

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

**DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS**

31 DECEMBER 2015

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

31 DECEMBER 2015

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FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015.

In the opinion of the directors,

- (a) the financial statements of the Company as set out on pages 5 to 23 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

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

Tim Reid
Simon Davidson
Michael Oliver
Esben Poulsson
Michael Gray (Appointed on 11 May 2015)
Alan Hatton

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

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

3 Directors' Interests in Shares and Debentures

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

FSL TRUST MANAGEMENT PTE. LTD.
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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4 Share Options

(a) *Options to take up unissued shares*

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

(b) *Options exercised*

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

(c) *Unissued shares under option*


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

5 Independent Auditors

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

On behalf of the Board of Directors,


.....
Tim Reid


.....
Alan Hatton

Singapore
21 March 2016

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

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") as set out on pages 5 to 23, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 financial statements 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 controls 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 controls. 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.

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

FSL TRUST MANAGEMENT PTE. LTD.

(cont'd)

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 financial position of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Other Matters

The financial statements for the financial year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on these financial statements in the report dated 16 March 2015.

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
21 March 2016

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2015**

	<u>Note</u>	<u>2015</u> US\$	<u>2014</u> US\$
ASSETS			
Non-current asset			
Available-for-sale financial assets	3	430,025	470,930
Current assets			
Cash and cash equivalents	4	1,806,566	1,488,224
Other receivables	5	67,373	38,973
Amount due from ultimate holding company	6	–	54,842
Amount due from immediate holding company	7	–	175,173
Amounts due from related parties	8	154,216	304,774
Total current assets		<u>2,028,155</u>	<u>2,061,986</u>
Total assets		<u><u>2,458,180</u></u>	<u><u>2,532,916</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	100,012	100,012
Accumulated profits		1,467,887	2,351,070
Fair value reserve	10	148,442	9,859
Total equity		<u>1,716,341</u>	<u>2,460,941</u>
Current liabilities			
Trade payables		7,682	9,118
Accrued expenses		10,998	15,498
Amount due to immediate holding company	7	605,350	–
Income tax payable		117,809	47,359
Total current liabilities		<u>741,839</u>	<u>71,975</u>
Total equity and liabilities		<u><u>2,458,180</u></u>	<u><u>2,532,916</u></u>

The accompanying notes form an integral part of these financial statements

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

STATEMENT OF COMPREHENSIVE INCOME**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	<u>Note</u>	<u>2015</u> US\$	<u>2014</u> US\$
Revenue	11	3,814,655	3,160,019
Other income			
Gain on disposal of financial assets, available-for-sale		123,272	–
Operating expenses			
Communication expenses		(26)	(78)
Corporate marketing		(6,847)	(3,387)
Fees for support services		(2,213,264)	(1,967,334)
Professional fees		(85,319)	(126,510)
Printing and stationery		(389)	(518)
Staff costs		(267,887)	(222,294)
Travel and entertainment		(83)	(271)
Exchange loss, net		(25,435)	(1,350)
Others		(814)	(1,324)
Total operating expenses		(2,600,064)	(2,323,066)
Profit before tax	12	1,337,863	836,953
Income tax expense	13	(121,046)	(39,779)
Profit for the year		1,216,817	797,174
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges		–	1,241
Net fair value gains on available-for-sale financial assets		261,855	9,859
Reversal of fair value gain from equity on transfer of available-for-sale financial assets to immediate holding company		(123,272)	–
Other comprehensive income for the year, net of tax		138,583	11,100
Total comprehensive income for the year		1,355,400	808,274

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 2015

	Share capital US\$	Accumulated profits US\$	Fair value reserve US\$	Hedging reserve US\$	Total US\$
At 1 January 2015	100,012	2,351,070	9,859	–	2,460,941
Profit for the year	–	1,216,817	–	–	1,216,817
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:					
Net fair value gains on available-for-sale financial assets	–	–	261,855	–	261,855
Reversal of fair value gain from equity on transfer of available- for-sale financial assets to immediate holding company	–	–	(123,272)	–	(123,272)
	–	–	138,583	–	138,583
Total comprehensive income for the year	–	1,216,817	138,583	–	1,355,400
Transactions with owner, recognised directly in equity					
Dividends (Note 15)	–	(2,100,000)	–	–	(2,100,000)
Total transactions with owner	–	(2,100,000)	–	–	(2,100,000)
At 31 December 2015	100,012	1,467,887	148,442	–	1,716,341
At 1 January 2014	100,012	2,053,896	–	(1,241)	2,152,667
Profit for the year	–	797,174	–	–	797,174
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges	–	–	–	1,241	1,241
Net fair value gains on available-for-sale financial assets	–	–	9,859	–	9,859
	–	–	9,859	1,241	11,100
Total comprehensive income for the year	–	797,174	9,859	1,241	808,274
Transactions with owner, recognised directly in equity					
Dividends (Note 15)	–	(500,000)	–	–	(500,000)
Total transactions with owner	–	(500,000)	–	–	(500,000)
At 31 December 2014	100,012	2,351,070	9,859	–	2,460,941

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 2015**

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		US\$	US\$
Cash flows from operating activities			
Profit before tax		1,337,863	836,953
Adjustment for:			
Gain on disposal of financial assets, available-for-sale		(123,272)	–
Movements in working capital:			
Amount due from immediate holding company		8,768	433,832
Amounts due from related parties		150,558	(304,461)
Other receivables		(28,400)	34,781
Trade payables		(1,436)	9,118
Accrued expenses		(4,500)	(52,985)
Cash generated from operations		1,339,581	957,238
Income tax paid		(50,596)	(955)
Net cash generated from operating activities		<u>1,288,985</u>	<u>956,283</u>
Cash flows from investing activities			
Proceeds from the transfer of available-for-sale financial assets to immediate holding company		302,760	–
Repayment from ultimate holding company		54,842	270,000
Purchase of available-for-sale financial assets		–	(236,182)
Net cash generated from investing activities		<u>357,602</u>	<u>33,818</u>
Cash flows from financing activities			
Dividends paid		(2,100,000)	(500,000)
Repayment from immediate holding company		771,755	–
Net cash used in financing activities		<u>(1,328,245)</u>	<u>(500,000)</u>
Net increase in cash and cash equivalents		318,342	490,101
Cash and cash equivalents at 1 January		1,488,224	998,123
Cash and cash equivalents at 31 December	4	<u>1,806,566</u>	<u>1,488,224</u>

The accompanying notes form an integral part of these financial statements

FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

1 General Information

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

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

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

The financial statements of the Company for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors of the Company on the date of the Directors’ Statement.

2 Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015, the Company has adopted the following new and revised FRS which is relevant to the Company and mandatory for application:

Improvements to January FRSs 2014 - FRS 24 *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. As this is a disclosure standard, the adoption of this standard did not have any 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:

Amendment to FRS 1 *Disclosure Initiative*

These amendments to FRS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The standard is effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Company when implemented.

FRS 109 *Financial Instruments*

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition; INT FRS 115 *Agreements for the Construction of Real Estate*; INT FRS 118 *Transfers of Assets from Customers*; and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is currently determining the impact of this standard.

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2 Significant Accounting Policies (cont'd)

2.2 Foreign Currencies

Functional and presentation currency

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

Foreign currency transactions

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

2.3 Financial Instruments

Non-derivative financial instruments

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

Non-derivative financial assets

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

Loans and receivables

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

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

Cash and cash equivalents comprise cash balances.

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

Available-for-sale financial assets

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

Available-for-sale financial assets comprise equity securities.

Non-derivative financial liabilities

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

Other financial liabilities comprise trade and other payables.

Derivative financial instruments and hedging activities

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and transferred to hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2 Significant Accounting Policies (cont'd)

2.3 Financial Instruments (cont'd)

Impairment of financial assets

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

Impairment of financial assets: loans and receivables

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

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

All impairment losses are recognised in profit or loss.

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

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

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

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

Share capital

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

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2 Significant Accounting Policies (cont'd)

2.4 Revenue Recognition

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

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

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

2.5 Retirement Benefit Costs

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

2.6 Income Tax

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3 Available-for-Sale Financial Assets

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Quoted equity units of a related party, at fair value	<u>430,025</u>	<u>470,930</u>

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

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

4 Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Cash at bank per statement of cash flows	<u>1,806,566</u>	<u>1,488,224</u>

5 Other Receivables

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Other receivables	61,557	38,973
Prepayments	5,816	-
	<u>67,373</u>	<u>38,973</u>

6 Amount due from Ultimate Holding Company

The amount due from the ultimate holding company was non-trade in nature, unsecured, repayable on demand and interest-free.

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015****7 Amount due from/(to) Immediate Holding Company**

	<u>2015</u>	<u>2014</u>
	US\$	US\$
<u>Current asset</u>		
Amount due from immediate holding company – non-trade	–	175,173
<u>Current liability</u>		
Amount due to immediate holding company – trade	605,350	–

The amount due from/(to) the immediate holding company is unsecured, repayable on demand and interest-free.

8 Amounts due from Related Parties

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

9 Share Capital

	<u>2015</u>		<u>2014</u>	
	No. of ordinary shares	Amount paid US\$	No. of ordinary shares	Amount paid US\$
Issued and fully paid				
At 1 January and 31 December	111,997	100,012	111,997	100,012

Ordinary shares do not have par value.

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

FSL TRUST MANAGEMENT PTE. LTD.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015****10 Fair Value Reserve**

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Movement in fair value reserve:		
At 1 January	9,859	–
Net fair value gain	261,855	9,859
Reversal of fair value gain from equity on transfer of available-for-sale financial assets to immediate holding company	<u>(123,272)</u>	–
At 31 December	<u>148,442</u>	<u>9,859</u>

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

11 Revenue

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Management fee income	3,479,861	3,035,177
Trustee fee income	116,794	124,842
Acquisition fee income	218,000	–
	<u>3,814,655</u>	<u>3,160,019</u>

12 Profit before Tax

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Profit before tax includes the following charges:		
Costs of defined contribution plans included in staff costs	<u>18,975</u>	<u>16,527</u>

13 Income Tax Expense

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Income tax		
- Current tax expense	110,561	46,944
- Under/(over) provision in prior years	<u>10,485</u>	<u>(7,165)</u>
	<u>121,046</u>	<u>39,779</u>

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13 Income Tax Expense (cont'd)

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

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Profit before tax	1,337,863	836,953
Tax calculated using the effective tax rate	161,588	83,695
Expenses not deductible for income tax	2,925	135
Non-taxable income	(20,834)	–
Singapore statutory tax exemption	(33,118)	(20,119)
Under/(over) provision in prior years	10,485	(7,165)
Utilisation of Group relief	–	(16,767)
	<u>121,046</u>	<u>39,779</u>

During the financial year ended 31 December 2014, the immediate holding company transferred unutilised capital allowances and tax losses amounting to US\$98,628 to the Company.

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 subject to a review of performance at the end of the 5th year.

Under this status, income from qualifying activities under Section 43W of the Singapore Income Tax Act and any prescribing regulations is eligible for the concessionary tax rate of 10%. Other income are taxed at the statutory corporate tax rate of 17%.

14 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.

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14 Related Party Transactions (cont'd)

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

(a) Significant transactions with related parties:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Management fee income from related parties	3,479,861	3,035,177
Trustee fee income from FSL Trust	116,794	124,842
Acquisition fee income from a related party	218,000	–
Service fee charged by immediate holding company	(2,213,264)	(1,967,334)
Director fees	(53,884)	(81,784)
Transfer of available-for-sale financial assets to immediate holding company	302,760	–

(b) Compensation of directors and key management personnel

Other than the director fees disclosed, there are no key management personnel or directors' remuneration on the Company's payroll. The compensation to directors and key management personnel are paid by its immediate holding company which charges the Company a service fee of 106% (2014: 106%) of its allocated costs.

15 Dividends

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Ordinary dividends paid:		
One-tier tax exempt interim dividend of US\$4.46 cent per share paid in respect of the financial year ended 31 December 2015	500,000	–
One-tier tax exempt interim dividend of US\$14.29 cent per share paid in respect of the financial year ended 31 December 2015	1,600,000	–
One-tier tax exempt interim dividend of US\$4.46 cent per share paid in respect of the financial year ended 31 December 2014	–	500,000
Total	<u>2,100,000</u>	<u>500,000</u>

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16 Hedging Reserve

	<u>2014</u>
	US\$
Movement in hedging reserve:	
At 1 January	(1,241)
Fair value gain	1,241
At 31 December	<u><u>-</u></u>

The hedging reserve comprised 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.

17 Financial Risk Management

Overview

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

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

Credit Risk

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

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

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

Trade and other receivables (including amounts due from related parties, immediate holding company and ultimate holding company) are neither past due nor impaired. Cash at bank and other financial assets are with creditworthy parties.

Liquidity Risk

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

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

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17 Financial Risk Management (cont'd)

Market Risk

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

Interest Rate Risk

The Company's exposure to interest rate risk is limited to excess funds placed with banks on short-term basis, which generates interest income for the Company.

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

Foreign Currency Risk

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

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

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

	<u>Singapore dollar</u>	
	<u>2015</u>	<u>2014</u>
	US\$	US\$
Cash and cash equivalents	63,962	71,269
Other receivables	61,557	38,973
Amount due (to)/ from holding companies and related parties	(55,865)	2,379
Available-for-sale financial assets	430,025	470,930
Trade payables and accrued expenses	(18,680)	(24,616)
	<u>480,999</u>	<u>558,935</u>

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17 Financial Risk Management (cont'd)

Foreign Currency Sensitivity

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

	<u>Singapore dollar impact</u>	
	<u>2015</u>	<u>2014</u>
	US\$	US\$
Profit or loss	48,100	55,894

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

Equity Price Risk Management

The Company is exposed to equity risks arising from quoted equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company does not actively trade available-for-sale investments.

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

Equity Price Sensitivity

If prices of the quoted equity units increase/decrease by 10% (2014: 10%), with all other variables including tax rate being held constant, the other comprehensive income/equity will increase/decrease by US\$43,003 (2014: US\$47,093).

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).

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17 Financial Risk Management (cont'd)

Fair Values of Financial Assets and Financial Liabilities (cont'd)

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 (US\$)		Fair value_ hierarchy	Valuation techniques and key inputs
	2015	2014		
Financial assets	Assets	Assets		
Available-for-sale investments:				
- Quoted equities	430,025	470,930	Level 1	Quoted bid prices in an active market.

Capital risk management policies and objectives

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

Management monitors capital based on a net gearing ratio. The Company's overall strategy remains unchanged from 2014.

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

	2015	2014
	US\$	US\$
Total liabilities	741,839	71,975
Total equity	1,716,341	2,460,941
Net gearing ratio	43.2%	2.9%

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