company's ultimate holding company is FSL Holdings Pte. Ltd., incorporated in Singapore. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, repayable on demand and interest-free.

Significant transactions with related companies:

	2014	2013
	US$	US$
Service fee charged by immediate holding company	1,967,334	1,970,153

6 OTHER RELATED PARTY TRANSACTIONS

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant transactions with related parties:

	2014	2013
	US$	US$
Fee income from FSL Trust (Note 14)	3,160,019	2,941,313
Director fees	(81,784)	–
Professional fees	–	(50,878)

In 2013, professional fees were paid to the Investment Advisory Committee of the company, whose members are also directors of the ultimate holding company.

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% of its allocated costs.

7 CASH AND CASH EQUIVALENTS

	2014 US$	2013 US$
Cash at bank	1,488,224	998,123

8 OTHER RECEIVABLES

	2014 US$	2013 US$
Other receivables	38,973	73,754

9 DERIVATIVE FINANCIAL INSTRUMENTS

	2014 US$	2013 US$
Cross-currency swaps	–	(1,241)

The cross-currency swap contracts matured in June 2014. At December 31, 2013, the company had cross-currency swaps with a total outstanding notional contract amount of US$128,258. The cross-currency swaps, designated as foreign currency cash-flow hedges, were entered by the company to protect against volatility of future cash flows from the Euro denominated management fee income.

The derivative financial instruments relate to the cumulative fair value change of hedging instruments designated as cash flow hedges. The following were the expected contractual undiscounted cash inflows associated with financial derivatives:

	Cash flows	
	Contractual cash flows US$	Within 1 year US$
2013		
Cross-currency swaps used for hedging:		
Inflows	128,258	128,258
Outflows	(129,499)	(129,499)
Cross-currency swaps	(1,241)	(1,241)

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on Euro yield curve for forward exchange contracts at end of the reporting period and are as follows:

	2014 %	2013 %
Discount interest rates	–	0.11 to 0.25

10 AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	US$	US$
Quoted equity units of a related company, at fair value	470,930	224,889

In 2014, the additional quoted equity units of First Ship Lease Trust were purchased from the stock market.

In 2013, the quoted equity units are units issued by First Ship Lease Trust for settlement of incentive fees and distribution income due to the company.

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.

11 SHARE CAPITAL

	2014	2013	2014	2012
	Number of ordinary shares		US$	US$
Issued and paid up:				
At beginning and end of year	111,997	111,997	100,012	100,012

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends when declared by the company.

12 HEDGING RESERVE

The hedging reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments until they are de-recognised or impaired.

Movement in hedging reserve:

	2014	2013
	US$	US$
At January 1	(1,241)	11,459
Changes during the year in other comprehensive income	1,241	(4,709)
Reclassification to profit or loss on cash flow hedges	–	(7,991)
At December 31	–	(1,241)

13 REVALUATION RESERVE

The revaluation reserve arose on the revaluation of the available-for-sale investments, where impairment loss was previously recognised in profit or loss.

Movement in revaluation reserve:

	2014 US$	2013 US$
At January 1	–	–
Changes during the year in other comprehensive income	9,859	–
At December 31	9,859	–

14 REVENUE

	2014 US$	2013 US$
Income from First Ship Lease Trust comprises (Note 6):		
Management fee income	3,035,177	2,792,684
Trustee fee income	124,842	148,629
	3,160,019	2,941,313

15 PROFIT BEFORE TAX

Profit before tax includes the following charges:

	2014 US$	2013 US$
Impairment loss on available-for-sale investments	–	130,967
Costs of defined contribution plans included in staff costs	16,527	19,627

16 INCOME TAX

	2014 US$	2013 US$
Tax expense comprises:		
Current tax expense	46,944	–
Adjustments recognised in the current year in relation to income tax of prior year	(7,165)	(21,165)
	39,779	(21,165)

Profits from principal activities of the company are subject to a concessionary Singapore tax rate of 10%.

16 INCOME TAX (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the concessionary Singapore tax rate of 10% to profit before income tax as a result of the following differences:

	2014 US$	2013 US$
Profit before tax	836,953	485,158
Income tax expense at statutory concessionary rate	83,695	48,516
Effect of:		
Income subject to statutory rate of 17%	–	63
Expenses not deductible for income tax	135	13,879
Unutilised capital allowances and tax losses transferred from immediate holding company under group relief	(16,767)	(62,395)
Adjustments recognised in the current year in relation to income tax of prior year	(7,165)	(21,165)
Corporate tax rebate	(20,119)	–
Others	–	(63)
Income tax expense recognised in profit and loss	39,779	(21,165)

During the year, the immediate holding company transferred unutilised capital allowances and tax losses amounting to US$98,628 (2013 : US$367,027) to the company.

17 DIVIDENDS

During the year ended December 31, 2014, an interim one-tier dividend of US$4.46 per ordinary share (total dividend US$500,000) was declared and paid to shareholders in respect of the financial year ended December 31, 2014.

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