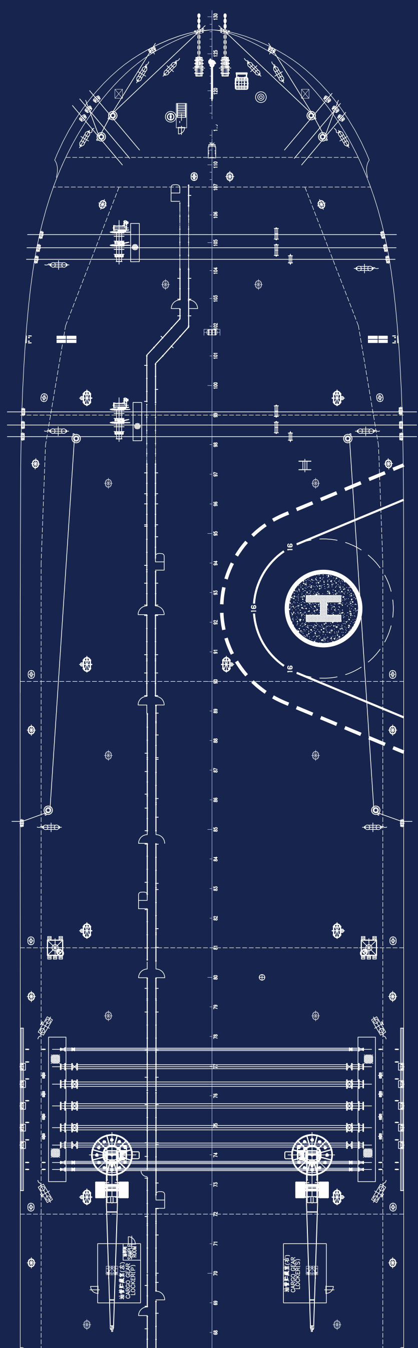
FIRST SHIP LEASE TRUST

2020

ANNUAL REPORT



Corporate Profile

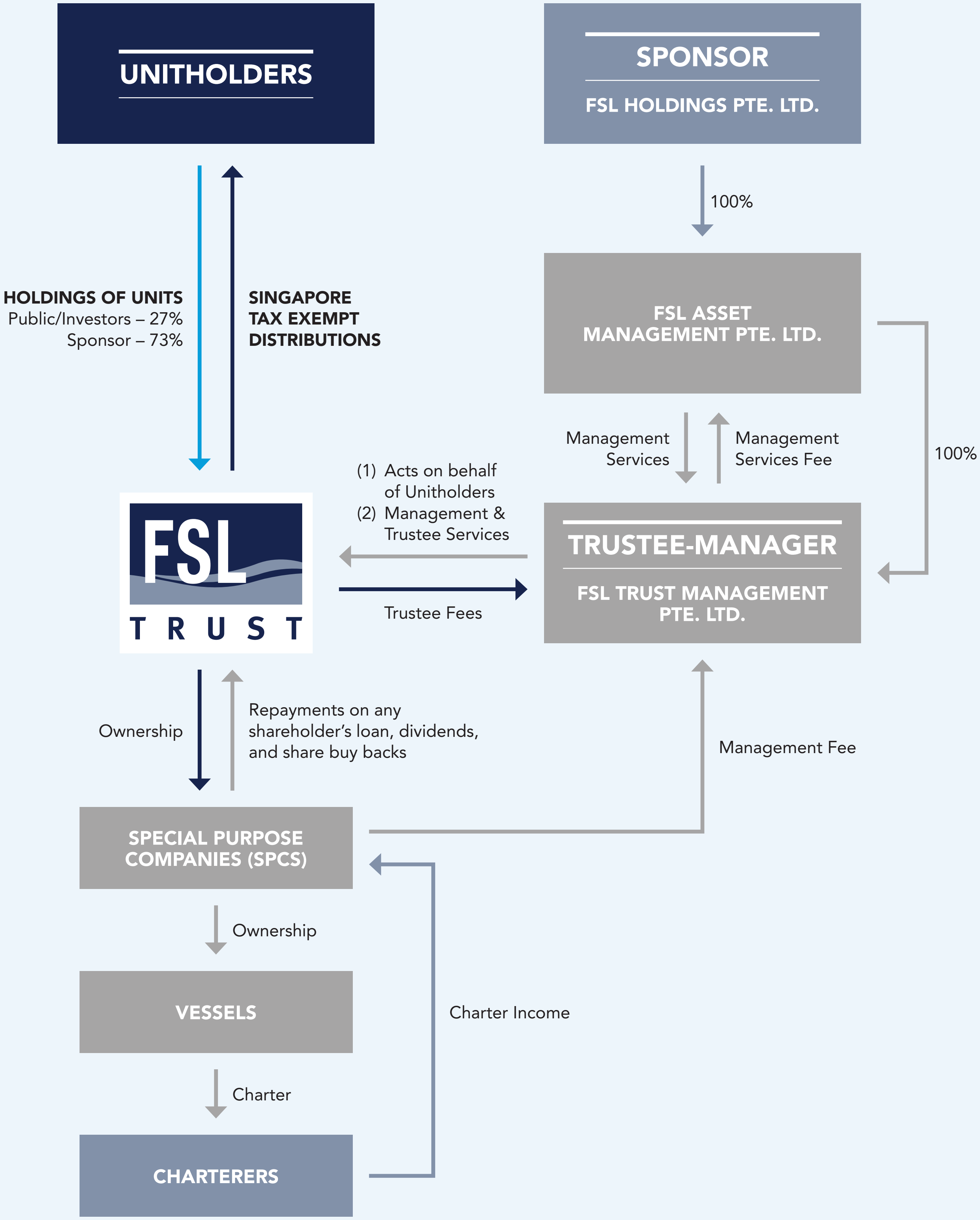
First Ship Lease Trust ("FSL Trust" or the "Trust") is a Singapore-based business trust which owns a diversified fleet of well-maintained, oceangoing vessels across different segments. The current vessel portfolio comprises 12 tankers of different sizes. Of these, 9 vessels are chartered to international shipping companies on fixed-rate period charters, whilst the other 3 vessels are employed in pools.

As at 31 December 2020, more than 36% of the Trust's revenue is derived from the hire's received from fixed-rate bareboat charters. The fixed-rate charters provide the Trust with stable and predictable long-term revenue and cash flow, while the vessels employed on shorter-term charters or in pools provide the Trust with flexibility and opportunity to capture any market upsides.

FSL Trust is managed by FSL Trust Management Pte. Ltd. ("FSLTM" or the "Trustee-Manager"). The Trustee-Manager is responsible for safeguarding the interests of Unitholders and for FSL Trust's investment and financing strategies, asset acquisition and disposal policies, and the overall management of the Trust's portfolio. The Trustee-Manager aims to optimise the returns on the Trust's vessel portfolio by ensuring that the vessels are well run, managing the various risks and opportunities of the Trust and improving cash flow generation for the Unitholders of the Trust.

FSL Trust (D8DU) is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST).

Corporate Structure



Corporate Information

TRUSTEE-MANAGER

FSL Trust Management Pte. Ltd.

CORPORATE DIRECTORY

UEN/Company Registration No. 200702265R
Corporate website: www.fsltrust.com

REGISTERED OFFICE

9 Temasek Boulevard
#19-03 Suntec Tower Two
Singapore 038989
Phone: +65 6836 3000
Fax: +65 6836 6001

COMPANY SECRETARY

Elizabeth Krishnan

UNIT REGISTRAR OF FIRST SHIP LEASE TRUST

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone: +65 6536 5355
Fax: +65 6536 1360

BOARD OF DIRECTORS

Stathis Topouzoglou
Non-Independent,
Non-Executive Chairman

Michael Chalkias
Non-Independent,
Non-Executive Director

Michael Gray
Lead Independent Director,
Non-Executive Director and
Chairman of the Audit and Risk Committee

Michael Oliver
Independent,
Non-Executive Director and
Chairman of the Remuneration Committee and the Nominating Committee

Narayanan Sreenivasan
Independent,
Non-Executive Director

Costas Courcoubetis
Independent,
Non-Executive Director

SENIOR MANAGEMENT TEAM

Roger Woods
Chief Executive Officer

Markus Wenker
Chief Financial Officer

AUDIT AND RISK COMMITTEE

Michael Gray (Chairman)
Michael Oliver
Narayanan Sreenivasan

REMUNERATION COMMITTEE

Michael Oliver (Chairman)
Michael Gray
Narayanan Sreenivasan

NOMINATING COMMITTEE

Michael Oliver (Chairman)
Michael Gray
Narayanan Sreenivasan

EXTERNAL AUDITORS OF FIRST SHIP LEASE TRUST

Moore Stephens LLP
10 Anson Road
#29-15 International Plaza
Singapore 079903
Telephone: +65 6221 3771
Fax: +65 6221 3815

Partner-in-charge
Christopher Bruce Johnson

Date of appointment
Appointed during the financial year ended 31 December 2020

INTERNAL AUDITORS OF FIRST SHIP LEASE TRUST

BDO LLP
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Telephone: +65 6828 9118

Partner-in-charge
Willy Leow

Date of appointment
13 July 2015

PRINCIPAL BANKERS

- Amsterdam Trade Bank N.V.
- Deutsche Bank AG, Singapore Branch
- Hellenic Bank Public Company Limited
- The Hongkong and Shanghai Banking Corporation Limited
- Overseas-Chinese Banking Corporation Limited

Message from the Chairman and the CEO to Unitholders

ROGER WOODS
CEO

STATHIS TOPOUZOGLOU
CHAIRMAN

"2020 was a year unlike any other in the recent history of the shipping industry. Despite the challenges posed by the global pandemic, we are pleased to report that First Ship Lease Trust achieved a solid result with a net profit of US$ 6.2 million for the full year and returned a total of US$ 79.6 million to unitholders, whilst maintaining a healthy capital structure that provides optionality for the future."

Dear Unitholders

Like most other areas in life and business, the COVID-19 pandemic has dominated the shipping markets in 2020, and led to an unprecedented commercial environment and disruptions in the operation of vessels.

In the first half of 2020, we have witnessed very strong tanker markets, driven by an elevated level of oil production, which, in conjunction with reduced demand due to the global pandemic, led to an oil supply overhang, historically low oil prices and increased floating storage on vessels. Fortunes changed in the second half of the year, following oil production cuts and unwinding floating storage that resulted in a sharp decline in demand for tankers and weighed on freight rates and market values for tankers.

At the same time, the pandemic did not only have an impact on the shipping markets, but also led to disruptions at an operational level. Crew changes have become very difficult in light of the global travel restrictions and crews serve beyond their contracts, causing an escalating humanitarian crisis. We have been working very closely with the managers of our vessels throughout the year to mitigate the impact and find solutions for the crews aboard our vessels.

FLEET CONSOLIDATION AS THE KEY TO MAXIMISE VALUE

In the challenging market environment, our strategy of the last years to divest older, less environmentally friendly vessels and focus on de-leveraging FSL Trust has proven right. In 2020, we disposed a total of six vessels, including three tankers that operated in pools and three containerships that finished their long-term employments, allowing us to prepay US$ 23.1 million of debt and distribute US$ 79.6 million to unitholders. The disposals furthermore helped to de-risk and reduce the exposure to the spot market, improving resilience amid the uncertainties in the market.

Chairman & CEO Statement

SUSTAINABILITY AT OUR CORE

Environmental considerations have already been in the spotlight for the last few years, but it has become clear that the pace of the transition towards net-zero emissions fuel technologies is accelerating, to comply with the ambitious emission targets and changing regulatory framework. We believe that older, less environmentally friendly tonnage will soon have significant competitive disadvantages and the industry will increasingly focus on alternative, cleaner fuels. Environmental considerations will therefore not be a 'nice to have' anymore, but vital for any shipping company to be successful in the long-term. ESG (Environmental, Social and Governance) considerations are embedded in our corporate and fleet strategy and everything we will do in the future needs to stand the sustainability-test, alongside economic factors.

OUTLOOK

Subsequent to the year end, we decided to dispose FSL Trust's two LR2 product tanker newbuildings. Whilst the order of these two vessels back in 2018 marked the starting point of the renewal of the fleet of FSL Trust, the changed market environment and weaker earnings prospects for the vessels due to the global pandemic and its impact on the demand for oil and oil products in the short-term, and an increasingly ambitious regulatory framework on carbon emission reductions in the medium- and long-term have driven the decision to sell and we are very pleased to have achieved an attractive price, reflecting the very high specifications of the vessels.

Our focus remains on divesting older, less environmentally friendly vessels. Nevertheless, we also value our long term business relations and assets that deliver stable cash flows to FSL Trust.

In this respect, we are pleased to have secured charter extensions for 5 small product tankers with one of our trusted business partners, for which the employments would otherwise ended at the end of 2020 and the first half of 2021.

With the continuous impact of the COVID-19 pandemic on the world economy and global supply chains, the shipping markets and the investment environment remain characterised by uncertainties. The strong liquidity and robust capital structure of FSL Trust provides significant strategic optionality for the future and we are performing a strategic review to determine the fleet and investment strategy for the coming years.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors and the management team, we would like to thank the entire FSL team and all seafarers aboard our vessels for their dedication, commitment and professionalism during this challenging year. We also thank all the unitholders of FSL Trust for the continuous support and trust, amid the uncertainties due to the pandemic.

Stathis Topouzoglou
Chairman

Roger Woods
Chief Executive Officer

Performance Highlights

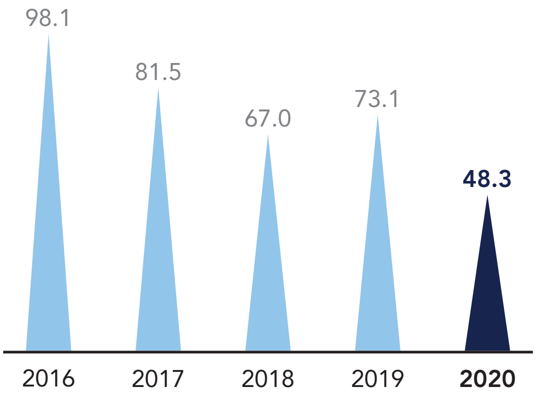
	FY2020 US$'000	FY2019 US$'000	FY2018 US$'000	FY2017 US$'000	FY2016 US$'000
Income Statement					
Revenue	**48,332**	73,107	67,046	81,499	98,144
Adjusted EBITDA[(1)]	**29,118**	46,663	41,004	52,229	69,187
Results from Operating Activities	**8,822**	16,906	(10,489)	(65,235)	(21,796)
Profit / (Loss) for the Year	**6,246**	10,131	(18,986)	(73,888)	(30,995)
Net Cash Generated from Operating Activities[(2)]	**37,971**	**44,433**	**37,468**	**47,540**	**66,971**
Financial Position					
Total Assets	**161,835**	275,196	263,168	331,042	474,425
Total Liabilities	**32,271**	72,315	107,906	157,354	226,971
Shareholder's Equity	**129,564**	**202,881**	**155,262**	**173,688**	**247,454**
Financial Ratios					
Earnings/(Loss) per unit (US cents/unit)[(3)]	0.35	0.81	(2.98)	(11.59)	(4.86)
Net Asset Value (US$/unit)	0.07	0.11	0.24	0.27	0.39
Gearing Ratio[(4)] (%)	18.7	25.7	40.0	46.6	47.3

(1) Earnings before interest, taxes, depreciation, and amortisation, excluding gains/losses from the disposal of vessels and vessel impairments
(2) Refer to Consolidated Statement of Cash Flows on Page 65
(3) Based on weighted average number of issued units
(4) Gearing ratio = outstanding debt including convertible bonds / (total unitholders' funds + outstanding debt including convertible bonds)

Revenue (US$million)

48.3

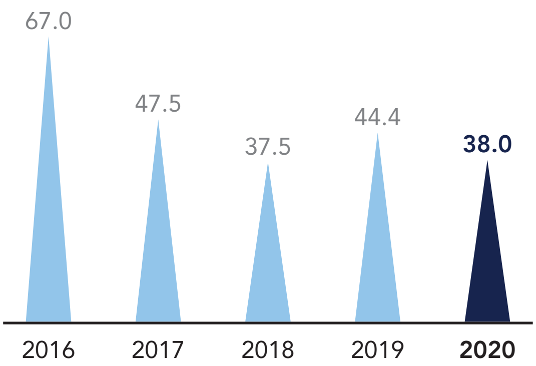
US$MILLION



Net Cash Generated from Operating Activities (US$million)

38.0

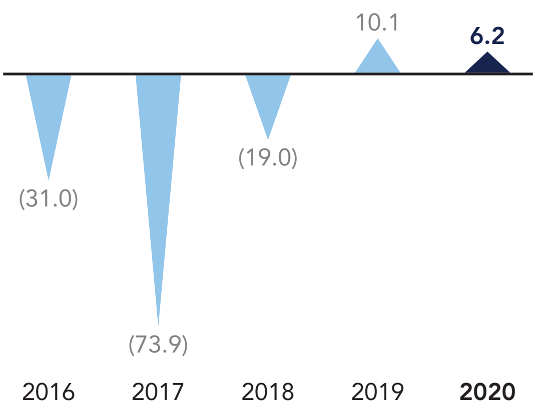
US$MILLION



Profit / (Loss) For The Year (US$million)

6.2

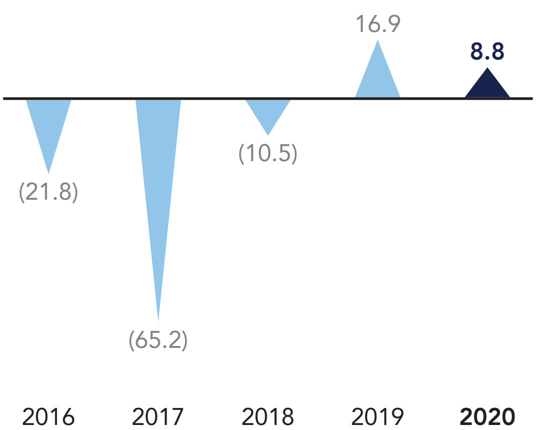
US$MILLION



Results From Operating Activities (US$million)

8.8

US$MILLION



Board of Directors

Non-Independent,
Non-Executive Chairman

STATHIS TOPOUZOGLOU (64)

Stathis Topouzoglou was appointed as a Non-Independent, Non-Executive Director of the Trustee-Manager on 28 February 2018, and Chairman of the Trustee-Manager on 9 March 2018.

Mr Topouzoglou is an entrepreneur with more than 40 years' experience in founding and growing companies in the transportation and energy sector. He is the principal shareholder and founder of Prime Marine Group and serves as Chief Executive Officer of Prime Marine Management Inc. since 1999, a predecessor of Prime Tanker Management Inc. and Prime Gas Management Inc., worldwide leading international product tanker and gas carrier management companies with a fleet of 41 modern product tankers, LPG and Ammonia carriers.

Mr Topouzoglou is also a founding partner and member of the BOD of Energean PLC (formerly: Energean Oil & Gas PLC), an independent exploration and production company focused on developing gas resources in the Mediterranean, listed on the London Stock Exchange as well as the Tel Aviv Stock Exchange.

Mr Topouzoglou holds a B.A. in Business Administration and Economics from the University of Athens, Greece.

Shares in the Trust or related corporations

Deemed interest in 73.09% of the Units in First Ship Lease Trust and 100% of the Shares in FSL Trust Management Pte. Ltd.

Present Directorships (as at 31 December 2020)

- Dynamic Product Tankers LLC
- Energean Israel Limited
- Energean PLC (LSE: ENOG)
- Prime Marine Corporation
- Prime Marine Management Inc.

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)

- Energean E&P Holdings Limited
- Energean Oil & Gas S.A.
- Flagship Marine Ventures LLC

Major Appointments (other than Directorships)

None

Non-Independent,
Non-Executive Director

MICHAEL CHALKIAS (50)

Michael Chalkias was appointed as a Non-Independent and Non-Executive Director of the Trustee-Manager on 9 March 2018.

Mr Chalkias co-founded Prime Marine Group in Greece in 1999 and serves as Co-Chief Executive Officer of Prime Marine Management Inc., Prime Tanker Management Inc. and Prime Gas Management Inc., leading international managers of product tankers and gas carriers. Mr Chalkias counts more than 25 years in the shipping industry, during which he has accumulated extensive in-depth knowledge in all aspects of the shipping business and established strong relationships in the maritime industry. Through his career, Mr Chalkias has invested in many ships, mainly product tankers and gas carriers, and has also partnered with a number of reputable US-based private equity funds.

Prior to co-founding Prime Marine, he was employed by Tufton Oceanic Limited, a specialized shipping finance and investment firm in London, where he was actively involved in debt and equity instrument as well as structured financing transactions.

Mr Chalkias holds an MSc with Distinction in Shipping, Trade & Finance from the Cass Business School of London and a BSc with Honours in Maritime Business and Law from the University of Plymouth, United Kingdom.

Shares in the Trust or related corporations

Deemed interest in 73.09% of the Units in First Ship Lease Trust and 100% of the Shares in FSL Trust Management Pte. Ltd.

Present Directorships (as at 31 December 2020)

- Prime Marine Management Inc.
- Dynamic Product Tankers LLC
- Prime Marine Corporation
- Global Ship Lease Inc. (NYSE: GSL)

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)

- Prime Energy S.A.
- Flagship Marine Venture LLC

Major Appointments (other than Directorships)

None

Lead Independent,
Non-Executive Director

MICHAEL GRENVILLE GRAY (75)

Michael Gray was appointed as the Lead Independent, Non-Executive Director of the Trustee-Manager on 11 May 2015. He is also the Chairman of the Audit and Risk Committee, as well as a member of the Remuneration Committee and the Nominating Committee.

Mr Gray is a qualified accountant with 35 years' experience in professional practice across a number of international markets. He trained as a Chartered Accountant with Coopers & Lybrand in the United Kingdom and moved to Coopers & Lybrand Singapore in 1978, retiring from the merged firm of PricewaterhouseCoopers in 2004. During this time, he founded the PricewaterhouseCoopers' practice in Indochina and was the Territorial Senior Partner for eight years thereafter. Prior to practicing as an accountant, Mr Gray spent 10 years in the shipping industry as an officer in the Merchant Navy. Mr Gray was a member of the Publications Committee of the Singapore Institute of Directors and former editor of the SID Bulletin. He received the Public Service Medal (P.B.M.) from the Singapore Government in 1992, the Public Service Star (B.B.M.) in 1999 and the Public Service Star Bar (B.B.M. [L]) in 2010.

Mr Gray holds an M.A. in South East Asian Studies from the National University of Singapore and a BSc in Maritime Studies from the University of Plymouth, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Singapore Chartered Accountants, the Singapore Institute of Directors, and the Chartered Institute Logistics and of Transport.

Shares in the Trust or related corporations
4,000,000

Present Directorships (as at 31 December 2020)
- Avi-Tech Electronics Limited (SGX: BKY)
- GSH Corporation Ltd (SGX: BDX)
- UON Singapore Pte. Ltd.

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)
- Vietnam Hospitality Limited
- TGY Property Investments Pte. Ltd.
- Tras Street Property Investment Limited

Major Appointments (other than Directorships)
- PAVE (President)

Independent,
Non-Executive Director

MICHAEL JOHN OLIVER (72)

Michael Oliver was appointed as an Independent, Non-Executive Director of the Trustee-Manager on 26 June 2013. He is also the Chairman of the Remuneration Committee and the Nominating Committee, as well as a member of the Audit and Risk Committee.

Mr Oliver has over 40 years of international experience in the banking and financial services industry. He served as Regional Board Member, Asia/Oceania for Commerzbank AG until his retirement in 2005. As the Regional Chief Executive, he was responsible for Commerzbank's branches as well as its merchant banking subsidiaries and corporate banking business in the Asia Pacific region. During his service of more than 19 years at Commerzbank, he also held senior positions in London, United Kingdom, and Hong Kong. Before joining Commerzbank, Mr Oliver was with The First National Bank of Boston for 18 years from 1967, holding a variety of commercial banking, leasing and corporate finance positions in the US, Australia and Europe; and, prior to that, The National Bank Limited, London, for 2 years.

Shares in the Trust or related corporations
None

Present Directorships (as at 31 December 2020)
None

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)
None

Major Appointments (other than Directorships)
None

Board of Directors

Independent,
Non-Executive Director

NARAYANAN SREENIVASAN (59)

Narayanan Sreenivasan was appointed as an Independent, Non-Executive Director of the Trustee-Manager on 20 September 2016. He is also a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee.

Mr Sreenivasan has been Managing Director of K&L Gates Straits Law LLC (and its predecessor firms), an international law firm, since 2003 and was appointed Senior Counsel by the Chief Justice of Singapore in 2013. Over the course of his career, Mr Sreenivasan has had an extensive practice in most areas of commercial litigation, such as contracts, directors' duties, banking facilities, international trade, engineering and technical matters, trust and fraud, and corporate and shareholder disputes. He has served on the Criminal Law Advisory Committee (Hearing) of the Ministry of Home Affairs and the Home Detention Advisory Committee for over 20 years, and was awarded the Public Service Medal (P.B.M.) from the Singapore Government in 2014.

Mr Sreenivasan holds a LLB (Hons) from the National University of Singapore and is a Fellow of the Chartered Institute of Arbitrators (UK) and the Singapore Institute of Arbitrators. He is a specialist mediator with the Singapore International Mediation Centre. He is also a director of the Law Society Pro Bono Office.

Shares in the Trust or related corporations
1,250,000

Present Directorships (as at 31 December 2020)
- K&L Gates Straits Law Practice LLC
- Q & M Dental Group (Singapore) Limited (SGX: QC7)
- Singapore Business Federation Foundation Limited

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)
- MUFG Fund Services (Singapore) Pte. Ltd.
- Hydroinformatics Institute Pte. Ltd.

Major Appointments (other than Directorships)
- Senior Counsel

Independent,
Non-Executive Director

COSTAS COURCOUBETIS (66)

Costas Courcoubetis was appointed as an Independent, Non-Executive Director of the Trustee-Manager on 6 November 2019.

Prof Courcoubetis has been Professor and Associate Head in the ESD Pillar of Singapore University of Technology and Design (SUTD) since 2013. At SUTD, he heads the Graduate Committee, the Initiative for the Sharing Economy, and co-directs the Centre for Smart Systems and the joint SUTD-LTA Centre for Transportation Research. Prior to joining SUTD, Prof Courcoubetis was Professor at the Department of Informatics at the Athens University of Economics and Business for 16 years and Head of the Telecommunications and Networks Department of The Institute of Computer Science of the Foundation for Research and Technology and Professor at the University of Crete for 19 years. Before joining academia, Prof Courcoubetis was a member of the technical staff at AT&T Bell Laboratories for 9 years. Over the course of his career, Prof Courcoubetis obtained broad experience in academia and international consulting.

Prof Courcoubetis holds a Diploma in Electrical and Mechanical Engineering from the National Technical University of Athens, Greece, as well as a MS and PhD in Electrical Engineering and Computer Science from the University of California, Berkeley, USA.

Shares in the Trust or related corporations
None

Present Directorships (as at 31 December 2020)
None

Past Directorships over the last 3 years
(2018 to 2020, excluding Subsidiaries and Associates of the Trust)
None

Major Appointments (other than Directorships)
None

Senior Management Team

Chief Executive Officer

ROGER WOODS (58)

Roger Woods has been the Chief Executive Officer of the Trustee-Manager since 3 May 2017 following his appointment as Acting Chief Executive Officer on 2 February 2017.

Mr Woods joined the Trustee-Manager as the Chief Operating Officer on 17 September 2013, responsible for overseeing the general business operations of the Trust, including short- and long-term commercial deployment of vessels and relationships with technical managers.

Prior to joining the Trustee-Manager, Mr Woods served as General Manager at FR8 for 6 years, running its office in London, United Kingdom, and focusing on commercial projects and operational performance. He previously was Managing Director at Tamoil Shipping in London, and also held Chartering Manager and Operations Manager positions over a 14-year tenure. Before Tamoil, Mr Woods worked onshore for Ugland Brothers Limited and Jebsens Ship Management Limited for a total of 9 years and was at sea for the formative part of his shipping career, serving on bulk carriers and product/chemical tankers. Over the course of his career, Mr Woods obtained broad experience across chartering, operations and ship-management, dealing with crude oil, oil products and dry cargoes and an established track record of negotiating favourable time charters and sale and purchase transactions as well as dealing with legal disputes, insurance matters and operational issues.

Mr Woods holds a Diploma in Nautical Science and is a Member of the Institute of Chartered Shipbrokers (MICS).

Shares in the Trust or related corporations
750,000

Chief Financial Officer

MARKUS WENKER (35)

Markus Wenker has been the Chief Financial Officer of the Trustee-Manager since 4 May 2020 following his appointment as Chief Financial Officer (Designate) on 20 March 2020.

Mr Wenker is responsible for the financial management, investor relations and accounting functions as well as corporate development and strategy of the Trust.

Prior to joining the Trustee-Manager, Mr Wenker was Head of Ship Finance of Hellenic Bank Public Company Limited in Cyprus where he established the bank's Ship Finance Unit and led the bank's expansion in ship finance for 4 years. He previously worked for HSH Nordbank AG and its predecessor Hamburgische Landesbank in Germany from 2002 to 2016. At HSH Nordbank, Mr Wenker was involved in ship finance since 2005, when he joined the Greek clients' desk of the bank's shipping division and later held different roles in the restructuring group of the bank, focussing on international shipping companies. Over the course of his career, Mr Wenker obtained broad experience in banking and ship finance with a proven track record of structuring and negotiating complex ship finance transactions as well as large-scale financial restructurings in the shipping industry, across various vessel segments.

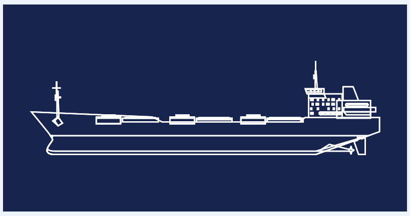
Mr Wenker is a Certified Banker (CCI) (Bankkaufmann (IHK)) and holds a Bachelor Professional of Banking (CCI) (geprüfter Bankfachwirt (IHK)) from Frankfurt School of Finance & Management in Germany, a B.A. in European Business Administration and a degree as Diplom-Kaufmann (FH) from the University of Applied Sciences Europäische Fernhochschule Hamburg, Germany. He earned an Executive MBA from Hult International Business School in London, United Kingdom.

Shares in the Trust or related corporations
170,000

Vessel Portfolio

(AS AT 31 DECEMBER 2020)

CHEMICAL TANKERS



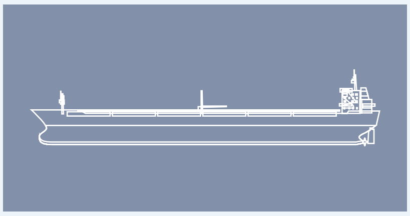
FSL NEW YORK

Year Built	2006
Builder	Usuki Shipyard, Japan
Capacity	19,970 DWT
Flag	Singapore

FSL LONDON

Year Built	2006
Builder	Usuki Shipyard, Japan
Capacity	19,966 DWT
Flag	Singapore

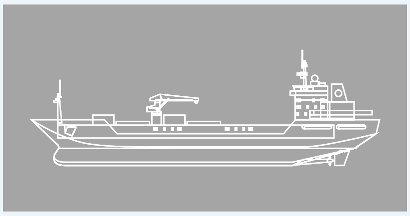
CRUDE OIL TANKERS



FSL HONG KONG

Year Built	2007
Builder	Samsung Heavy Industries, South Korea
Capacity	115,000 DWT
Flag	Singapore

PRODUCT TANKERS



CUMBRIAN FISHER

Year Built	2004
Builder	Samho, South Korea
Capacity	12,921 DWT
Flag	Bahamas

CLYDE FISHER

Year Built	2005
Builder	Samho, South Korea
Capacity	12,984 DWT
Flag	Bahamas

SHANNON FISHER

Year Built	2006
Builder	Damen Galati, Romania
Capacity	5,421 DWT
Flag	Bahamas

SOLWAY FISHER

Year Built	2006
Builder	Damen Galati, Romania
Capacity	5,421 DWT
Flag	Bahamas

SPECIALITY

Year Built	2006
Builder	Qingshan Shipyard, China
Capacity	4,426 DWT
Flag	Bahamas/UK

SENIORITY

Year Built	2006
Builder	Qingshan Shipyard, China
Capacity	4,426 DWT
Flag	Bahamas/UK

SUPERIORITY

Year Built	2007
Builder	Qingshan Shipyard, China
Capacity	4,426 DWT
Flag	Bahamas/UK

FSL SINGAPORE

Year Built	2006
Builder	Hyundai Mipo Dockyard, South Korea
Capacity	47,470 DWT
Flag	Singapore

FSL OSAKA

Year Built	2007
Builder	Shin Kurushima Dockyard, Japan
Capacity	45,998 DWT
Flag	Singapore

HULL NO. N944

Year Built	2021
Builder	COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd., China
Capacity	114,000 DWT
Flag	Marshall Islands

HULL NO. N945

Year Built	2021
Builder	COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd., China
Capacity	114,000 DWT
Flag	Marshall Islands

Financial and Operational Review

SOLID FINANCIAL PERFORMANCE DESPITE MARKET VOLATILITY

For the financial year 2020 ("FY 2020"), and despite the impact of the COVID-19 pandemic on the world economy and global trade, FSL Trust recorded a net profit of US$ 6.2 million, compared to US$ 10.1 million in the preceding financial year 2019 ("FY 2019"). The decline in net profit was mainly attributable to increased non-cash impairment charges for vessels of US$ 10.5 million, driven by lower market values and weakened earnings prospects for tankers in the short-term, compared to vessel impairments of US$ 5.0 million in the FY 2019.

The adjusted EBITDA[1] in the FY 2020 was US$ 29.1 million, which is 37.6% lower than the adjusted EBITDA of US$ 46.7 million in the FY 2019. The reduction in adjusted EBITDA[1] was mainly driven by the reduced fleet following the disposal of six vessels in FY 2020 resulting in a 21% decline in ownership days, but also by the maturity of the charters of the Trust's three containerships.

The Trust generated a positive net cash flow from operations in all four quarters of the FY 2020 totalling US$ 38.0 million in aggregate and realised net proceeds from the disposal of vessels of US$ 87.3 million. This allowed the Trust to significantly reduce bank debt by US$ 40.9 million (including prepayments and scheduled repayments) and distribute a total of US$ 79.6 million to unitholders.

In the FY 2020, the Trust maintained its solid capital structure and the key financial ratios further improved compared to the preceding year. The equity ratio[2] increased from 73.7% at the end of FY 2019 to 80.1% at the end of FY 2020 and the Trust ended the FY 2020 with a net leverage[3] of 0.3x only (FY 2019: 0.6x).

VESSEL PORTFOLIO

As at 31 December 2020, the FSL Trust owned a diversified fleet of 14 high-quality and well maintained vessels, including 11 product tankers across different sizes (including two newbuildings on order), two chemical tankers and one crude oil

Revenue

48.3
US$MILLION

Net Cash Generated from Operating Activities

38.0
US$MILLION

Profit for 2020

6.2
US$MILLION

1 Earnings before interest, taxes, depreciation, and amortisation, excluding gains/losses from the disposal of vessels and vessel impairments
2 Total equity to total assets; Group
3 Adjusted EBITDA to net interest bearing debt; Group

tanker. This represents a reduction of the number of vessels by 30.0%, compared to a fleet of 20 vessels (including two newbuildings on order) as at 31 December 2019. Similarly, ownership days reduced from 6,664 days in the FY 2019 to 5,295 days in the FY 2020, representing a decline of 20.5% year-on-year.

As part of the Trust's strategy to dispose older, environmentally less friendly vessels, the Trust has completed the disposal of six vessels during the FY 2020. The vessel disposals include the 2006-built LR2 product tankers *FSL Perth* and *FSL Piraeus* in January 2020, the Aframax crude oil tanker *FSL Shanghai* in March 2020, and the 2008-built containerships *FSL Eminence* (ex *YM Eminence*), *FSL Elixir* (ex *YM Elixir*) and *FSL Enhancer* (ex *YM Enhancer*), which finished their long-term employments, the first two in August and the latter in October 2020. The aggregate net sales proceeds from the disposals of the vessels was US$ 87.3 million, of which US$ 15.6 million were used towards the partial prepayment of the Trust's outstanding bank debt, whilst the remainder was used for general corporate purposes. In the FY 2020, the Trust recorded a net gain from the disposal of vessels of US$ 5.0 million compared to US$ 0.0 million in the preceding year.

Subsequent to the end of the FY 2020, the Trust has also disposed the two LR2 product tanker newbuildings *FSL Fos* and *FSL Suez* following their deliveries from the shipyard in February 2021, and the 2007-built MR product tanker *FSL Osaka* in March 2021.

The two LR2 product tanker newbuildings were supposed to mark the starting point of FSL Trust's fleet renewal announced in 2018. However, the adverse impact of the COVID-19 pandemic on the oil and oil products trade fundamentally weakened their short-term earnings prospects, whilst the International Maritime Organisation's increasingly ambitious carbon emission reduction targets challenge the medium to long-term prospects even for today's technologically most advanced vessels like these two newbuildings. These factors, coupled with the attractive offer received, justified the sale approximately 26 months after the Trust entered into the contracts to build the two newbuildings.

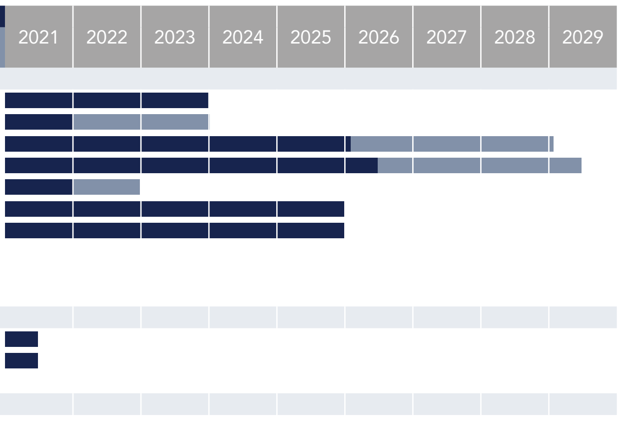
All disposals were made in the ordinary course of business, to unaffiliated third parties and in arm's length transactions.

FLEET EMPLOYMENT

The vessels of the Trust are employed under different types of charters. Of the 14 vessels at the end of FY 2020 (including two newbuildings on order), nine vessels were employed under fixed-rate period bareboat and time charters to international shipping companies, whilst three vessels were employed in pools or revenue sharing agreements. An overview of the employment of the vessels is provided in **Figure 1**.

Figure 1:
FLEET EMPLOYMENT PROFILE AS AT 31 DECEMBER 2020

Vessel	Built Year	Size DWT	Employment Type	Charterer/ Manager
Product Tanker				
Cumbrian Fisher	2004	12,921	BBC	Fisher
Clyde Fisher	2005	12,984	BBC	Fisher
Shannon Fisher	2006	5,421	BBC	Fisher
Solway Fisher	2006	5,421	BBC	Fisher
Speciality	2006	4,426	BBC	Fisher
Seniority	2006	4,426	BBC	Fisher
Superiority	2007	4,426	BBC	Fisher
FSL Singapore	2006	47,470	Pool	HAFNIA
FSL Osaka	2007	45,998	Pool	HAFNIA
Chemical Tanker				
FSL New York	2006	19,970	TC	GSB Tankers
FSL London	2006	19,996	TC	GSB Tankers
Crude Oil Tanker				
FSL Hong Kong	2007	115,000	RSA	TEEKAY



Firm Periods Optional Period(s) or Early Termination Option(s)

Financial and Operational Review

Bareboat Charters

Seven product tankers, namely *Cumbrian Fisher*, *Clyde Fisher*, *Shannon Fisher*, *Solway Fisher*, *Speciality*, *Seniority and Superiority*, have been employed under multi-year bareboat charters to James Fisher Everard Limited since the Trust acquired the vessels. In the FY 2020, the Trust reached an in-principle agreement to extend the charters for the five vessels *Shannon Fisher*, *Solway Fisher*, *Speciality*, *Seniority* and *Superiority*, that would otherwise have matured at the end of the FY 2020 or in the first half of 2021, for up to eight years. The agreement to extend the charters was formalised in February 2021. The charters for the vessels *Cumbrian Fisher* and *Clyde Fisher* have longer charter maturities and were not part of the extension agreement. The seven vessels generated an aggregate adjusted EBITDA of US$ 6.2 million in the FY 2020 (FY 2019: US$ 5.8 million).

The containerships *FSL Eminence (ex YM Eminence)*, *FSL Elixir (ex YM Elixir)* and *FSL Enhancer (ex YM Enhancer)* were employed on bareboat to All Oceans Transportation Inc. (Yang Ming Marine Transport Corporation) until May 2020, June 2020 and October 2020, respectively, when the charters matured, and the Trust subsequently disposed the vessels. In the FY 2020, the three vessels generated an aggregate adjusted EBITDA of US$ 8.5 million (FY 2019: US$ 19.0 million).

Time Charters

The Trust's two chemical tankers, *FSL London* and *FSL New York*, have been employed on time charters to Golden Stena Baycrest Tankers Pte. Ltd. since June 2018. In the FY 2020, the charterer of the vessels exercised its option to extend the charters by one year until June 2021. *FSL London* and *FSL New York* generated a combined adjusted EBITDA of US$ 3.2 million in the FY 2020 (FY 2019: US$ 3.3 million).

Pools and Revenue Sharing Agreements

The two MR product tankers *FSL Osaka* and *FSL Singapore* have been employed in the MR tanker pool managed by Hafnia Pool Management (BW Group) since November 2015 and April 2018, respectively. The vessels generated a combined adjusted EBITDA of US$ 5.6 million in the FY 2020 (FY 2019: US$ 5.0 million).

Until their disposal in January 2020, the two LR2 product tankers *FSL Perth* and *FSL Piraeus* were employed in the Sigma Tanker Pool managed by Heidmar. The vessels generated a combined adjusted EBITDA of US$ 1.2 million in the FY 2020 (FY 2019: US$ 6.8 million).

The Aframax tanker *FSL Hong Kong* and, until her disposal in March 2020, the sistership *FSL Shanghai*, have been employed under a revenue sharing agreement managed by Teekay Group from April 2017 and September 2017, respectively. *FSL Hong Kong* generated an adjusted EBITDA of US$ 3.7 million in the FY 2020 (FY 2019: US$ 3.2 million), whilst *FSL Shanghai* generated an adjusted EBITDA of US$ 1.6 million in the FY 2020 (FY 2019: US$ 4.2 million).

An overview of the allocation of adjusted EBITDA by vessel employment type and by type is provided in **Figures 2 and 3**.

Figure 2:
ADJUSTED EBITDA BY VESSEL TYPE

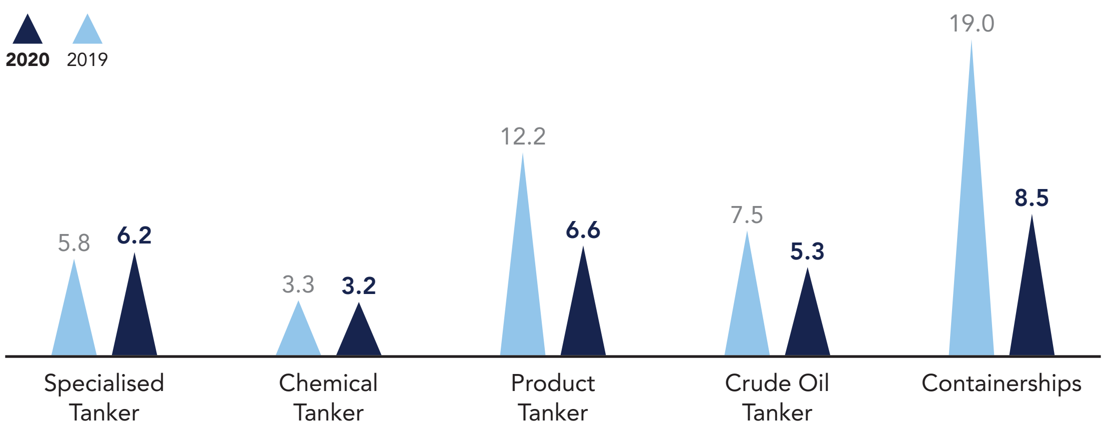


Figure 3:
ADJUSTED EBITDA BY EMPLOYMENT TYPE

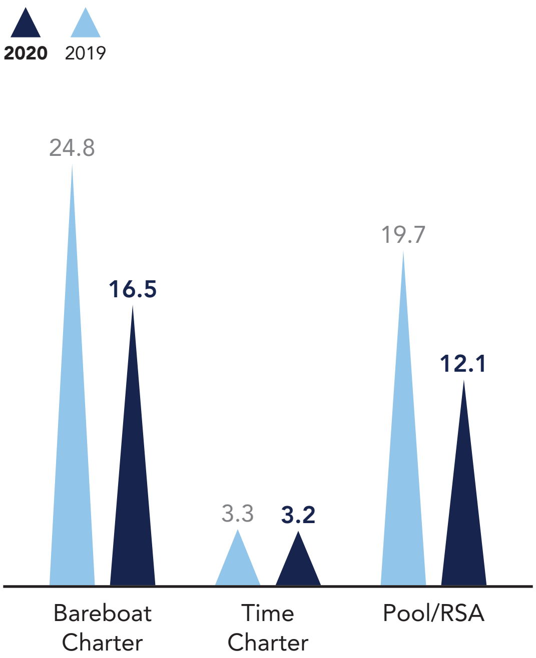
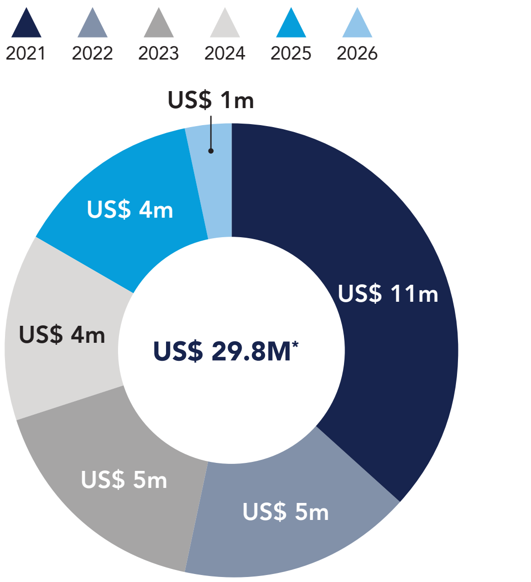


Figure 4:
CONTRACTED REVENUE



* As at 31 December 2020, based on revenue from 7 bareboat charters and 2 time charters, excluding optional periods (extension options or early termination options)

CONTRACTED REVENUE

The contracted revenue under the fixed rate period charters, including bareboat charters and time charters and excluding optional periods, amounted to US$ 29.8 million, compared to US$ 25.6 million the year before. The contracted revenues are spread over multiple years and provide a certain degree of cash flow visibility and downside protection (**see Figure 4**).

OPERATING AND OTHER EXPENSES

In line with the disposal of six vessels in the FY 2020, the total vessel operating expenses of the Trust reduced by 28.0% in the FY 2020 to US$ 15.5 million (FY 2019: US$ 21.6 million) and depreciation expenses on vessels reduced by 40.5% to US$ 14.8 million (FY 2019: US$ 24.8 million). Other trust expenses declined by 12.7% from US$ 2.3 million in FY 2019 to US$ 2.0 million in the FY 2020.

In the FY 2020 and driven by a softening of market values and the weaker earnings prospects due to the COVID-19 pandemic, the Trust recognised non-cash impairment charges of US$ 10.5 million for the vessels *FSL Enhancer*, *FSL Hong Kong*, *FSL London*, *FSL New York*, *FSL Osaka*, *FSL Singapore*, *Speciality*, *Seniority* and *Superiority*, compared to US$ 5.0 million in the preceding year.

DEBT FINANCINGS AND COVENANTS

During the FY 2020, the Trust made debt repayments in the total amount of US$ 40.9 million, including US$ 17.8 million of scheduled repayments and US$ 23.1 million of prepayments, which were drawn from the operating cash flow and the net proceeds of the disposals of vessels. The Trust did not enter into any new debt financing during the FY 2020 and the amount outstanding under the debt financings reduced to US$ 30.0 million as at 31 December 2020. Subsequent to the end of the FY 2020, the Trust fully prepaid the existing debt financings and arranged a new debt financing in the amount of US$ 15.0 million.

Reflecting the lower amount outstanding under the debt financings, finance expenses substantially reduced by 59.8% from US$ 7.1 million in FY 2019 to US$ 2.9 million in FY 2020.

The Trust was in compliance with the covenants agreed with in the relevant financing agreements throughout the FY 2020.

Our Lessees and Charterers

JAMES FISHER EVERARD LIMITED

JAMES FISHER & SONS PLC (UNITED KINGDOM)

James Fisher & Sons plc (United Kingdom), listed on the London Stock Exchange (LSE: FSJ), is a leading provider of marine and specialist engineering services worldwide. From its beginnings in 1847 as a ship owner and operator in England, James Fisher has developed considerable expertise in operating various marine and other safety-critical specialised businesses. The company provides comprehensive products, services and support to the oil and gas, renewables, nuclear power, construction, shipping and defence industries. Based in United Kingdom, James Fisher operates worldwide across 20 countries under four broad business divisions, namely, Marine Support, Specialist Technical, Offshore Oil and Tankships.

GOLDEN STENA BAYCREST TANKERS PTE. LTD.

GOLDEN-AGRI STENA PTE. LTD. (REPUBLIC OF SINGAPORE)

Golden-Agri Stena (Republic of Singapore) was established in 2012 as a joint venture between Stena Bulk, Sweden, one of the world's leading tanker shipping companies, and Golden Agri-Resources, Indonesia, one of the world's largest palm oil producer. Today, Golden-Agri Stena has grown to become one of the larger intermediate-sized chemical tanker operator in Asia, with offices in Singapore and Dubai. As part of its efforts to expand their chemical tanker business, Golden-Agri Stena went on to start a joint venture company, Golden Stena Baycrest Tankers (GSB Tankers), in 2018 with Bay Crest Management, Singapore. GSB Tankers has been set up to undertake the operation and commercial management of chemical tankers. GSB Tankers commence operations in 2019. Apart from its headquarters in Singapore, GSB Tankers also has offices in Dubai and Japan.

Note: Information about our lessees and ship charterers has been obtained from our own enquiries of those counterparties, their respective group management, group websites and publicly accessible sources.

Corporate Governance Report

First Ship Lease Trust ("FSL Trust" or "the Trust") is a business trust constituted under the Business Trusts Act, Chapter 31A. FSL Trust Management Pte. Ltd. ("FSLTM" or "the Trustee-Manager") in its role as trustee-manager of FSL Trust, is responsible for managing the business of FSL Trust.

FSL Asset Management Pte. Ltd. ("FSLAM") was constituted in 2010 as the resource centre for the FSL group of companies (the "Group"). Pursuant to a management services agreement between FSLTM and FSLAM, FSLAM (which is the sole shareholder of FSLTM) provides FSLTM all agreed management services, including the services of the Chief Executive Officer, the Chief Financial Officer and other management personnel and staff. FSLTM is charged and bears the cost of management services rendered to it by FSLAM. This is determined according to a market-based benchmarked formula. FSL Trust has no employees and no executive directors.

FSLAM is owned by FSL Holdings Pte. Ltd., the sponsor of the Trust (the "Sponsor"), and led by Roger Woods and Markus Wenker, who are also the Chief Executive Officer and the Chief Financial Officer, respectively, of FSLTM. The sole shareholder of the Sponsor is Prime Shareholdings Inc., which is an affiliate of the international ship-owning and ship-management group Prime Marine.

Prime Marine Group was founded in Greece in 1999 and has since grown to become a leading international ship-owner and ship-manager of crude oil tankers, product tankers and gas carriers, providing seaborne transportation for refined petroleum products, light chemicals, naphtha, liquefied petroleum gas (LPG) and ammonia along global shipping routes. Through Prime Tanker Management Inc. and Prime Gas Management Inc. and with approximately 150 shore-based employees, Prime Marine Group has a significant operational and commercial platform and currently manages a fleet of 41 vessels, including 32 product tankers of different sizes, 2 Suezmax crude oil tankers and 7 gas carriers, with an aggregate tonnage of approximately 2.8 million dwt.

FSL Trust itself has no directors. The directors referred to in this Annual Report are directors of FSLTM, who are responsible for the management of FSL Trust by virtue of the deed of trust constituting FSL Trust dated 19 March 2007, as amended and supplemented from time to time (the "Trust Deed").

The units of FSL Trust are listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) under the ticker symbol "D8DU". FSL Trust is principally regulated by:

(i) the Securities and Futures Act, Chapter 289 (the "SFA");
(ii) the Business Trusts Act, Chapter 31A (the "BTA");
(iii) the Listing Manual of SGX-ST (the "Listing Manual"); and
(iv) the Trust Deed.

The setting of and maintaining high standards of corporate governance is a core value of FSLTM and embraces the tenets of good governance, including accountability, transparency and sustainability as required by the Code of Corporate Governance 2018 (the "Code").

The Trustee-Manager believes that effective corporate governance is critical to its performance and success and has, in the last year further enhanced its procedures to ensure that best practices have been implemented and are followed to safeguard the interest of the unitholders of the Trust (the "Unitholders"), whilst taking account of the interests of other stakeholders.

This report sets out the corporate governance practices in place for financial year 2020 with reference to the Code and Business Trusts Regulations 2005. Where there are significant deviations from the Code, appropriate explanations on a comply-or-explain basis are provided in this report.

THE MANAGER OF FSL TRUST

The Trustee-Manager was appointed in accordance with the terms of the Trust Deed.

Pursuant to the Trust Deed, the Trustee-Manager's main responsibility is, on behalf of FSL Trust, the acquisition, disposition, management, operation, finance leasing, leasing and chartering of vessels and all activities, concerns, functions and matters reasonably incidental thereto for the benefit of Unitholders.

Corporate Governance Report

The Trustee-Manager is required, pursuant to the BTA, to:

(a) act in the best interests of all the Unitholders of the Trust as a whole; and
(b) give priority to the interests of all the Unitholders of the FSL Trust as a whole over FSLTM's own interests in the event of a conflict between the interests of all the Unitholders of FSL Trust as a whole and FSLTM's own interests.

The Trustee-Manager has the appropriate people, processes and structures so as to direct and manage the business and affairs of the Trust. All the directors of the Trustee-Manager are competent and experienced individuals who have considerable experience in the shipping industry and/or other fields relevant to the business of the Trust.

The Trustee-Manager sets the general business direction, the investment and portfolio strategy, the financing strategy, and the approach to governance of FSL Trust. The Trustee-Manager aims to optimize the cash flow generation and create and maximise value for the Unitholders of the Trust by actively managing the vessel portfolio, ensuring that the vessels in the portfolio of the Trust are efficiently operated and employed, and managing the various risks and opportunities related to the business of the Trust.

Other key functions and responsibilities of the Trustee-Manager include:

(i) conduct all transactions on behalf of the Trust at arm's length, using best endeavours;
(ii) develop and implement the Trust's business plan and budget;
(iii) ensure compliance with all applicable prevailing laws and regulations, as well as the Trustee-Manager's obligations under the Trust Deed;
(iv) obtain finance for the Trust's assets and operations as required and ensuring that all terms of any loan covenants are complied with;
(v) maintain a framework of appropriate and effective controls to enable financial, operational and compliance risks to be assessed and managed; and
(vi) manage regular communications with Unitholders and any necessary announcements in accordance with the Listing Manual.

The remuneration of the Trustee-Manager is as follows:

1. a management fee of 4.0% of the lease income;
2. a trustee fee at 0.02% per annum of the value of the Trust property;
3. an acquisition Fee at the rate of 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the acquisition cost of any investments acquired directly or indirectly in the Trust Property;
4. a divestment Fee at the rate of 0.5% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the disposal proceeds, excluding proceeds from exercise of original purchase or early buy out options, of any investments in the Trust Property sold or divested directly or indirectly by the Trust; and
5. an incentive fee calculated on a quarterly basis on the excess of the net distributable amount ("DAU") over the benchmark DAU as defined in the Trust Deed.

The Trustee-Manager is furthermore entitled to the reimbursement of all out-of-pocket expenses incurred by the Trustee-Manager in the performance of its duties under the Trust Deed.

In consideration of the above, the Trustee-Manager shall not impose any other charge or fee for its services or for its normal expenses with the exception of charges and fees authorised by the Trust Deed.

The fees payable by the Trust are detailed in note 1 to the financial statements of this annual report. The fees paid to FSLTM in financial year 2020 are set out in note 21 to the financial statements.

The Trust Deed outlines the circumstances where the Trustee-Manager can be appointed or removed, and the event of the resignation of the Trustee-Manager. Removal, includes the proposal and passing of a resolution by, in aggregate not less than three-fourths of the voting rights of all Unitholders of the Trust, cast at a meeting of Unitholders duly convened in accordance with the provisions of the Trust Deed.

CODE OF CORPORATE GOVERNANCE 2018

This report describes the Trust's corporate governance processes and activities with specific reference to each of the principles set out in the Code. The Trust has materially complied with all principles and provisions set out in the Code and as far as practicable also the Practice Guidelines. In areas where the Trust deviates from the Code, the rationale has been provided, where appropriate.

BOARD MATTERS

Provision

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1 – FSLTM is headed by an effective Board which is collectively responsible and works with Management for the long-term success of FSL Trust.

Board's Role 1.1

The Board's role is to:

- provide entrepreneurial leadership, and set strategic objectives, which should include appropriate focus on value creation, innovation and sustainability;
- ensure that the necessary resources are in place for the Trust to meet its strategic objectives;
- establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Trust's performance;
- constructively challenge Management and review its performance;
- instil an ethical corporate culture and ensure that the Trust's values, standards, policies and practices are consistent with the culture; and
- ensure transparency and accountability to key stakeholder groups.

Fiduciary Duties of the Members of the Board

The members of the Board are aware of their fiduciary duties and that they must act objectively in the best interests of the Trust. To this end, the Board guides the corporate strategy and directions of management, reviews the budget and all business plans, approves any investments, divestments and borrowings/debt financings, monitors the financial and non-financial performance of FSL Trust, puts in place all relevant internal controls and risk management processes, approves all public announcements, the quarterly and full year announcements and financial statements, identifies key stakeholder groups, and oversees the management of FSL Trust. The Board is fully aware that it is accountable to the Unitholders of FSL Trust for the long-term financial performance and stability of FSL Trust.

Board Organisation and Support

The Board is committed to conducting its business activities in a legal and ethical manner. Continued business success for FSL Trust and FSLTM is based on honesty, integrity and ethical conduct.

The Board has issued a written code of conduct outlining FSLTM's expectations and guidelines in the conduct of its business (the "Code of Conduct"). The Code of Conduct applies to all employees, officers and directors. Also, the business partners and service providers are expected to conduct their business activities with FSLTM in accordance with applicable laws and regulations and this Code of Conduct. Violations may result in disciplinary actions up to, and including, the termination of the contract in the case of a director, officer or employee.

The Code of Conduct also defines and sets out the procedures for conflicts of interest covering both the staff and the directors.

Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

Corporate Governance Report

Provision

Scope of Director Duties – Executive Directors, Non-executive Directors, Independent Directors 1.2

All directors are non-executive directors. This enables the executive management to benefit from the director's external, diverse and objective perspective on issues that are brought before the Board. It also enables the Board to interact and work with the executive management through an open exchange of ideas and views to help shape the strategic process. As all board members are non-executive directors, the Board is able to constructively challenge the executive management and help to develop strategies. The majority of directors are independent which strengthens the corporate governance of the Trust.

Induction for New Directors

The Board ensures that all incoming new directors will receive comprehensive and tailored induction. This includes briefings by existing directors on issues relevant to the Board and its committees. Incoming new directors are also briefed by the senior management on the Trust's business activities, strategic direction and policies, key business risks, the regulatory environment in which the Trust operates, and governance practices, as well as their statutory and other duties and responsibilities as directors of FSLTM.

Incoming new directors also receive the corporate manual including such areas as corporate governance, vessel leaseback and purchase, financial risk management, financial reports, cash management, procurement, human resources, code of conduct and staff resources.

All new first-time directors, who have no prior experience as a director of an entity listed on the SGX-ST, must undergo relevant training in the roles and responsibilities of a director of a listed issuer, as prescribed by the SGX-ST. If the nominating committee of the Board is of the view that training is not required because the incoming new director has other relevant experience, the basis for this assessment must be disclosed.

Training

The Board considers it important that directors understand the shipping business and the areas relevant to it to be able to fulfil their duties as a director. To this end, training is made available by the Trust to help directors to develop and maintain their skills. All directors furthermore receive daily updates on the shipping industry extracted from worldwide sources from the business and shipping press.

To enable the directors to fully discharge their duties and obligations, directors have been furnished with a legal and compliance regulatory manual prepared by professional advisers. As and when necessary, they have also been provided with updates on relevant practices, new laws, rules and regulations, changes in accounting standards and risk management issues applicable to FSL Trust and/or FSLTM, including briefings by relevant professionals.

All Board members are encouraged to receive regular training programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the Code, to initiate programmes for Directors to meet their relevant training needs. In this regard, the Trust is supportive of Board members in the participation of industry conferences and seminars and, will fund Directors' attendance at any course or training programme in connection with their duties as directors.

In the financial year under review, Mr Michael Grenville Gray attended "ACRA-SGX-SID Audit Committee Seminar 2020" jointly organised by the SID, SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**"). He also attended 'Directors' Virtual Conference – Living with Covid 19' organised by SID, a presentation on 'Leveraging A&T for Internal Controls and Fraud Prevention' and a forum on 'Singapore Governance and Transparency Index'.

Reserved Matters 1.3

The Board has adopted internal guidelines setting forth the matters which are specifically reserved to the Board for approval, including the following:

- material acquisitions and disposals of vessels and other significant capital expenditure;
- vessel leases and extensions;
- corporate or financial restructuring;

Provision

- borrowings and other debt financings;
- issue of units, distributions and other capital transactions and returns to Unitholders;
- approval of annual audited financial statements for the Trust and the Directors' Statement thereto;
- SGX submissions and any public reports or press releases reporting the results of operations;
- matters involving a conflict or potential conflict of interest involving a substantial shareholder/Unitholder or a director; and
- significant policies and procedures.

Clear directions have also been given to management that such matters must be approved by the Board.

Board Committees 1.4

In accordance with the Code, the Board has, without abdicating its responsibility, established Board committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board committees comprise the audit and risk committee ("**ARC**"), the nominating committee ("**NC**") and the remuneration committee ("RC"), which have been delegated with specific authorities.

Each Board committee has written terms of reference which clearly set out the authorities and duties of the committee, and functions within its own defined terms of reference and procedures. All committees are chaired by an independent non-executive director. All Board members objectively make decisions in the interests of the Trust. The composition and description of each Board committee is set out in this report.

The executive management of FSLTM provides regular reports to the Board and its committees.

Board Meeting Dates 1.5

The Board meets (physically and/or virtually) at least once every quarter to coincide with the announcement of the Trust's quarterly, half-year and full-year results and to update the Board on significant business activities and overall business environment and as often as warranted by particular circumstances. Ad hoc meetings are also held via telephone- or video-conference for matters requiring urgent attention. Board meetings are also supplemented by resolutions circulated to directors for decisions.

Meetings of Non-Executive Directors

The non-executive directors also communicate amongst themselves, and with the Trust's auditors and legal advisors, without the presence of the executive management.

Meeting attendance

The attendance of the directors at the meetings of the Board and its committees for 2020 is set out below:

	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Director	Attendance / No. of meetings held	Attendance / No. of meetings held	Attendance / No. of meetings held	Attendance / No. of meetings held
Stathis Topouzoglou	4/4	N.A.	N.A.	N.A.
Michael Chalkias	4/4	N.A.	N.A.	N.A.
Michael Gray	4/4	4/4	1/1	2/2
Michael Oliver	4/4	4/4	1/1	2/2
N. Sreenivasan	4/4	4/4	1/1	2/2
Costas Courcoubetis	4/4	N.A.	N.A.	N.A.

N.A. – Not applicable.
The ARC also functions as the whistle-blowing committee.

Corporate Governance Report

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Mr Stathis Topouzoglou and Mr Michael Chalkias, both non-independent, non-executive directors, attend the meetings of the ARC, the NC and the RC by invitation. Mr Costas Courcoubetis, an independent non-executive director, also attends the meetings of the ARC, the NC and the RC by invitation. Mr Roger Woods and Mr Markus Wenker attend the meetings of the Board and ARC by invitation.

Directors Provided Relevant Information 1.6

Directors are provided with relevant information in a timely manner before or at each meeting to enable them to be properly informed of matters to be discussed and/or approved, and to enable them to make informed decisions to discharge their duties and responsibilities as directors. Directors are entitled to request for additional information as needed. In addition, quarterly and full-year financial statements are submitted to the Board for approval, prior to release to the SGX-ST.

Independent Access to Management 1.7

Directors have separate and independent access to the executive management and the company secretary at all times. The external and internal auditors are also available on-hand to provide additional insight when financial statements are considered.

Directors may seek further independent professional advice, if required, to allow directors to fulfil their duties properly, and such expenses will be paid by the Trust.

Company Secretary

Pursuant to Section 7 BTA, the company secretary is a person who:

(a) for at least 3 years in the period of 5 years immediately preceding appointment as secretary, held the office of secretary of a company or trustee-manager of a registered business trust;
(b) is a qualified person under the Legal Profession Act (Cap. 161), a public accountant, a member of the Singapore Association of the Institute of Chartered Secretaries and Administrators or a member of such other professional association as may be prescribed; or
(c) is, by virtue of such academic or professional qualifications as may be prescribed, capable of discharging the functions of secretary of the trustee-manager.

The company secretary has the required experience and qualifications to hold the position of company secretary to the Trust.

The company secretary attends all formal meetings of the Board and its committees. The company secretary is responsible for ensuring that procedures are followed and that FSLTM has complied with the requirements of the BTA and all other relevant rules and regulations applicable to the Trust. The appointment and removal of the company secretary is a matter for the Board as a whole.

BOARD COMPOSITION AND GUIDANCE

Principle 2 – The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Director Independence 2.1

An "independent director" is one who is independent in conduct, character and judgement, and has no business relationship with the Trust, its related corporations, its substantial Unitholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent role and responsibilities in the best interests of the Trust.

A director to be independent must be:

(a) independent from management and business relationships with FSLTM ("Trustee-Manager"); and
(b) independent from every substantial shareholder of FSLTM.

Provision

The independence of any director who has served on the Board beyond nine years from the date of first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the potential replacements of members of the Board who have served on the Board beyond nine years of the date of first appointment. The Board should further explain why any such director should be considered independent.

There is no board tenure and no requirement for regular re-appointments of directors as the directors are appointed by the Trustee-Manager and not the Trust, which units are listed. The Trust has nevertheless regularly refreshed the Board and has currently no independent directors that have served beyond nine years.

Proportion of Non-executive Directors 2.2/2.3

The composition of the Board of FSLTM is determined using the following principles:

- the majority of Board members should be non-executive, independent directors;
- the chairman of the Board should be a non-executive director;
- the Board should comprise directors with a wide range of commercial and managerial experience; and
- at least a majority of the directors should be independent from management and business relationships with FSLTM and from every substantial shareholder of FSLTM.

Non-executive independent directors make up a majority of the board.

Independent directors should make up a majority of the Board where the chairman is not independent. The chairman of the Board is not independent. Currently, the Board comprises six directors. All six current directors are non-executive, four of whom are independent, resulting in independent directors making up a majority of the board.

Directors	Board Membership	Date of First Appointment as a Director	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Stathis Topouzoglou	Chairman and non-independent/ non-executive director	28 February 2018			
Michael Chalkias	Non-independent/ non-executive director	9 March 2018			
Michael Gray	Independent Director	11 May 2015	member	member	member
Michael Oliver	Independent Director	26 June 2013	member	member	member
N. Sreenivasan	Independent Director	20 September 2016	member	member	member
Costas Courcoubetis	Independent Director	6 November 2019			

The Board members are not appointed by Unitholders of the Trust but by the Trustee-Manager and are not subject to retirement by rotation.

Director Competencies 2.4

The directors come from diverse backgrounds with expertise in the areas of shipping, accounting and finance, banking, legal, business, academia and management and are able to apply their experience in support of the interests of FSL Trust. Profiles of the directors can be found on page 10 of this annual report.

The Board has the appropriate balance of independent directors. The four independent directors are particularly aware of their responsibility to constantly place the interests of Unitholders as a whole foremost in the consideration of all relevant matters.

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The composition of the Board and its committees is reviewed periodically to ensure that the Board and its committees comprise an appropriate mix of expertise and experience to best serve the interests of FSL Trust and all its Unitholders.

The directors are expected to diligently discharge their duties and responsibilities, always acting in the best interests of FSL Trust and its Unitholders. Updates on business and operations are provided and discussed at board meetings.

Balance and Diversity of the Board

Core Competencies	number	%
Accounting or finance related	2	33%
Management experience in the shipping industry	2	33%
Legal or corporate governance	1	17%
Strategic planning experience	1	17%
Total	**6**	

Gender Diversity		
Male	6	100%
Female	0	
Total	**6**	

Board Diversity Policy

The Board recognises the benefits of a diverse Board as being an important element which will better support the Trustee-Manager in achieving the Trust's strategic objectives, by enhancing the decision-making process of the Board, through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

In recommending or endorsing the appointment of new Directors, the NC takes into consideration the current Board size and composition, including the diversity of skills, experience and knowledge which a new Director can provide to the Trust. The NC will also meet with candidates to become a director to understand and assess how a candidate can effectively contribute and commit time to the Trustee-Manager and the Trust.

The Board is of the view that gender is an important aspect of diversity. The Board will strive to include female candidates in identifying new members for the Board. There is currently no female directors serving on the Board. FSLTM has set it as a short-term priority for the appointment of a female director to the Board.

Discussions of Independent Directors 2.5

The independent directors have held a number of discussions separately without the presence of the executive management and feedback is given to the Board and/or its chairman as appropriate. These discussions are conducted by both physical meetings and by electronic means.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3 – There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and the Chief Executive Officer 3.1

Stathis Topouzoglou is the chairman of the Board and Roger Woods is the Chief Executive Officer ("CEO"). The chairman and CEO are not related to one another. The chairman and the CEO have separate and distinct

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roles, resulting in an effective balance of power and authority. At general meetings, the chairman facilitates constructive dialogue and ensures effective communication between the Board, the executive management and Unitholders. The chairman is responsible for the effective functioning of the Board in the interests of all Unitholders. Board meetings are led by the chairman and there is a culture of openness and debate and all directors are given ample opportunity and time to express their views and opinions. The CEO has full executive responsibility over the business direction and operational decisions in the day-to-day operations and management of FSLTM, as trustee-manager of FSL Trust.

Division of Responsibilities Between the Chairman and the CEO 3.2

FSL Trust's "Policies and Procedures Manual" sets out in writing, the division of responsibilities between the chairman and the CEO.

The role of the chairman of the Board includes:

- lead the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
- ensure that the directors receive accurate, timely, and clear information;
- ensure effective communication with Unitholders;
- encourage constructive relations between the Board and executive management;
- facilitate the effective contribution of directors;
- encourage constructive relations between executive directors and non-executive directors; and
- promote high standards of corporate governance.

The role of the CEO includes:

- having full executive responsibility over the business direction; and
- making the operational decisions in the day-to-day operations and management of FSLTM, as trustee-manager of FSL Trust.

Role of the Lead Independent Director 3.3

The role of a lead independent director is to provide leadership in situations and matters where the chairman is conflicted. The chairman of FSLTM is considered not independent.

Michael Gray is the lead independent director. As a lead independent director, Michael Gray leads and co-ordinates the activities of the independent directors. He is the principal liaison on board issues between the independent directors and the chairman. The independent directors have held informal meetings as and when required, without the presence of the executive management and the non-independent directors.

In the absence of the chairman of the Board or if there is a conflict of interest, the lead independent director, assumes the role of chairman of the Board.

The lead independent director is also available and has attended to Unitholders' queries and issues raised to SGX-ST by Unitholders.

BOARD MEMBERSHIP

Principle 4 – The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

The Terms of Reference of the Nominating Committee 4.1

The scope and responsibilities of the NC include:

- identify, review and recommend candidates for nomination for appointment as directors and/or executive management personnel of FSLTM or FSLAM and the members of various committees;
- review the Board structure, size and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary;

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- review the strength and assessing the effectiveness of the Board as a whole;
- determine, on an annual basis, the independent status of the directors;
- decide whether or not a director is able to and has been adequately carrying out his duties as a director of FSLTM, particularly when the director has multiple board representations;
- oversee the executive management, development and succession planning of FSLTM; and
- identify training and professional development programs for directors.

The NC takes into consideration the Board's size, experience and overall competency and expertise to determine if the Board is effective.

The Independent Directors

The NC of FSLTM comprises three independent directors, namely: 4.2

- Michael Oliver (chairman);
- Michael Gray; and
- N. Sreenivasan.

The lead independent director is a member of the NC.

Selection, Appointment and Re-appointment Process 4.3

From time to time, new directors may be identified by the NC for appointment if necessary, to replace existing Board members that are retiring or have retired or to add to areas of experience and competency that is required on the Board.

The Board uses various channels to source for appropriate candidates:

- recommendations from current directors as to contacts that they may have or suitable persons that they may be aware of;
- other sources in the market such as lawyers, accountants, bankers etc.;
- executive recruitment agencies, where necessary; and
- the Sponsor due to its extensive worldwide contacts in the shipping industry.

In the selection and nomination of new directors, the NC identifies the key attributes that a new director should have, based on attributes of the existing Board and the requirements of the Trust.

The criteria used to identify and evaluate potential new directors include:

- the necessary skills for a director and to fill the various roles on the Board which include, depending on the role, experience in areas such as shipping, accounting, finance, legal, corporate planning, etc.;
- the ability to work constructively with the existing members of the Board without causing unnecessary conflict;
- the willingness to speak up at meetings and constructively challenge the executive management;
- the preference for a candidate with prior experience in a listed entity and, if not, the willingness to attend the relevant training courses; and
- the time necessary to attend the meetings of the Board and, if applicable, its committees, formal and informal, and to prepare for such meetings.

The potential candidates will go through a shortlisting process. Interviews are then arranged with the shortlisted candidates for the assessment by the NC before a recommendation and decision is made.

The NC will also consult the Sponsor as to its view on the candidate as the directors are not appointed by the Trust but by FSLTM, which is a company ultimately fully controlled by the Sponsor.

All directors receive a written letter of appointment setting out the terms of appointment that have to be accepted by the director. The appointment letter includes, inter alia: the term and termination provisions, amount and payment of director's fees, board meetings and board committees, duties, confidentiality and agreement to the disclosure of personal particulars.

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Confirmation of Independence 4.4

The Directors have disclosed in writing any relationships with the Trust, its related corporations, its substantial shareholders and the executive management, if any, which may affect their independence.

Having regard to the circumstances set out in Provision 2.1 above and in accordance with Rule 12(8) of the Business Trust Regulations 2005, the Board of Directors of FSLTM as Trustee-Manager of FSL Trust, has determined that the following Directors are independent from management and business relationships with the Trustee-Manager, and independent from every substantial shareholder of the Trustee-Manager:

- Michael Gray;
- N. Sreenivasan;
- Costas Courcoubetis; and
- Michael Oliver.

Appointment of Alternate Directors

There are no alternate directors on the Board.

The NC interviews potential new directors and ensures that new directors are aware of their duties and obligations. 4.5

The NC also decides if a director is able to and has been adequately carrying out his duties as a director.

The NC determines annually, whether each director with multiple board representations or other principal commitments outside of the Group, is able to and has been adequately carrying out his duties as a director of the Trustee-Manager. The NC takes into account the attendance and contributions of the directors at meetings of the Board and/or, if applicable, its committees, level of commitment required of the director's other principal commitments, degree of complexity of the other listed companies where the director holds directorships, expectations of the director's obligations in the capacity as director in other organisations, results of the assessment of the effectiveness of the Board as a whole and its committees, and the respective directors' actual conduct and participation on the Board and its committees, in making the determination.

In respect of the financial year under review, the NC was of the view that each director has devoted sufficient time and attention to the affairs of the Trust and has been able to discharge his duties as director, effectively. The NC noted that based on the attendance at meetings of the Board and its committees during the financial year under review, all directors were able to participate in at least a substantial number of such meetings to carry out their duties. The NC is satisfied that all directors have been able to and had adequately carried out their duties notwithstanding, their multiple board representations, where applicable and other principal commitments.

Nonetheless, to ensure that the directors continue to give sufficient time and attention to the affairs of the Trust, the Board has, subject to annual review, determined that the maximum number of listed company board representations which any director may hold is five (5).However, if a director is in full time employment, the director should not have more than three (3) listed company board representations.

FSL Trust discloses in its annual report the listed company directorships and principal commitments of each director.

BOARD PERFORMANCE

Principle 5 – The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Board Evaluation Process 5.1

The NC has implemented a formal Board evaluation process to be carried out annually to assess the effectiveness of the Board as a whole and its Board committees, namely, the ARC, NC and RC. For the financial year under review, an evaluation of the performance of the Board and its committees was conducted. The objective of the evaluation process is to assess and identify areas for continuous improvement to the Board's overall effectiveness.

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The assessment of the Board as a whole and its committees, is conducted by way of a Board evaluation questionnaire to be completed by the directors, covering the following areas:

- Board composition;
- Board information;
- Board process, internal controls and risk management;
- Board accountability including the various committees; and
- Standards of conduct.

Directors are not required to complete appraisal forms to assess the contributions made by each of the other directors towards the effectiveness of the Board. This process is conducted by the chairman in discussion with the various directors. The assessment parameters for each director include attendance records at the meetings of the Board and its committees and quality of participation at meetings as well as special contributions.

Each member of the Board shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC and Board, in respect of the assessment of his performance.

Board Assessment 5.2

The consolidated results of the Board assessment questionnaire were reported to the Board and the various issues were discussed. Particularly, where there were low ratings and also where specific recommendations were made by any director. The Board adopted the recommendations and in areas of low ratings, is proposing further improvements to help the Board to discharge its duties more effectively.

The chairman will act on the results of his evaluation and, in consultation with the NC and if necessary, propose new members to be appointed to the Board or seek the resignation of directors.

No external facilitator has been used for the evaluation.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and its committees have operated efficiently, the Board has met its performance objectives and each director has contributed to the overall effectiveness of the Board in the financial year under review.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6 – The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Terms of Reference of the Remuneration Committee 6.1

According to its terms of reference, the RC's responsibilities include:

- reviewing and recommending a framework of remuneration policies for the Board and the executive management;
- recommending specific remuneration packages for each director as well as for the executive management;
- overseeing major changes in employee benefits and remuneration structure;
- setting performance measures and determining targets for any performance related pay schemes; and
- reviewing and recommending to the Board, the remuneration packages and terms of employment of the executive management.

Whilst the RC is composed of directors of FSLTM, it does assist and advise FSLAM in respect of remuneration matters in connection with staff seconded to FSLTM.

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During the financial year under review, the RC reviewed and made recommendations in relation to the general remuneration framework for the Board as well as regarding the specific remuneration packages of the directors and executive management and submitted them for endorsement by the entire Board. As the executive management is not employed by the Trust but by FSLAM, the Board submitted its recommendations to the Board of FSLAM.

Each member of the RC abstained from voting and discussing on any resolutions in respect of his own remuneration package.

Members of the Remuneration Committee 6.2

The RC of FSLTM comprises three directors, namely:

- Michael Oliver (Chairman);
- Michael Gray; and
- N. Sreenivasan.

all of whom are independent directors.

The RC has considered all relevant aspects of remuneration. In particular, it reviews obligations and effect on the Trust, in the event that FSLAM should terminate executive management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance when setting the remuneration packages of the executive management. 6.3

Remuneration Consultants 6.4

The Trust has engaged remuneration consultants in the past but no external remuneration consultants were appointed for the financial year under review, as it was not deemed necessary.

The RC members are not specialists in the field of executive compensation, but do generally have some broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board, the appropriate remuneration framework for the Board and executive management, in accordance with the terms of reference duly adopted by the Board.

However, in reviewing and recommending to the Board, the appropriate remuneration framework for the Board and executive management, the RC had reviewed remuneration surveys published by consulting groups and the government.

As and when deemed appropriate by the RC, expert advice will be obtained from remuneration consultants at the Trust's expense. The RC shall ensure that existing relationships, if any, between the Trust and its appointed remuneration consultants, will not affect the independence and objectivity of the remuneration consultants.

LEVEL AND MIX OF REMUNERATION

Principle 7 – The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

An annual review of the compensation is carried out by the RC to ensure an appropriate remuneration level and mix that recognizes performance, potential and responsibilities of the individuals. The remuneration packages of the executive management, comprises a basic salary and an annual performance incentive bonus. These are considered market competitive and commensurate with their performance and that of the Trust. 7.1

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The annual basic salary is benchmarked against the relevant industry market data, where available. The annual performance incentive variable bonus is tied to the performance of the Trust, functional role and individual employee. Performance conditions, to which entitlement to such annual and short-term incentives are subject to include, benchmarking performance against industry, business operation, expectations and performance that exceeds such expectations, as well as measuring performance based on the Trust's financial performance vis-à-vis industry performance.

The RC also recognises the need for a reasonable alignment between risk and performance-related remuneration to discourage excess risk taking. As such, in determining the performance-related remuneration structure, the RC had taken into account the risk policies and risk tolerance of the Group, and whether such remuneration was symmetric with risk outcomes and sensitive to the time horizon of risks.

Remuneration of Non-Executive Directors 7.2

The structure for the payment of directors' fees for non- executive directors is based on a framework of basic fees for serving on the Board and its committees. The fees take account of factors such as effort, time spent and responsibilities.

All directors' fees payable to the independent directors in respect of services rendered to FSLTM will be reimbursed by FSL Trust. The fees are payable out of the trust property, as provided for in the Trust Deed.

Mr Stathis Topouzoglou, non-independent, non-executive chairman, and Mr Michael Chalkias, non-independent, non-executive director, have waived the directors' fees payable to them for the financial year under review.

Holding units in the Trust is encouraged so as to better align the interests of the non-executive directors with the interests of the Unitholders. Whilst it is not an official policy of the RC, the following non-executive directors hold units in the Trust:

- Michael Gray: 4,000,000 units; and
- N.Sreenivasan: 1,250,000 units.

The unitholdings are not significant enough to compromise their independence.

The RC is of the view that the remuneration is appropriate to attract, retain and motivate directors to provide good stewardship of the Trust and executive management to successfully manage the Trust for the long term. 7.3

DISCLOSURE ON REMUNERATION

Principle 8 – The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Trust discloses in its annual report, the remuneration of the non-executive directors, as the fees are paid by FSLTM and charged to the Trust. 8.1

There are no executive directors and the executive management is not employed or paid for or charged directly to the Trust, but by FSLAM, which charges a management fee to the Trust for services provided.

No officer is an immediate family member of any director of FSLTM. 8.2

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Remuneration of Directors 8.3

There are no executive directors.

The directors' fees paid/payable to the non-executive directors in respect of financial year under review are set out below:

Director	Fee	Bonus/Profit share	Benefits in Kind	Total
	S$	S$	S$	S$
Stathis Topouzoglou	–*	–	–	–
Michael Chalkias	–*	–	–	–
Michael Gray	73,500	–	–	73,500
Michael Oliver	73,500	–	–	73,500
N. Sreenivasan	73,500	–	–	73,500
Costas Courcoubetis	73,500	–	–	73,500

* represents directors who waived any entitlement for fees

Remuneration of Key Management Personnel

The Trust does not employ any staff.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9 – The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The risk management approach of the Trust can be found on page 47 of this annual report, in the section "Risk Management". 9.1

The Board is responsible for governance of risk, including determining the nature and extent of significant risks, the Trust is willing to take.

The Board is mindful that it needs to ensure that the executive management maintains a sound system of risk management and internal controls to safeguard the interests of Unitholders as a whole and the trust property.

The Board has established a risk management committee ("RMC"), which is chaired by the Chief Financial Officer and reports to the ARC.

Risk matters addressed by the Board:

(a) the RMC, assisted by the internal auditors, assesses the Trust's risk management and internal control systems;
(b) the Trustee-Manager has implemented an enterprise risk management process ("ERM"), which is updated regularly. Details of the principal risks and how they are being mitigated are included in the section "Risk Management";
(c) the ERM process is led by the executive management and the ARC is the main basis for identifying the key and emerging risks, which are taken into account in designing the internal audit programme, where the risks are measured and monitored; and

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(d) the industry that the Trust is active in – the ownership, operation and chartering of vessels – is subject to various risks, external factors and market cyclicality and volatility. Charter rates and market values of vessels can fluctuate considerably over a short period of time and demand for charters are affected by such market conditions. In general, the Trustee-Manager takes a longer term approach in considering risk, dependent on prevailing and anticipated market conditions, market trends and regulatory aspects when considering vessel acquisitions, divestments and employments. The Trustee-Manager follows a diversified vessel portfolio strategy, to reduce the reliance on any one vessel type, and a diversified employment strategy, including short-, medium- and long-term employments, to mitigate risk and balance the risk/opportunity profile of the Trust. The Trustee-Manager does take advantage, from time to time, of the volatility of the market, to sell vessels in times that prices are on the upside.

No system can provide absolute assurance against material errors, human errors, fraud or other irregularities and the internal financial controls of FSLTM are designed to provide reasonable but not absolute assurance that trust property is safeguarded, accounting records are properly maintained and financial information and records are reliable. These controls are designed with the risks of the relevant exposure in mind, the likelihood of it occurring and costs involved to protect against it.

In compliance with the Monetary Authority of Singapore (“MAS”) Guidelines on Outsourcing, FSLTM maintains a register of the outsourced arrangements with third parties. FSLTM undertakes appropriate due diligence of the service providers and from time to time conducts self-assessments of materiality of the outsourced arrangements.

The Board and the ARC have evaluated the internal financial controls and financial and accounting policies and procedures. The Board is of the view that FSLTM has adequate and effective internal controls including financial, operational, compliance and information technology controls and risk management systems.

The ARC concurs with the Board’s view, having regard to the feedback it has received from the internal and external auditors and after discussion with the executive management, on matters highlighted by the internal and external auditors.

Assurance to the Board from the Executive Management 9.2

For the financial year ended 31 December 2020, the CEO and CFO have provided assurance to the Board that:

(a) the financial records of FSL Trust have been properly maintained and the financial statements give a true and fair view of the Trust’s operations and finances; and
(b) that an adequate and effective risk management and internal control system has been put in place.

AUDIT COMMITTEE

Principle 10 – The Board has an Audit Committee ("AC") which discharges its duties objectively.

Terms of Reference of the Audit and Risk Committee 10.1

The written terms of reference of the ARC include the following:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any announcements relating to the financial performance;
- monitor and evaluate the quality and reliability of information prepared for inclusion in financial statements;
- appoint the internal auditors and reviewing their scope of services and results of their report and recommending their remuneration;
- monitor and evaluate the adequacy and effectiveness of FSLTM’s internal controls and risk management systems;
- nominate the external auditors and review their independence annually;
- review the external audit plan and the adequacy of external audit in respect of cost, scope and performance;
- review external audit reports to ensure that where deficiencies in risk management and internal controls have been identified, appropriate and prompt remedial action is taken by the executive management;
- monitor the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Business Trusts Act;

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- monitor the procedures established to regulate interested person transactions, including ensuring compliance with the provisions of the Listing Manual and Business Trusts Act in relation to them and to review such interested person transactions;
- review the assistance given by officers of FSLTM to the external auditors;
- investigate of any reports of improprieties or irregularities and assess areas where internal controls need to be improved or corrective measures need to be taken;
- meet the internal and external auditors without the presence of management, annually;
- assess of the adequacy, effectiveness and independence of the internal audit function; and
- review the adequacy of financial risk management processes.

Authority to investigate matters

The ARC is authorised to investigate any matters it deems appropriate within its written terms of reference. The ARC also has full discretion to invite any director or person to attend its meetings, and to meet the external auditors and internal auditors without the presence of the executive management. The ARC has been given all reasonable resources to perform its duties.

The ARC may require any such director, executive officer or other person in attendance to leave the meeting (temporarily or otherwise) to facilitate open discussion, should they have an interest in the matter under discussion.

The ARC also has explicit authority to investigate any matter brought to its attention, within its terms of reference, with the power to obtain professional advice at the Trust's expense.

The ARC has reasonable resources to enable it to discharge its functions properly. The members of the ARC also take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when the ARC, or the Board or the Trustee-Manager, deems necessary and appropriate.

Appointment of External Auditors

The ARC has recommended the re-appointment of Moore Stephens LLP as the auditors for FSL Trust at the forthcoming AGM and for all of the subsidiaries of FSL Trust.

Other Activities of the ARC

The ARC's activities for 2020, in accordance with its responsibilities and duties, included the following:

- review of significant issues and judgements in relation to the financial statements;
- review of the financial statements before the announcement of the quarterly and full-year results. In the process, the ARC reviewed the key areas of management's estimates and judgment applied for key financial issues including revenue recognition, taxation, goodwill impairment, and the joint ventures' and associates' contingent liabilities, critical accounting policies and any other significant matters that might affect the integrity of the financial statements; and
- consideration of the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with the executive management, internal and external auditors have been included as key audit matters ("KAMs") in the Independent Auditors' Report for the financial year ended 31 December 2020 on pages 58 of this annual report.

The Board, through its quarterly and full-year results announcements and press releases, aims to provide a balanced and understandable assessment of FSL Trust's performance and prospects.

FSLTM believes in prompt disclosure of pertinent and relevant information to Unitholders. Quarterly and full-year financial statements, distribution notices (where applicable), information on lease and charter transactions and acquisitions and disposal of vessels and other material developments are announced through the SGX-ST, press releases and through its website at www.firstshiplease.com. Media and analysts' briefings are held as and when necessary.

The Trust will continue with quarterly financial reporting, going forward. Should the Board decide, in the interest of all Unitholders, to switch to semi-annual financial reporting, the Trust will provide regular interim financial updates, if deemed necessary.

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Key Audit Matters

	Matter raised by the external auditor	Response by ARC
1	Estimated useful life and residual value of vessels	ARC has reviewed, has discussed with the executive management, and has challenged where appropriate, the estimated useful lives and residual values used by management, and has concluded that the estimates and assumptions used in determining estimated useful life and residual value of vessels are reasonable
2	Impairment assessment of vessels	The ARC has required the executive management on a quarterly basis to present and discuss the methodologies used to estimate the value-in-use calculations of the Trust's vessels and have also provided third party valuations to be used as a reference. The ARC has determined that for each vessel that the recoverable amount is based on the higher of the fair value of the vessel less estimated costs of disposal and the carrying value of the vessels based on the "value in use" methodology. The calculations have been discussed with the external auditors, and the ARC has concluded that the estimates, judgements and assumptions made by the executive management to determine the recoverable amounts of the vessels to be reasonable, and that the impairment charges recognized in the Trust's financial statements are reasonable

Other matters include:

(a) Assessment of Internal Controls and Risk Management

The ARC's procedures on risk management and internal controls are set out in provision 9.1 above and the assessment of the adequacy and effectiveness of internal controls and risk management systems in provision 9.2 above.

(b) Assessment of the Internal Audit Function

The Trust has outsourced the internal audit function to BDO LLP, who report to the chairman of the ARC. The ARC agrees the scope of work and fees with the internal auditors, on an annual basis. The internal auditors have access to the ARC and all the Trust's documents, records, properties and personnel. The ARC approves the hiring, removal, evaluation and compensation of the internal auditors.

Following the review of the internal audit plan and the internal auditors' resources to conduct the internal audit plan, the ARC is satisfied that the internal audit function is independent, effective, adequately resourced and is satisfied with the adequacy of the qualifications and experience of the staff.

The internal audit performed by BDO LLP is guided by the International Standards for the Professional Practice of Internal Auditing.

(c) Assessment of External Auditors independence and objectivity

The ARC, has conducted an annual review of the independence and objectivity of the Trust's external auditors, Moore Stephens LLP, and the total fees for non-audit services compared with audit services, to satisfy itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the auditors and to consider the cooperation extended by management to allow an effective audit.

The ARC has reviewed the non-audit services provided by the external auditors, Moore Stephens LLP for the financial year under review, and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditors. The external auditors, in the one to one meeting with the ARC confirmed that they had full cooperation from Management at all times.

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The external auditors have affirmed their independence in this respect.

The total fees paid to the external auditors, Moore Stephens LLP, for the financial year 2020 including fees for audit and non-audit services, are set out in note 16 to the financial statements of this annual report.

(d) Assessment of quality of work of the External Auditors

The ARC has also evaluated the performance of the external auditor by using an internal assessment questionnaire and taking into account, the Audit Quality Indicators Disclosure Framework published by ACRA.

The ARC and Board have proposed to Unitholders that Moore Stephens LLP be reappointed as the external auditors to the Company. The Board and the ARC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Trust being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. The firm and the audit partner have shipping industry experience.

Moore Stephens LLP has confirmed that it is registered with the ACRA. FSL Trust has complied with Rules 712 and 715 of the Listing Manual. Moore Stephens LLP were the external auditors for FSL Trust and for all of the Singapore-incorporated subsidiaries in FY2020.

(e) Significant matters raised through the whistle blowing channel

To achieve a high standard of corporate governance for the operations of the Group, the Group has implemented a whistle-blowing policy. Details of the policy and procedures are set out under the section "Whistle-Blowing Policy" on page 50.

The whistle-blowing policy enables staff and any other persons, in confidence, to raise concerns about possible improprieties in matters of financial reporting and questionable accounting practices or other matters such as criminal offences, unlawful acts, fraud, corruption, bribery and blackmail, failure to comply with legal or regulatory obligations, unsafe work practices or substantial wasting of the Trust's resources, and concealment of any of the foregoing.

The ARC oversees the administration of the whistle-blowing policy. The telephone number of the chairman of the ARC is made available publicly so that persons can contact him directly without passing through the staff in the Trust.

All reports including unsigned reports, reports weak in details and verbal reports will be considered.

In the event that the whistle-blowing report is about a director, that director shall not be involved in the review and any decisions with respect to that whistle-blowing report.

The ARC has reviewed and has ensured that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. Details of the whistle-blowing policy have also been made available to the directors, employees and contractors of the Group.

There were no whistle-blowing reports received by the ARC in the financial year under review.

The ARC has also:

(i) reviewed the quarterly and full-year financial statements and announcements required by the SGX-ST for recommendation to the Board for approval;
(ii) reviewed all interested person transactions to ensure compliance with the Listing Manual and the Business Trusts Act;
(iii) reported and explained to the Board how it has discharged its responsibilities and confirmed that it was able to carry out its duties independently without any impediment; and
(iv) with the assistance of the external auditors, assessed changes in accounting standards and issues that have an impact on the financial statements.

Corporate Governance Report

Provision

The ARC comprises at least three directors, all of whom are independent directors namely: 10.2

- Michael Gray (Chairman);
- N.Sreenivasan; and
- Michael Oliver.

The members of the ARC are appropriately qualified to discharge their responsibilities with Michael Gray being a former partner of PricewaterhouseCoopers, N.Sreenivasan being a senior practicing lawyer and Michael Oliver being a former banker with several major banks.

Michael Gray and Michael Oliver have recent and relevant accounting or related financial management expertise or experience.

The ARC does not comprise of any former partners or directors of the Trust's existing auditing firm. 10.3

The internal audit function of FSL Trust is outsourced to BDO LLP. The internal auditors report directly to the ARC on audit matters and to the Board on administrative matters. The ARC is of the view that the internal auditor has adequate resources to perform its functions and is effective and independent from the activities that it audits. Refer to provision 10.1 above. 10.4

Meeting with External and Internal Auditors without the Executive Management 10.5

In respect of the financial year under review, the ARC has met with the Trust's external and internal auditors, in each case without the presence of management, in order to have free and unfiltered access to information that it may require, to discuss the results of their examinations and the evaluation of the Group's system of risk management and internal controls, and to discuss any problems and concerns which they may have.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11 – The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Trust provides Unitholders with the opportunity to participate effectively in and vote at general meetings of Unitholders and informs them of the rules governing general meetings of Unitholders. 11.1

All resolutions at general meetings will be voted by poll. Detailed results showing the number of votes cast for, against and abstained in respect of each resolution and the respective percentages will be announced after the meeting.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's provision regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications. 11.2

Unitholders are entitled to attend and vote at the general meetings and will be given the opportunity to raise questions and seek clarifications regarding any rules governing general meetings, resolutions or other business of FSL Trust. The Board, the executive management and external auditors will be present at such general meetings to address questions that Unitholders may have. 11.3

Unitholders who are unable to attend the general meeting may appoint a proxy to attend the general meeting. Presentations made at the general meetings are uploaded on SGXNet for the benefit of Unitholders.

The Trust Deed does not provide for absentia voting methods, which call for elaborate and costly implementation of a foolproof system, the need for which does not arise presently. 11.4

Provision

Minutes of general meetings are available upon a Unitholder's request. The minutes record substantial and relevant comments or queries from Unitholders relating to the agenda of the general meeting, and responses from the Board and executive management. 11.5

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"), the Trust's annual general meeting ("AGM") held on 30 June 2020 was conducted by electronic means. All the directors attended the meeting. Arrangements were made to allow Unitholders to participate at the AGM by watching and/or listening to the AGM proceedings via a live webcast. Unitholders who exercised their voting rights, appointed the chairman of the AGM as their proxy to attend and vote on their behalf at the AGM. The Trustee-Manager addressed questions submitted by Unitholders and posted the answers on its website. The minutes of that AGM was published on the SGXNet and the Trustee-Manager's website. The forthcoming AGM will similarly be held by electronic means, pursuant to the Order.

Distribution Policy 11.6

FSL Trust makes distributions to its Unitholders out of its net distributable amount which consists of net lease income and after-tax interest income less management fees, financing costs, other trust expenses (excluding depreciation, impairment loss and amortisation of debt up-front fees), credit facility repayments, plus previously reserved amounts, less any additional amount to be set aside to meet upcoming payment obligations of the Trust, but before deduction of any Incentive Fees (as defined in the Trust Deed) payable to the Trustee-Manager.

In the event that there are net taxable income and/or proceeds arising from any sale of vessels, and only if such income and/or proceeds are surplus to the business requirements and needs of FSL Trust and its taxability or otherwise confirmed by the Inland Revenue Authority of Singapore (IRAS), the Trustee-Manager may also, in its discretion, distribute such income and/or proceeds.

The form, frequency and amount of future distributions (if any) will depend on earnings, financial position, results of operations and if relevant, net income and/or proceeds arising from sale of any vessel as well as expected working capital requirements and capital expenditure, contractual restrictions, loan covenants, provisions of applicable law and other factors which the Trustee-Manager may deem relevant.

Distributions will be declared in US dollars. For holders of units that are held through the Central Depository (CDP), the distributions will be paid in the Singapore dollar equivalent of the US dollar distribution declared, unless the Unitholder elects to receive the distributions in US dollars by submitting to the CDP a "Distribution Election Notice" by the closing date for election which will be specified in the "Distribution Election Notice". The "Distribution Election Notice" will be sent to each Unitholder holding units through the CDP, who is eligible to receive the relevant distributions. For the distributions to be paid in Singapore Dollars, the Trustee-Manager will make the necessary arrangements to convert the distributions in US dollars into Singapore dollars (taking into account the cost of exchange) at the prevailing market exchange rate. Neither the CDP, nor the Trustee-Manager, nor FSL Trust will be liable for any loss howsoever arising from the conversion of the distributions payable to Unitholders from US dollars into Singapore dollars. Save for approved depository agents (acting as nominees of their individual customers) each Unitholder may elect to receive distributions in either Singapore dollars or US dollars and shall not be able to elect to receive distributions partially in US dollars and partially in Singapore dollars.

The distributions will be calculated as at 31 March, 30 June, 30 September and 31 December and will be paid within 75 days after such calculation date.

Unitholders should note that all the foregoing statements merely represent the Trustee-Manager's current intention and shall not constitute legally binding statements in respect of FSL Trust's future distributions which remain subject to modification in the Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to FSL Trust's actual future profitability or its ability to make distributions in the future. The actual performance of FSL Trust is subject to significant business, economic, financial, regulatory and competitive risks, uncertainties and contingencies that could cause actual results to differ materially from expectations.

Corporate Governance Report

Provision

MANAGING STAKEHOLDERS RELATIONSHIP

ENGAGEMENT WITH SHAREHOLDERS

Principle12 – The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

FSLTM believes in prompt disclosure of pertinent and material information to Unitholders. 12.1

Quarterly and full-year financial statements, distribution notices (where applicable), information on the significant employments, acquisitions and disposals of vessels and other material developments are announced through the SGX, press releases and through the Trustee-Manager's website at www.firstshiplease.com.Media and analysts' briefings are held as and when necessary.

The Trust will continue with quarterly financial reporting, going forward. Should the Board decide, in the interest of all Unitholders, to switch to semi-annual financial reporting, the Trust will provide regular interim financial updates, if deemed necessary.

The Trust provides channels for communication between the Board and all Unitholders, and discloses in its annual report the steps taken to solicit and understand the views of Unitholders.

The investor relations function is handled by the executive management. The executive management meets with analysts, institutional investors and fund managers to promote FSL Trust, communicate its business performance and developments and gather views and feedback. Please refer to the "Investor Relations" section on page 49 of this annual report. 12.2

The website of the Trustee-Manager at www.firstshiplease.com provides the name of the investor relations contact together with a contact telephone number and an email address. This provides the mechanism through which Unitholders may contact the Trustee-Manager with questions and through which the Trustee-Manager may respond to such questions. 12.3

The investor relations contact is able to provide information as to how Unitholders can contact the lead independent director directly, rather than having to go through the Trust.

Additionally, it is possible to sign up for the email alert service so as to keep updated on FSL Trust's announcements and SGXNet filings.

ENGAGEMENT WITH STAKEHOLDERS

Principle 13 – The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served. 13.1

FSLTM has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Trustee-Manager has considered all stakeholders in determining the corporate strategy of FSL Trust, mindful of the overriding importance of the operational efficiency of the vessels in the fleet, and the financial performance and viability of FSL Trust.

The Trust may access the capital markets and other sources of funding to raise capital for investments, including, but not limited to, the acquisition of new vessels and renew the fleet. Matters relating to environmental, social and governance ("ESG") aspects as well as economic considerations are integral considerations in the decision-making processes for any investment and/or divestment of the Trust, and in the implementation of the Board corporate strategy for the Trust. The Trustee-Manager aims to work with clients and service providers who share the same vision in respect of sustainability and ESG matters.

Provision

The following are some of the Trust's main stakeholders:

- Unitholders (investors);
- Clients (charterers);
- Technical managers, commercial managers, and pool managers;
- Suppliers, service providers, and shipyards;
- Banks and other financiers;
- Analysts;
- Community/Society;
- Media;
- Regulators and other governmental agencies; and
- Staff, including crew on board our vessels and office personnel.

The nature of business of the Trust of owning, operating and chartering of vessels requires a close coordination between the Trustee-Manager, charterers and managers of the vessels in the portfolio of the Trust as well as with banks and other financiers. The executive management of the Trustee-Manager keeps close and ongoing contact with the charterers, technical managers, commercial managers, pool managers and banks and other financiers. 13.2

The website of the Trustee-Manager (www.firstshiplease.com) is a key resource of information for the investment community. It provides comprehensive investor-related information on FSL Trust, including, but not limited to, annual reports and financial reports, investor presentations, recordings of earnings conference calls/webcasts, upcoming events, the distribution policy and investor factsheets. Contact details of the investor relations contact are also listed on the website to facilitate dialogue and queries from stakeholders. 13.3

In addition, the sustainability reports are provided to stakeholders. See below under "Sustainability Reporting".

BUSINESS ETHICS POLICY

As a business concern and as trustee-manager for FSL Trust, FSLTM and the Group are committed to conducting its business activities in a legal and ethical manner. Continued business success for FSL Trust and FSLTM are based on honesty, integrity and ethical conduct.

DEALING IN SECURITIES

FSLTM has adopted an internal code ("Internal Code") based on the Listing Manual on dealings in securities and all directors and staff of FSLTM and all companies of the Group have been guided that they should refrain from dealing in units of FSL Trust during the period commencing two weeks before the announcement of FSL Trust's quarterly results and one month before the announcement of the annual results and ending on the date of the announcement of the relevant results ("Blackout Period"). Should the Trust switch to semi-annual financial reporting, the Blackout Period in the Internal Code will be revised to one month before the announcement of both the semi-annual financial results and annual results and ending on the date of the announcement of the relevant results.

All directors and staff of FSLTM and all companies of the Group are also informed that they (A) must not deal in (i) the units of FSL Trust on short-term considerations; (ii) the units of FSL Trust while in possession of unpublished material price sensitive information; and (iii) the securities of other listed companies, while in possession of unpublished material price sensitive and trade sensitive information relating to those securities; and (B) must be mindful of the laws relating to insider trading.

SUSTAINABILITY REPORTING

The Trustee-Manager publishes annual sustainability reports for FSL Trust in accordance with Practice Note 7.6 of the Listing Manual and the same will be uploaded on the Trustee-Manager's website as well as on SGXNet. Since 2020 (for the year 2019), the annual sustainable reports are prepared in accordance with the standards published by the internationally recognized Global Reporting Initiative (GRI) which provide a suitable and robust framework for the reporting of ESG matters.

The material environmental, social and governance factors for FSL Trust have been identified and will be regularly reviewed by the Trustee-Manager's executive management, the ARC, and the Board.

Corporate Governance Report

The Trustee-Manager has considered various global initiatives on sustainability, including initiatives relevant specifically to the shipping industry, and the sustainability challenges for the shipping industry and the Trust, such as the aging of the vessels in the portfolio, compliance with current and future environmental regulations, greenhouse gas emissions and decarbonisation. Alongside economic considerations, ESG aspects are key considerations in the corporate strategy of the Trust and the Trustee-Manager believes that a holistic approach to sustainability will support the future performance of the Trust and create long-term value for Unitholders.

Material ESG factors selected, in the context of the value chain of the business, are as follows:

Environment
- Selection of technical managers, charterers, & pool managers
- Fleet management & renewal
- Vessel condition – including repairs & maintenance
- Pollution – fuel efficiency, emissions, ballast water and waste management treatment
- Technology – ongoing monitoring of developments and relevance to the fleet

Social
- Staff – fair pay & benefits
- Health & Safety – high quality operations to avoid accidents at sea
- Employee training & qualifications

Governance
- Policies & procedures
- Compliance with laws, rules and regulations
- Conflicts of interest
- Whistle-blowing
- Audit & Risk Committee – responsibilities as delegated by the Board

STATEMENT OF POLICIES AND PRACTICES

FSLTM has established the following policies and practices in relation to its management and governance:

(a) The trust property of FSL Trust is properly accounted for and trust property is kept distinct from the property of FSLTM held in its own capacity and the property of FSLAM. Different bank accounts are opened for FSLTM in its capacity as trustee-manager of FSL Trust, FSLTM in its own capacity and FSLAM, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.

(b) Board approval is required for all vessel acquisitions and disposals, and other material business transactions of FSLTM and FSL Trust. As the trustee-manager of FSL Trust, FSLTM remains focused on the acquisition, disposition, ownership, management, operation, finance leasing, leasing and chartering of vessels, which are all authorised businesses of FSL Trust as set out in the Trust Deed. FSLTM has not engaged in other businesses on behalf of FSL Trust. The executive management of FSLTM provides regular briefings to the Board about the potential projects that it is looking into on behalf of FSL Trust and the Board ensures that all such projects are within the scope of the authorised businesses of FSL Trust.

(c) FSLTM does not currently have other businesses other than that of managing FSL Trust. Any potential conflicts that may arise will be reviewed by the Board and executive management. In addition, the majority of the directors of FSLTM are independent and do not have management or business relationships with the substantial shareholder of FSLTM (namely, FSLAM and the Sponsor) or the substantial shareholders of the Sponsor and are therefore able to examine any potential conflict between the interests of FSLTM in its own capacity and the interests of all Unitholders of FSL Trust as a whole, independently and objectively. In respect of matters in which a director has an interest, direct or indirect, such interested director will abstain from participating in the review and approval process with regard to the matter.

(d) The Sponsor has also given two undertakings in favour of FSL Trust not to compete in the businesses of FSL Trust, namely

  (i) the financing lease of shipping assets through long-term bareboat charters for a lease term of seven years or longer; and

  (ii) (aa) the financing lease of vessels on a bareboat basis which have a lease term of less than seven years, and (bb) any vessels on a time charter basis (regardless of the duration of the charters of such vessels), save where it has first offered to FSLTM (on behalf of FSL Trust) the opportunity to acquire the charter/lease, together with the relevant vessel and FSLTM has declined to acquire such vessel and charter/lease. The Sponsor will not enter into any charter/lease that has not first been offered by it to FSLTM (on behalf of FSL Trust).

As at the date of this annual report, all vessel acquisitions and charter leasing to lessees, subsequent to the initial public offering, have been with independent third parties unrelated to FSL Trust, FSLTM, FSLAM or the Sponsor

(e) Interested person transactions in relation to FSL Trust have been identified by the executive management and have been fully disclosed on page 103 of this annual report. The ARC conducts an annual review of all such transactions to determine if such transactions have been undertaken on normal commercial terms and will not be prejudicial to the interests of FSL Trust and the Unitholders as a whole. In addition, all such interested person transactions conducted and any contract entered into by FSLTM on behalf of FSL Trust with a related party of FSLTM or FSL Trust shall comply and be in accordance with all applicable requirements of the Business Trusts Act and the Listing Manual as well as such other guidelines as may from time to time be prescribed to apply to business trusts in Singapore.

(f) The expenses payable to FSLTM in its capacity as the trustee-manager of FSL Trust out of trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure that such expenses payable are in order.

(g) FSLTM has engaged the services of and obtained advice from professional advisers and consultants from time to time, particularly with regard to transactions on vessel acquisitions, vessel disposals and facility borrowings, and has complied with the requirements of the Business Trusts Act and the Listing Manual.

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the 2018 Code in their annual reports. This summary of disclosures

Key information on each Director in this Annual Report

- Pages 10 to 12 – Directors' independence status, appointment dates, length of service, academic & professional qualifications, present and past directorships, major appointments and background and working experience.
- Page 25 – Directors' meeting attendance.
- Page 35 – Directors' remuneration

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Corporate Governance Report

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Provision 8.1	The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel	34
Provision 8.2	Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a Director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder	34
Provision 8.3	The Company discloses all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, and also discloses details of employee share schemes	35
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Provision 9.2	Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems	36
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Risk Management

FSLTM manages risks under an overall strategy determined by the Board of Directors and supported by the Audit and Risk Committee (ARC).

At senior management level, the Board has appointed the Chief Financial Officer to take the role of the Chief Risk Officer. The Chief Risk Officer oversees and ensures that risks are being managed by appropriate units holistically across the Trust.

The Chief Risk Officer assesses the risk arising from a new lease or charter transaction, other than short-term charters, asset acquisitions and residual values; monitors the potential for lessee or charterer default; actively sources for additional financing options before the expiry of current facilities; hedges currency and interest rate risk through swaps; and, also mitigates operational risk by actively engaging with its third party commercial and technical managers.

ENTERPRISE RISK MANAGEMENT

FSLTM is committed to ensuring that the Trust has an effective and practical enterprise risk management framework in place to safeguard unitholder's interest, the sustainability of the Trust and to make informed decisions to maximise value creation. The Board and key management personnel review the significant risks on a regular basis and update the Enterprise Risk Management Programme to reflect any changes that may be relevant.

RISK ASSESSMENT

Credit Risk

Prior to entering into a lease transaction or long-term charter, the Trustee-Manager's risk assessment process focuses on the credit risk associated with a potential lessee or charterer, concentration risks, and asset risks attached to the transaction to ensure investment returns are commensurate with the transactions's overall risk profile. The process involves performing due diligence to ascertain the credit strength of the potential counterparty and may include obtaining third party credit reports.

To evaluate the suitability of counterparties and transaction parameters, risk assessment does not only focus on the financial records and credit ratings of potential counterparties. It is also supported by insight gained from the experience of senior management and the Board, and their extensive networks in the global marine transportation industry.

Asset Risk

The asset risk assessment process also evaluates the residual value, estimating asset residual values based on a statistical analysis of reputable third-party historical transaction data and asset price, quality and fungibility.

Market Risk

As the Trust deploys a diversified employment strategy, the Chief Risk Officer also monitors the overall shipping market environment for risks and opportunities and actively actively the availability of new or alternative employment options and prospects for vessel redeployment, and, when deemed appropriate, weighing the costs and benefits of asset disposals.

Regulatory Risk

The operation of vessels is subject to rules and regulations by international bodies, governments, flag states, classification societies, and other regulatory authorities, with regard to, amongst others, the safety management of vessels, ballast water management, the reduction of carbon emissions. Changes in the regulatory framework may lead to increased cost and affect the asset values and asset residual values. The Trustee-Manager monitors the changes in the regulatory frameworks, including environmental and technological regulations, and the (potential) impact on the business of the Trust.

Risk Monitoring

FSLTM monitors risks through regular reviews of the financial performance of counterparties, lease payment conduct, credit rating (if available) and compliance with the respective vessel insurance covenants. FSLTM also maintains a regular dialogue with each counterparty to monitor developments in their business. For vessels not employed under bareboat charters, FSLTM also actively monitors the commercial and technical management of the Trust's vessels through the rigorous assessment and appointment of third party commercial and technical managers.

Risk Management

RISK MITIGATION

Concentration Risk

As at 31 December 2020, 9 of the 12 operating vessels of the Trust were employed under fixed-rate period charters, whilst 3 vessels were operated in pools or revenue sharing agreements. Hence, the Trust is exposed to more types of risks than a pure lessor would be exposed to. These include counterparty or transaction-specific exposures. Operating its own fleet of vessels also exposes the Trust to industry and market-related risks, as well as operational and compliance risks. FSLTM mitigates these risks by actively managing its relationships with third party commercial and technical managers and thorough consultation with intermediaries, insurance service providers, legal advisers and regulatory authorities. This ensures that the Trust is able to operate safely and maintain a fleet of commercially viable vessels.

Interest Rate and Foreign Currency Risk Hedging

To manage interest rate and foreign exchange risks that may arise in the course of FSL Trust's business as well as in the financing of its transactions, FSLTM may from time to time enter into derivative transactions. This may include interest rate swaps to convert floating interest rates to fixed rates, foreign currency forward contracts or cross currency swaps. FSLTM believes that the use of these risk hedging instruments may help to reduce the volatility and increase the stability of the cash flows from the lease portfolio. FSL Trust does not hedge the credit risk related to its lessees.

RISK REPORTING

Periodic Risk Reports

Periodic risks report will be prepared by the Chief Risk Officer to highlight any emerging risks or high risk issues to the ARC on a timely basis. In addition, any new risk of significant values will be assessed using prescribed risk templates and reported to the ARC.

Annual Risk Report

Annually, a risk refresher will be performed within the Group to understand if there are any changes to the existing top risks identified and if there are any risks that require more detailed assessment. A report with the updated top risks to the company will be compiled by the Chief Risk Officer and submitted to the ARC. The Risk Register maintained will also be updated to reflect any changes highlighted.

Investor Relations

FSLTM, as the trustee-manager of FSL Trust, has an open and proactive approach to the communication with the capital markets and investor community. Maintaining a regular dialogue, the investor relations activities are aimed to demonstrate and promote a high standard of integrity and transparency through the timely, accurate, effective and fair disclosure of important information. This includes matters relating to the operating and financial performance, the strategy and the prospects and shall support unitholders, investors and other stakeholders in their investment decisions.

TRANSPARENT COMMUNICATION

The Trustee-Manager, under the direction of the Chief Financial Officer, provides an avenue for two-way communication between the Trustee-Manager and unitholders, investors and other stakeholders.

FSLTM ensures transparency and good corporate governance by promptly disseminating important corporate information (such as all major corporate developments, financial performance and other relevant information) to the unitholders and investors via announcements or news releases on SGXNet, as well as through dialogues with analysts and the media.

News releases are also disseminated to local and international industry related media so as to ensure important information related to the Trust reaches a wider audience.

PROACTIVE ENGAGEMENT THROUGH APPROPRIATE CHANNELS

FSLTM actively updates unitholders, investors and ther stakeholders with key developments about the Trust and provides industry information, as and when necessary, to foster a better understanding of the Trust's business and the wider global marine transportation industry.

FSLTM maintains regular and proactive communication with its unitholders, investors and other stakeholders through one-on-one meetings, conference calls/live webcasts and emails. The Trustee-Manager organises quarterly meetings and results briefing sessions via conference calls/ live webcasts, providing unitholders, investors and other stakeholders an opportunity to have an in-depth discussion with the senior management on the Trust's performance. Recordings of such conference calls/live webcasts are subsequently made available to the public through FSL Trust's website.

STRENGTHENING RELATIONSHIP BETWEEN FSL TRUST AND UNITHOLDERS

While the annual general meeting (AGM) is the principal forum for dialogue with Unitholders, the Trustee-Manager may also call for extraordinary general meetings (EGM) as and when such meetings are required. Notices of general meetings and annual reports are sent to unitholders at least 14 calendar days prior to the meeting date to enable Unitholders to have sufficient time to peruse the annual report and other documents relevant to the resolutions proposed.

At general meetings, Unitholders are given the opportunity to ask questions regarding resolutions being proposed, before putting the resolutions to the vote, as well as matters relating to the Trust's operations in general. The Board encourages participation at general meetings and encourages poll voting for all resolutions.

Due to the COVID-19 pandemic and related restrictions on holding physical meetings, the Trustee-Manager convened the AGM in June 2020 and by electronic means through a live webcast. During the AGM, the senior management delivered a presentation on the operating and financial performance of the Trust in the financial year 2019 and unitholders were able to submit questions in advance of the meeting. All members of the Board attended the AGM. Resolutions were voted by proxy and successfully passed at the meeting, with the results disclosed on SGXNet. Minutes of the AGM were also made available on the corporate website of the Trustee-Manager for greater transparency.

USING INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

In support of the investor relations activities, FSLTM maintains a corporate website at www.firstshiplease.com. The website contains an extensive archive of information related to FSL Trust, including, but not limited to, company announcements filed with the Singapore Exchange Limited (SGX) and other news releases, information related to the operations of the Trust, such as information on its vessel portfolio and employment of the vessels, as well as financial information such as financial statements and annual reports, and investor presentations and audio recordings of result presentations. Unitholders, investors and other stakeholders are encouraged to sign up for the Trust's email alert service to receive company announcements and SGXNet filings as and when they are made by FSLTM.

Unitholders, investors and other stakeholders can also address their queries to a dedicated email-contact: investors@firstshiplease.com

Whistle-Blowing Policy

WHISTLE-BLOWING COMMITTEE

The Whistle-Blowing Committee is responsible for ensuring that the Trust has an independent channel and appropriate procedures for the receipt, retention and handling of complaints about possible improprieties of the Trust's affairs. The Whistle-Blowing Committee consists of Independent directors, who are also members of the Audit and Risk Committee.

THE POLICY

All employees of the Trust and any other persons (such as vendors, customers, business partners and other external parties) are encouraged to raise genuine concerns regarding possible improprieties in the conduct of business activities, financial reporting and other malpractices at the earliest opportunity, and in an appropriate way.

This policy is designed to:

- Support the Trust's values; and
- Ensure that employees and any other persons can raise concerns without fear of reprisal; and
- Provide a transparent and confidential process for dealing with concerns.

This policy not only covers possible improprieties in matters of financial reporting, but also:

- Fraud; and
- Corruption, bribery or blackmail; and
- Criminal offences; and
- Failure to comply with a legal or regulatory obligation; and
- Miscarriage of justice; and
- Deliberate failure to follow/operate systems and procedures, which may put the assets or Trust's reputation at risk; and
- Endangering the health and safety of an individual; and
- Concealment of any of the above.

PRINCIPLES

All concerns raised will be treated fairly and properly. We will not tolerate the harassment or victimisation of anyone raising a genuine concern; and

Any individual making a disclosure will retain their anonymity unless they agree otherwise; and

The Trust will ensure that any individual raising a concern is aware of who is handling the matter; and

The Trust will ensure that no one will be at risk of suffering reprisal as a result of raising a concern even if they are mistaken. The Trust does not however extend this assurance to someone who maliciously raises a matter they know to be untrue.

PROCEDURES FOR REPORTING OF CONCERNS

If any employee believes reasonably and in good faith that malpractice exists in the workplace, then he or she should report this immediately to the CEO. However, if for any reason, they are reluctant to do so, then they should report their concerns to:

I. An independent third party by calling the whistle-blowing hotline at 6828 9185. This is provided through the independent party who provides employee care counselling and legal advice service. Concerns will be reported to the Trust without revealing the identity of the whistle-blower.

II. The Chairman of the Audit and Risk Committee, currently Michael Gray, particularly if employees and any other persons still have concerns. If they feel that the matter is so serious that it cannot be discussed with any of the above, they can also report suspected wrongdoings via;

   a. Regular mail or other means of delivery, addressed to the corporate address of the Trust, by which complaints may be submitted in a sealed envelope marked "Attention of the: Chairman, Whistle Blowing Committee, FSL Asset Management Pte Ltd – Private and Confidential to be opened by addressee only". The envelope will be forwarded, unopened, to the Audit and Risk Committee Chairman in his capacity as Chairman of the Whistle Blowing Committee; and
   b. Email sent directly to the Chairman of the Whistle-Blowing Committee at mikeggray@hotmail.com; and
   c. Telephone call to the mobile number of the Chairman of the Whistle-Blowing Committee at 9855 0055.

HANDLING OF CONCERNS

Employees and any other persons, who have raised concerns internally, will be informed of who is handling the matter, how they can make contact with them and if there is any further assistance required. We will give as much feedback as we can without any infringement of a duty of confidence owed by us to someone else.

I. Employees' and any other persons' identities will not be disclosed without prior consent (except where disclosure obligations are required under law and regulations). Where concerns cannot be resolved without revealing the identity of the employee and any other persons raising the concern, (e.g., if their evidence is required in court), we will enter in to a dialogue with all who are concerned to discuss how we can proceed.

II. In all cases, upon receipt of the concern, the Whistle-Blowing Committee shall:

   a. Acknowledge the receipt to the person reporting the concern (where the identity has been disclosed); and
   b. Make an initial assessment as to the prima facie merits; and
   c. Investigate the concerns raised expeditiously, without sacrificing thoroughness; and
   d. Inform the person reporting the concern (where the identity has been disclosed) in writing of the outcome of the investigations; and
   e. Ensure that the principles of due process and natural justice are applied.

III. If the Whistle-Blowing Committee deems it appropriate, they may engage, at the Trust's expense, independent advisors such as lawyers and accountants who are unaffiliated with the Trust's lawyers or external auditors to assist in its deliberations.

IV. Following the investigation and evaluation of the concern, the Whistle-Blowing Committee will prepare a written report on its findings, recommended disciplinary, remedial or other actions, if any.

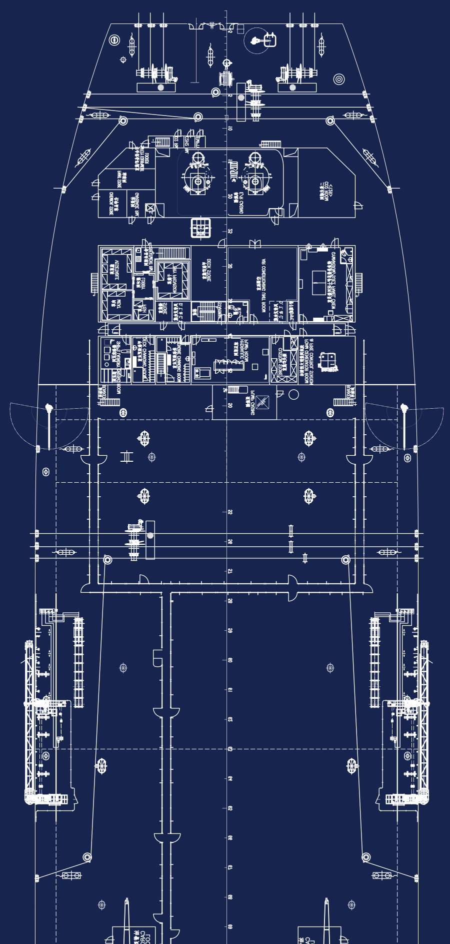
RIGHT OF APPEAL

If someone who has reported a concern remains dissatisfied with the outcome of the investigation, they have a right of appeal on the following grounds:

I. They believe the procedures have not been followed properly or; and
II. They are convinced that the decision is one which no reasonable person could have reached.

The Chairman of the Board (or the Chairman of the Audit and Risk Committee, if the Whistle-Blowing allegation involves the Chairman) will appoint a person to hear the appeal. This will be an external lawyer or qualified accountant not involved with the Trust and who has experience with such matters.

FINANCIAL STATEMENTS 2020



Report of the Trustee-Manager of First Ship Lease Trust

31 DECEMBER 2020

The directors of FSL Trust Management Pte. Ltd., the Trustee-Manager of First Ship Lease Trust (the "Trust") and its subsidiaries (together referred to as the "Group"), are pleased to submit this annual report to the unitholders of the Trust, together with the audited financial statements for the financial year ended 31 December 2020.

1. DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are as follows:

Stathis Topouzoglou
Michael Chalkias
Michael Gray
Michael Oliver
Narayanan Sreenivasan
Costas Courcoubetis

2. DIRECTORS' INTERESTS

According to the register kept by the Trustee-Manager for the purposes of Section 13 and 76 of the Singapore Business Trusts Act (the "Act"), no director who held office at the end of the financial year had interests in units, debentures, warrants or unit options of the Trust, or of related corporations, either at the beginning, or at the date of appointment, or at the end of the financial year except as follows:

	Direct Interest (Number of Units)		Deemed Interest (Number of Units)	
	At 31 December 2020	At 1 January 2020	At 31 December 2020	At 1 January 2020
Name of director				
Michael Gray	4,000,000	4,000,000	–	–
Narayanan Sreenivasan	1,250,000	1,250,000	–	–
Stathis Topouzoglou	–	–	1,292,288,508	1,292,288,508
Michael Chalkias	–	–	1,292,288,508	1,292,288,508
Costas Courcoubetis	290,000	–	–	–

Neither at the end of, nor at any time during the financial year was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units, debentures or unit options of the Trust.

Except as disclosed in Note 21 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Trust 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.

Report of the Trustee-Manager of First Ship Lease Trust

31 DECEMBER 2020

2. DIRECTORS' INTERESTS (CONT'D)

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2021.

3. UNIT OPTIONS

During the financial year, other than as disclosed in Note 12, there were:

(i) no options granted by the Trustee-Manager to any person to take up unissued units in the Trust; and

(ii) no units issued by virtue of any exercise of an option to take up unissued units of the Trust. At the end of the financial year, there were no unissued units of the Trust under option.

4. AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee as at the date of this report comprise three independent and non-executive directors:

Michael Gray (Chairman)
Michael Oliver
Narayanan Sreenivasan

The Audit and Risk Committee carried out its functions in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations and the SGX Listing Manual.

In performing its functions, the Audit and Risk Committee reviewed the overall scope of the external audit and the assistance given by the Trustee-Manager's officers to the auditors. It met with the external auditors to discuss the scope and results of their annual audit. In addition, the Audit and Risk Committee reviewed the financial statements of the Group and the Trust before their submission to the Board of Directors of the Trustee-Manager.

5. INDEPENDENT AUDITORS

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

For and on behalf of the Board of Directors of the Trustee-Manager

Stathis Topouzoglou
Director

Michael Chalkias
Director

18 March 2021

Statement by the Trustee-Manager

31 DECEMBER 2020

STATEMENT AND CERTIFICATION

In our opinion:

(a) the financial statements are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2020 and of the financial performance, changes in unitholders' funds and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Business Trusts Act and International Financial Reporting Standards; and

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

With respect to the income statement of the Group for the year ended 31 December 2020, we further certify that:

– fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with the Deed of Trust dated 19 March 2007 as amended and supplemented from time to time;

– interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and

– the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised the above statements and these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager

....
Stathis Topouzoglou
Director

....
Michael Chalkias
Director

18 March 2021

Statement by the Chief Executive Officer

31 DECEMBER 2020

In accordance with Section 86 of the Singapore Business Trusts Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

Roger Woods
Chief Executive Officer

18 March 2021

Independent Auditor's Report to the Unitholders of First Ship Lease Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Ship Lease Trust (the "Trust") (constituted in the Republic of Singapore pursuant to a Deed of Trust dated 19 March 2007) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Singapore Business Trusts Act, Chapter 31A (the Act) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2020 and of the consolidated financial performance, consolidated changes in unitholders' funds and consolidated statement of cash flows of the Group for the financial 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 Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Unitholders of First Ship Lease Trust

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Estimated useful life and residual value of vessels We refer to Note 2.4, Note 3.1 and Note 3.2 to the financial statements. The carrying value of the Group's vessels amounted to US$136,105,000 as at 31 December 2020. The Group estimates the useful life of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful life of the vessels and residual value of the vessels are reviewed annually and are revised if expectations differ from previous estimates. The residual value of the vessels is estimated based on the average scrap steel price per light weight tonne in the last 3 years. The estimation of the useful life and residual value of the vessels requires the use of estimations and assumptions which require management judgements. Changes to the estimates and assumptions will result in changes to the carrying value of the vessels recognised at the reporting period end.	**Our response** We reviewed and compared the estimated useful life and residual value of the vessels to actual past performance and industry benchmarks and challenged the key estimates and assumptions used by management. We recomputed the scrap steel price per light weight tonne in the current year based on reputable industry sources and compared to the residual value used by the Group; and reviewed the reasonableness of the economic useful life of the vessels used by the Group against the current age of similar vessels in the industry. **Our findings** We found the estimates and assumptions used to determine the useful life and residual value of the vessels to be reasonable based on available evidence.
Impairment assessment of vessels We refer to Note 2.4, Note 2.10, Note 3.3 and Note 4 to the financial statements. The carrying value of the Group's vessels amounted to US$136,105,000 as at 31 December 2020. The Group carried out a detailed impairment review of the vessels. The Group determined the recoverable amount for each vessel based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on the "value-in-use" (the "VIU") methodology. As a result of the assessment, the Group recognised a total impairment of US$10,495,000 for nine vessels during the financial year ended 31 December 2020. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values and no further impairment provision was required. These conclusions are dependent upon management estimates, judgements and assumptions in respect of: estimated resale values provided by third party sources, estimated utilisation, disposal values, residual values, current and historical charter hire rates, operating costs, recent performance, condition of the vessels and pre-tax discount rates.	**Our response** We assessed the methodologies used by management to estimate the VIU calculations of the vessels. We checked the accuracy and relevance of the input data used by management to estimate the VIU calculations compared to information obtained from reputable industry sources. We performed a sensitivity analysis and headroom analysis on the key assumptions, where necessary. **Our findings** We found the significant estimates, judgements and assumptions made by management to determine the recoverable amount of the vessels to be reasonable based on available evidence.

Independent Auditor's Report to the Unitholders of First Ship Lease Trust

(cont'd)

Other Information

The management of the Trustee-Manager is responsible for the other information. The other information comprises the annual report 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.

Responsibilities of Management and Directors of the Trustee-Manager for the Financial Statements

The management of the Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust 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, the management of the Trustee-Manager is responsible for assessing the Group'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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of the Trustee-Manager include overseeing the Group'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 Group's internal control.

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

Independent Auditor's Report to the Unitholders of First Ship Lease Trust

(cont'd)

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

- Conclude on the appropriateness of the use of the going concern basis of accounting by the management of the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Trustee-Manager 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.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of the Trust and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Bruce Johnson.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2021

Statements of Financial Position

AS AT 31 DECEMBER 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Trust 2020 US$'000	Trust 2019 US$'000
Assets					
Vessels	4	136,105	180,702	–	–
Subsidiaries	5	–	–	35,072	31,847
Non-current assets		136,105	180,702	35,072	31,847
Trade and other receivables	6	5,036	13,181	32,145	97,262
Cash and cash equivalents	7	20,694	42,436	10,877	29,063
Non-current assets classified as held-for-sale	4, 8	–	38,877	–	–
Current assets		25,730	94,494	43,022	126,325
Total assets		161,835	275,196	78,094	158,172
Equity attributable to unitholders of the Trust					
Units in issue	9	561,332	561,332	561,332	561,332
Reserves	10	(431,768)	(358,451)	(483,463)	(403,410)
Total equity		129,564	202,881	77,869	157,922
Liabilities					
Bank loans	11	13,303	34,517	–	–
Non-current liabilities		13,303	34,517	–	–
Trade and other payables	13	2,419	2,215	214	211
Bank loans	11	16,538	35,544	–	–
Income tax payable		11	39	11	39
Current liabilities		18,968	37,798	225	250
Total liabilities		32,271	72,315	225	250
Total equity and liabilities		161,835	275,196	78,094	158,172

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 US$'000	2019 US$'000
Revenue	14	48,332	73,107
Gain on disposal of vessels	8	4,967	38
Expenses:			
Depreciation expense on vessels	4	(14,768)	(24,801)
Impairment on vessels	4	(10,495)	(4,994)
Voyage expenses		(276)	(395)
Vessel operating expenses		(15,538)	(21,589)
Management fees	21	(1,365)	(2,125)
Trustee fees	21	(45)	(55)
Other trust expenses		(1,990)	(2,280)
Total operating expenses		(44,477)	(56,239)
Results from operating activities		8,822	16,906
Finance income	15	280	367
Finance costs	15	(2,855)	(7,103)
Net finance costs		(2,575)	(6,736)
Profit before tax	16	6,247	10,170
Income tax expense	17	(1)	(39)
Profit for the year		6,246	10,131
Earnings per unit (US cents)			
Basic	19	0.35	0.81
Diluted	19	0.35	0.80

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 US$'000	2019 US$'000
Profit for the year	6,246	10,131
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	6,246	10,131

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Unitholders' Funds

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Units in issue US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
At 1 January 2020		561,332	(6,725)	(351,726)	202,881
Total comprehensive income for the year					
Profit for the year		–	–	6,246	6,246
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	6,246	6,246
Transactions with unitholders, recognised directly in equity					
Distributions to unitholders	18	–	–	(79,563)	(79,563)
Total transactions with unitholders		–	–	(79,563)	(79,563)
At 31 December 2020		561,332	(6,725)	(425,043)	129,564

	Note	Units in issue US$'000	Option reserve on convertible bonds US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
At 1 January 2019		523,284	560	(6,725)	(361,857)	155,262
Total comprehensive income for the year						
Profit for the year		–	–	–	10,131	10,131
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	10,131	10,131
Transactions with unitholders, recognised directly in equity						
Units issued on conversion	12	7,095	(560)	–	–	6,535
Issue of new units	9	31,215	–	–	–	31,215
Units issued costs	9	(262)	–	–	–	(262)
Distributions to unitholders	18	–	–	–	–	–
Total transactions with unitholders		38,048	(560)	–	–	37,488
At 31 December 2019		561,332	–	(6,725)	(351,726)	202,881

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 US$'000	2019 US$'000
Cash Flows from Operating Activities			
Profit before tax		6,247	10,170
Adjustments for:			
Depreciation expense on vessels	4	14,768	24,801
Impairment on vessels	4	10,495	4,994
Amortisation of debt transaction costs		655	1,058
Amortisation of initial direct costs		111	217
Interest income		(280)	(367)
Interest expense		2,167	6,040
Gain on disposal of vessels	8	(4,967)	(38)
Operating cash flows before movements in working capital		29,196	46,875
Changes in trade and other receivables		8,112	(388)
Changes in trade and other payables		(64)	(366)
Changes in lease income received in advance		756	(1,688)
Cash generated from operations		38,000	44,433
Income taxes paid		(29)	–
Net cash generated from operating activities		37,971	44,433
Cash Flows from Investing Activities			
Net proceeds on disposal of vessels		87,307	11,027
Vessels initial direct costs	4	–	(11)
Costs incurred for the vessels under construction	4	(21,489)	(21,830)
Costs incurred for vessel equipment	4	(2,751)	(1,988)
Interest received		313	334
Net cash generated from/(used in) investing activities		63,380	(12,468)
Cash Flows from Financing Activities			
Proceeds from preferential offering	9	–	20,991
Units issued costs	9	–	(262)
Loan from Sponsor		–	10,000
Distributions to unitholders	18	(79,563)	–
Repayment of secured bank loans	11	(17,826)	(23,879)
Prepayment of secured bank loans	11	(23,049)	(4,152)
Interest paid		(2,655)	(6,108)
Net cash used in financing activities		(123,093)	(3,410)
Net (decrease)/increase in cash and cash equivalents		(21,742)	28,555
Cash and cash equivalents at 1 January		41,936	13,381
Cash and cash equivalents at 31 December	7	20,194	41,936

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(cont'd)

Reconciliation of liabilities arising from financing activities:

	At 1 January US$'000	Principal and interest payments US$'000	Non-cash changes: Interest expense US$'000	Non-cash changes: Amortisation of debt transaction costs US$'000	At 31 December US$'000
2020					
Secured bank loans (Note 11)					
Secured bank loans	70,877	(40,875)	–	–	30,002
Less: Unamortised debt transaction costs	(816)	–	–	655	(161)
	70,061	(40,875)	–	655	29,841
Accrued financing expenses (Note 13)					
Accrued loan interest	522	(2,650)	2,162	–	34
Accrued interest for amount due to agent	–	(5)	5	–	–
	522	(2,655)	2,167	–	34

	At 1 January US$'000	Principal and interest payments US$'000	Loan drawdown US$'000	Non-cash changes: Interest expense/ capitalised US$'000	Non-cash changes: Units issued on conversion US$'000	Non-cash changes: Amortisation of debt transaction costs/bond interest US$'000	Non-cash changes: Capitalisation of loan from sponsor US$'000	At 31 December US$'000
2019								
Secured bank loans (Note 11)								
Secured bank loans	98,908	(28,031)	–	–	–	–	–	70,877
Less: Unamortised debt transaction costs	(1,874)	–	–	–	–	1,058	–	(816)
	97,034	(28,031)	–	–	–	1,058	–	70,061
Convertible bonds (Note 12)								
Convertible bonds	6,287	–	–	521	(6,535)	(273)	–	–
Option premium on convertible bonds	560	–	–	–	(560)	–	–	–
	6,847	–	–	521	(7,095)	(273)	–	–
Accrued financing expenses (Note 13)								
Accrued loan interest	709	(5,686)	–	5,499	–	–	–	522
Accrued interest for amount due to agent	2	(22)	–	20	–	–	–	–
Accrued bond interest	127	(400)	–	–	–	273	–	–
	838	(6,108)	–	5,519	–	273	–	522
Loan from Sponsor								
Loan from Sponsor	–	–	10,000	224	–	–	(10,224)	–

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 DECEMBER 2020

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

1. GENERAL INFORMATION

First Ship Lease Trust (the "Trust") is a Singapore-domiciled business trust constituted pursuant to a Deed of Trust dated 19 March 2007 as amended and supplemented from time to time (the "Trust Deed") with FSL Trust Management Pte. Ltd. (the "Trustee-Manager"). The Trustee-Manager's registered office is 9 Temasek Boulevard, #19-03, Suntec Tower Two, Singapore 038989. The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the unitholders as a whole.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited on 27 March 2007.

The Trust is a shipowner and provider of leasing services to the international shipping industry. As at 31 December 2020, the vessel portfolio comprised 12 tankers of different sizes and 2 tanker newbuildings on order. Of the 12 vessels on the water, 9 vessels were chartered to international shipping companies on fixed-rate period charters whilst 3 vessels are employed in pools. The 2 tanker newbuildings on order are expected to be delivered to FSL Trust in early 2021.

The combined portfolio of vessels (including the 2 newbuildings under construction) had an average age of approximately 8 years and a dollar-weighted average remaining lease period of approximately 4 years (excluding extension periods, early purchase options and early termination options).

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial statements were authorised for issue by the Trustee-Manager on 18 March 2021.

The ultimate holding company of the Trust is Joelma Holding Inc. and the ultimate controlling party is Stathis Topouzoglou.

The Trust Deed provides for the following fees payable to the Trustee-Manager:

Management fees

The Trustee-Manager is entitled to receive a management fee of 4.0% of the cash lease income in the relevant calendar year.

Any change in the structure of the management fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The management fee payable to the Trustee-Manager is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable). Where the management fee is paid in cash, the amount is paid monthly, in arrears. Where the management fee is paid in the form of units, the amount is paid quarterly, in arrears.

Notes to the Financial Statements

31 DECEMBER 2020

1. GENERAL INFORMATION (CONT'D)

Trustee fees

The Trustee-Manager is entitled to receive a trustee fee of 0.02% per annum of the value of the Trust Property (being all the assets of the Trust, as stipulated in the Trust Deed). The trustee fee is payable out of the Trust Property of the Trust in cash on a quarterly basis. Each quarterly payment shall be determined based on the value of the Trust Property as at the last day of the immediately preceding quarter and as reflected in the quarterly financial information of the Group for that quarter. The Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Any change in the structure of the trustee fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Other fees

The Trustee-Manager is also entitled to the following:

- An acquisition fee amounting to 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the acquisition price of vessels acquired directly or indirectly by the Trust, pro-rated if applicable, to the proportion of the Trust's interest. The acquisition fee is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable and made before the payment of the acquisition fee). No acquisition fee is payable on the acquisition of the initial portfolio of vessels.

- A disposal fee amounting to 0.5% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the sale price of vessels disposed, pro-rated if applicable, to the proportion of the Trust's interest. The disposal fee is payable in cash.

  Any increase in the acquisition fee or disposal fee above the permitted limit or any change in the structure of such fees shall be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

- An incentive fee payable quarterly and calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. The incentive fee is determined on the basis of comparing the net distribution amount per unit against a benchmark quarterly distribution per unit in accordance with the formula stipulated in the Trust Deed.

  The incentive fee payable to the Trustee-Manager is payable in the form of cash or, at the option of the Trustee-Manager, by way of the issue of new units as soon as practicable after the end of the relevant quarter.

  Any change in the structure of the incentive fees must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the Trustee-Manager 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Adoption of New and Revised IFRS

For the financial year ended 31 December 2020, the Group has adopted the following new and revised IFRS which are relevant to the Group and mandatory for application:

<u>Amendments to IFRS 3</u> *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. These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

The adoption of this standard does not have an impact on the financial performance or the financial position of the Group for the current financial year ended 31 December 2020.

<u>Amendments to IAS 1 and IAS 8</u> *Definition of Material*

The amendments refine the definition of "material", provide guidance on its application, and align the definitions used across IFRS standards. 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 adoption of this standard does not have an impact on the financial performance or the financial position of the Group for the current financial year ended 31 December 2020.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (cont'd)

New and Revised IFRS Issued But Not Yet Effective

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

Amendment to IFRS 16 *COVID-19 Related Rent Concessions*

The amendment to IFRS 16: COVID-19 related rent concessions provides a practical expedient to simplify the accounting for lease concessions that meet specified criteria. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Amendments to IAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendment clarifies that proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. The cost of producing those items should be recognised in profit or loss in accordance with IAS 2 *Inventories*. The amendments are effective 1 January 2022. Earlier application is permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Amendments to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

This amendment clarifies that, for the purpose of assessing whether a contract will be loss-making, the direct cost of fulfilling a contract comprises:

- The incremental costs of fulfilling that contract (e.g. direct labour and materials); and
- An allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract, among others).

Before a separate provision for an onerous contract is established, the amendment requires an entity to recognise any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments are effective 1 January 2022. Earlier application is permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (cont'd)

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

These amendments update a reference in IFRS 3 to the revised 2018 Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendment also provides a new exception for liabilities and contingent liabilities. The exception states that an entity should refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* if they were incurred separately, rather than the 2018 Conceptual Framework. In addition, the amendment clarifies that the acquirer should not recognise contingent assets at the acquisition date. The amendments are effective 1 January 2022. Earlier application is permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Annual Improvements to IFRS 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences at the carrying amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a). The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition

This amendment clarifies that, in applying the derecognition test for financial liabilities under paragraph B3.3.6 of IFRS 9, a borrower includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments are effective for annual periods beginning on or after 1 January 2023 and should be applied retrospectively. Early application is permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (cont'd)

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

Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. To support this amendment, the IASB has also amended IFRS Practice Statement 2 to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

Amendments to IAS 8 *Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments to IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

At the date of authorisation of these financial statements, management is of the view that the adoption of this standard will have no significant impact on the financial performance or financial position of the Group upon implementation.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairments.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign Currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in United States ("US") dollars which is the Trust's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Trust's net investment in a foreign operation are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Vessels

Vessels are stated at cost less accumulated depreciation and accumulated impairments.

Cost includes expenditure that is directly attributable to the acquisition of the vessel as well as initial direct costs incurred in negotiating and arranging the operating lease of the vessel.

The cost of replacing part of an item of a vessel is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Vessels under construction are included in "Vessels" are not depreciated as these assets are not yet available for use.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Vessels (cont'd)

Vessels are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of the economic useful life of 25 years. The residual value of such vessel is estimated based on the average scrap steel price per light weight tonne in recent years.

Vessels leased on a long-term bareboat charter basis under operating lease agreements were depreciated on a straight-line basis down to the estimated residual value at the end of the base lease term of twelve years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

On disposal of a vessel, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

Dry-docking costs are capitalised and included in vessels costs and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years.

2.5 Non-Current Assets Classified as Held-for-Sale

Non-current assets are classified as held for sale or distribution if their carrying amount will be recovered through a sale transaction or distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell (fair value less costs to distribute).

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment that has been previously recognised) is recognised in income statement.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is derived on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. When inventories are consumed, the carrying amount of these inventories is recognised as an expense in the year in which the consumption occurs.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial Instruments

(a) Financial assets

Recognition and de-recognition

Financial assets are recognised when, and only when the Group 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 Group commits to purchase or sell the asset. The Group 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.

Classification and measurement

The Group classifies its financial assets at amortised cost.

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

At initial recognition, the Group 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 the income statement.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

The Group 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 the income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Impairment

The Group 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 Group 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.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Impairment (cont'd)

Simplified approach - Trade receivables

The Group applies the simplified approach to provide expected credit losses for all trade receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

General approach - Other financial instruments and financial guarantee contracts

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

At each reporting date, the Group 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 Group 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 Group'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 Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group'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 Group 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 Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group 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 Group 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 Group assesses whether financial assets carried at amortised cost are credit-impaired.

Measurement of expected credit losses

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

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Impairment (cont'd)

Write-off policy

The Group 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 units in issue

Non-derivative financial liabilities

The Group 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 bank loans, convertible bonds and trade and other payables.

Units in issue

Units issued are classified as equity.

Unit issue costs represent expenses incurred in connection with the issue of units. All such expenses are deducted directly from unitholders' funds, net of any tax effects.

When the Trust purchases the units issued, the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within statement of changes in unitholders' funds, until they are cancelled, sold or reissued.

When units are subsequently cancelled, the costs of units are deducted against the units in issue if the units are purchased out of capital of the Trust.

2.8 Borrowings

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the Statement of Financial Position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Borrowings (cont'd)

(b) Convertible bonds (cont'd)

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.9 Leases (when entities within the Group are lessors of an operating lease)

The Group owns vessels and leases them to lessees under fixed bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

Lease income is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging an operating lease added to the carrying amount of the leased asset are recognised as an expense in the income statement over the lease term on the same basis as the lease income.

2.10 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairments are recognised in the income statement. Impairment recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment in respect of non-financial assets recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Notes to the Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Revenue Recognition

Revenue is measured based on the consideration to which the Group 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 Group 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.

Revenue from bareboat charters and time charters, which are an operating lease in nature, is recognised on a straight-line basis over the period of the charter contracts (Note 2.9).

For vessels deployed in the spot market, freight income is recognised over time as the performance obligation is satisfied based on the percentage of completion method calculated on a load-to-discharge basis over the voyage period.

For vessels deployed on a pool arrangement, the pool measures revenue on a time charter equivalent basis based on the contractual rates and the duration of each voyage for each vessel, and revenue is recognised by the Group upon delivery of the service in accordance with the terms and conditions of the charter parties. Total pool revenue is derived by aggregating the revenues earned by each vessel participating in the pool. Each vessel owner's share of the total pool revenue is primarily dependent on the (i) number of days the vessel has been available for the pool in relation to the total available pool earning days during the period, and (ii) pool points assigned to each vessel in the pool. Pool points are generally determined based on the size and performance of the vessel. The pool revenue is net of pool commission, bunkers costs and related voyage expenses.

2.12 Finance Income and Finance Costs

Finance income comprises interest income from cash and cash equivalents that is recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance costs mainly comprise interest expense on bank loans and amortisation of debt transaction costs that are recognised in the income statement.

All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Notes to the Financial Statements

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement 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.

2.14 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management of the Trustee-Manager who are responsible for allocating resources and assessing performance of the operating segments.

2.15 Distribution Policy

The Trust makes distributions to its unitholders out of its net distributable amount, which consists of net lease income and after-tax interest income less management fees, financing costs, other trust expenses (excluding depreciation, impairment loss and amortisation of debt up-front fees), credit facility repayments, plus previously reserved amounts, less any additional amount to be set aside to meet upcoming payment obligations of the Trust, but before deduction of any incentive fees payable to the Trustee-Manager.

In the event that there are net taxable income and/or proceeds arising from any sale of vessels, and only if such income and/or proceeds are surplus to the business requirements and needs of the Trust and its taxability or otherwise confirmed by the IRAS, the Trustee-Manager may also, in its discretion, distribute such income and/or proceeds.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Distribution Policy (cont'd)

The form, frequency and amount of future distributions (if any), will depend on earnings, financial position, results of operations and if relevant, net income and/or proceeds arising from the sale of any vessel, as well as expected working capital requirements and capital expenditure, contractual restrictions, provisions of applicable law and other factors which the Trustee-Manager may deem relevant.

Distributions will be declared in US dollars. For holders of units that are held through the Central Depository (Pte) Limited ("CDP"), the distributions will be paid in the Singapore dollar equivalent of the US dollar distribution declared, unless the unitholder elects to receive the distributions in US dollars, by submitting to the CDP a "Distribution Election Notice" by the closing date for election which will be specified in the "Distribution Election Notice". The "Distribution Election Notice" will be sent to each unitholder holding Units through the CDP, who is eligible to receive the relevant distributions. For the distributions to be paid in Singapore Dollars, the Trustee-Manager will make the necessary arrangements to convert the distributions in US dollars into Singapore dollars (taking into account the cost of exchange) at the prevailing market exchange rate. Neither the CDP, the Trustee-Manager nor The Trust will be liable for any loss howsoever arising, from the conversion of the distributions payable to unitholders from US dollars into Singapore dollars. Save for approved depository agents (acting as nominees of their individual customers), each unitholder may elect to receive distributions in either Singapore dollars or US dollars and shall not be able to elect to receive distributions partially in US dollars and partially in Singapore dollars.

The distributions will be calculated as at 31 March, 30 June, 30 September and 31 December and will be paid within 75 days after such calculation date.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

Critical Accounting Estimates and Assumptions

The following are the key sources of estimation and assumptions 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.

3.1 Estimated Useful Lives of Vessels

The Group estimates the useful lives of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful lives of the vessels (25 years) are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the relevant asset. In addition, the estimation of the useful lives of the vessels is on the collective assessment of industry practice, internal technical evaluation and experience with similar vessels.

During the financial year ended 31 December 2020, the Group has reviewed and is satisfied that the useful lives of these vessels remained appropriate. The depreciation charged on the vessels for the financial year ended 31 December 2020 amounted to US$14,768,000 (2019: US$24,801,000). As at 31 December 2020, the carrying amount of the vessels amounted to US$136,105,000 (2019: US$180,702,000). If the expected useful lives of the vessels are to increase/decrease by 10% from management estimates, the Group's depreciation will decrease and increase by approximately US$1,245,000 (2019: US$2,136,000) and US$1,519,000 (2019: US$2,611,000) respectively.

Notes to the Financial Statements

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3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

Critical Accounting Estimates and Assumptions (cont'd)

3.2 Estimated Residual Values of Vessels

The Group reviews the residual values of the vessels at each reporting date to ensure that the carrying amounts are consistent with the estimated value of a future disposal.

The residual values of the vessels are estimated based on the average scrap steel price per light weight tonne in recent years. In determining the residual values of vessels leased on a long-term bareboat charter basis under operating lease agreements, the Group has considered various factors such as the type, size, age of these vessels and the existing lease arrangements.

3.3 Impairment Assessment of Vessels

Impairment is recognised when events and circumstances indicate that the vessel may be impaired and the carrying amount of the vessel exceeds the recoverable amount. The recoverable amount for each vessel is determined based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on a "value-in-use" methodology.

In determining the fair value less costs of disposal, the Group has obtained valuation reports from third party sources in December 2020. The valuation of the vessels was prepared assuming a sale between a willing seller and a willing buyer on a charter-free basis.

For the value-in-use calculations, the Group determined the cash flows based on existing charter contract rates and their expectation of market developments. The Group prepared the value-in-use calculation based on projected cash flows over the remaining useful life of each vessel and its projected residual value.

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses. The pre-tax discount rate is 11.00% (2019: 9.50%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows. If the pre-tax discount rate increases by 1%, the carrying values of the vessels will decrease by approximately 2% (2019: 1%).

During the financial year ended 31 December 2020, the Group recognised an impairment on vessels amounting to US$10,495,000 (2019: US$4,994,000). As at 31 December 2020, the carrying amount of the vessels was US$136,105,000 (2019: US$180,702,000).

Critical Judgements

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are as follows:

3.4 Classification of Leases

The Group owns vessels and leases them to lessees under fixed rate bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

During the financial year ended 31 December 2020, the Group earned bareboat charter lease income and time charter income of US$17,458,000 and US$8,414,000 (2019: US$26,205,000 and US$8,369,000) respectively.

Notes to the Financial Statements

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4. VESSELS

	Vessels US$'000	Vessels under construction US$'000	Initial direct costs US$'000	Total US$'000
Group				
2020				
Cost				
At 1 January 2020	651,281	21,830	5,957	679,068
Additions	2,751	21,489	–	24,240
Disposals	(211,068)	–	(2,448)	(213,516)
Reclassified to non-current assets classified as held-for-sale	(70,000)	–	(793)	(70,793)
At 31 December 2020	372,964	43,319	2,716	418,999
Less:				
Accumulated depreciation/ amortisation and impairments				
At 1 January 2020	492,984	–	5,382	498,366
Depreciation/amortisation charge for the year	14,768	–	111	14,879
Impairment recognised in the income statement	10,495	–	–	10,495
Disposals	(174,981)	–	(2,448)	(177,429)
Reclassified to non-current assets classified as held-for-sale	(62,636)	–	(781)	(63,417)
At 31 December 2020	280,630	–	2,264	282,894
Carrying amount				
At 31 December 2020	92,334	43,319	452	136,105
2019				
Cost				
At 1 January 2019	741,293	–	6,905	748,198
Additions	1,988	21,830	235	24,053
Reclassified to non-current assets classified as held-for-sale	(92,000)	–	(1,183)	(93,183)
At 31 December 2019	651,281	21,830	5,957	679,068
Less:				
Accumulated depreciation/ amortisation and impairments				
At 1 January 2019	516,312	–	6,348	522,660
Depreciation/amortisation charge for the year	24,801	–	217	25,018
Impairment recognised in the income statement	4,994	–	–	4,994
Reclassified to non-current assets wclassified as held-for-sale	(53,123)	–	(1,183)	(54,306)
At 31 December 2019	492,984	–	5,382	498,366
Carrying amount				
At 31 December 2019	158,297	21,830	575	180,702

Notes to the Financial Statements

31 DECEMBER 2020

4. VESSELS (CONT'D)

The Group's vessels with a net carrying value of US$92,511,000 (2019: US$158,598,000), are mortgaged to financial institutions (Note 11).

Dry-docking costs included in vessel costs are capitalised and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years. As at 31 December 2020, the net carrying value of dry-docking amounted to US$918,000 (2019: US$2,482,000).

During the financial year ended 31 December 2020, the Group disposed one crude oil tanker, FSL Shanghai and two containerships, FSL Eminence and FSL Elixir (formerly known as "YM Eminence" and "YM Elixir") for a total net cash consideration of approximately US$40,949,000, resulting in a gain on disposal of US$4,862,000.

During the financial year ended 31 December 2020, the Group reclassified one containership (2019: two product tankers) to non-current assets classified as held-for-sale. The Group recorded an impairment on the vessel amounting to US$101,000 (2019: US$4,994,000) in the income statement. These are non-recurring fair value which have been measured using observable inputs, being the prices based on Memorandum of Agreements comparable to sale of similar vessels and these are within Level 2 of the fair value hierarchy (Note 23).

In addition, during the financial year ended 31 December 2020, the Group recorded a further impairment of US$10,394,000 for the remaining vessels, comprising of US$8,788,000 based on value in use calculations and US$1,606,000 based on fair value less costs of disposal. During the previous financial year ended 31 December 2019, no further impairment is recorded for the remaining vessels as the recoverable amount based on fair value less costs of disposal and value in use calculations was higher than their carrying values.

The value in use calculations use discounted cash flow projections based on the projected cash flows over the remaining useful life of each vessel and its projected residual value, which was based on the average scrap steel price per light weight tonne in recent years or the values obtained from third party sources. The fair value less costs of disposal is based on the sale of similar vessels and is therefore within Level 2 of the fair value hierarchy (Note 23).

Carrying amount of the vessels, where the Group leases out under operating lease

	Group	
	2020 US$'000	**2019 US$'000**
At 1 January	87,295	103,011
Additions	2,652	1,988
Depreciation/amortisation charge for the year	(11,296)	(17,704)
Impairment recognised in the income statement	(4,738)	–
Disposals	(20,830)	–
At 31 December	53,083	87,295

Notes to the Financial Statements

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5. SUBSIDIARIES

(a) Total interests in subsidiaries

	Trust	
	2020	**2019**
	US$'000	**US$'000**
Equity investments		
At cost (Note (i))	49,649	45,090
Return of equity	(9,947)	(9,947)
Impairment recognised[1]	(4,630)	(3,296)
	35,072	31,847
(i) Movement of Equity investments, At cost		
At 1 January	45,090	78,079
Amount due from a subsidiary (Note (b))	4,559	–
De-registered during the year (Note (b))	–	(8,975)
Write off against impairment on de-registration of entities	–	(24,014)
At 31 December	49,649	45,090

(1) Impairment recognized is eliminated at consolidation.

(b) The amount due from a subsidiary, FSL 9 & 10 Holding Ltd, is non-trade in nature, unsecured, interest-free and is repayable at the discretion of the subsidiary. Accordingly, this amount is referred to as a capital contribution and forms part of the Trust's net investment in the subsidiary. During the previous financial year ended 31 December 2019, the Trust de-registered its subsidiaries in Singapore, FSL-11, FSL-12 and FSL-13.

(c) Management performed an impairment test for the investment in its subsidiaries. An impairment of US$1,334,000 (2019: US$4,490,000) was recognised for the financial year ended 31 December 2020 to write down the investment in subsidiaries to their recoverable amount. The recoverable amount of the investment in these subsidiaries have been determined based on value in use which approximates their net assets as at 31 December 2020.

Notes to the Financial Statements

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5. SUBSIDIARIES (CONT'D)

(d) Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective equity held by the Group 2020 %	2019 %
FSL-1, Inc.	Marshall Islands	100	100
FSL-2, Inc.	Marshall Islands	100	100
FSL-3, Inc.	Marshall Islands	100	100
FSL-4, Inc.	Marshall Islands	100	100
FSL-5, Inc.	Marshall Islands	100	100
FSL-6, Inc.	Marshall Islands	100	100
FSL-9 Pte. Ltd.	Singapore	100	100
FSL-10 Pte. Ltd.	Singapore	100	100
FSL-14, Inc.	Marshall Islands	100	100
FSL-15, Inc.	Marshall Islands	100	100
FSL-16, Inc.	Marshall Islands	100	100
FSL-18 Pte. Ltd.	Singapore	100	100
FSL-19 Pte. Ltd.	Singapore	100	100
FSL-20, Inc.	Marshall Islands	100	100
FSL-21, Inc.	Marshall Islands	100	100
FSL-22, Inc.	Marshall Islands	100	100
FSL-23 Pte. Ltd.	Singapore	100	100
FSL-24 Pte. Ltd.	Singapore	100	100
FSL-25 Pte. Ltd.	Singapore	100	100
FSL-26 Pte. Ltd.	Singapore	100	100
FSL-27 Pte. Ltd.	Singapore	100	100
FSL-28, Inc.	Marshall Islands	100	100
FSL-29, Inc.	Marshall Islands	100	100
FSL 9 & 10 Holding Ltd	Cyprus	100	100

Moore Stephens LLP, Singapore is the auditor for all of the Singapore-incorporated subsidiaries. No statutory audit is required for subsidiaries incorporated in the Marshall Islands and in Cyprus under the laws of their respective countries of incorporation.

All of the Singapore-flagged vessel-owning subsidiaries are subject to externally imposed capital requirements, as required under Regulation 5 of the Merchant Shipping (Registration of Ships) Regulations, which have been complied with.

Notes to the Financial Statements

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6. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade receivables	1,636	5,819	–	–
Other receivables	482	470	8	40
Amounts due from subsidiaries	–	–	32,129	97,161
Deposits placed with Commercial/Pool Managers	2,176	5,145	–	–
Deposits with third parties	1	11	1	–
Claims receivables due from a former charterer (Note 24)	697	1,520	–	–
Trade and other receivables	4,992	12,965	32,138	97,201
Prepayments	44	216	7	61
	5,036	13,181	32,145	97,262

(a) Trade receivables are amounts due from charterers which are unsecured, interest-free and repayable within 60 days. As at 31 December 2020, the trade receivables are classified as current debts. The Group does not have historical credit loss and loss allowance measured at an amount equal to lifetime expected credit losses are assessed to be minimal.

(b) The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. During the financial year ended 31 December 2020, the Trust wrote back an impairment of US$1,241,000 (2019: US$737,000) in the income statement due to changes in credit risk. As at 31 December 2020, the Trust has an accumulated allowance for impairment amounting to US$13,301,000 (2019: US$14,542,000).

(c) Other receivables (including deposits placed with commercial/pool managers) are considered to have low credit risk. Loss allowance, measured at an amount equal to 12-month expected credit loss, is assessed to be minimal.

(d) In place was a master offsetting agreement between the Trust and its subsidiaries to settle the net amount due to or from each other if required. For such arrangements, the receivables and payables from each counterparty are presented on a net basis.

Amounts due from subsidiaries	Related amounts set off in the statement of financial position Gross amounts-financial assets US$'000	 Gross amounts-financial liabilities US$'000	Net amounts-financial assets presented in the statement of financial position US$'000
2020	74,224	(42,095)	32,129
2019	108,233	(11,072)	97,161

7. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Cash at bank	20,694	42,436	10,877	29,063
Less: Restricted cash at bank	(500)	(500)	–	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows	20,194	41,936	10,877	29,063

The restricted cash at bank is the minimum cash balance maintained with the lender as part of the loan facility entered during the previous financial year ended 31 December 2018 (Note 11).

Notes to the Financial Statements

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8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

	Group 2020 US$'000	Group 2019 US$'000
Non-current assets classified as held-for-sale	–	38,877

During the financial year ended 31 December 2020, the Group reclassified one containership, FSL Enhancer (formerly known as "YM Enhancer") (2019: two product tankers, FSL Piraeus and FSL Perth) as "Non-current assets classified as held-for-sale".

During the financial year ended 31 December 2020, the Group disposed three vessels (two product tankers (FSL Piraeus and FSL Perth) and one containership (FSL Enhancer) for a total net cash consideration of approximately US$46,358,000, resulting in a gain on disposal of US$105,000. During the previous financial year ended 31 December 2019, the Group disposed one vessel (product tanker, FSL Hamburg) for a total net cash consideration of approximately US$11,027,000, resulting in a gain on disposal of US$38,000.

9. UNITS IN ISSUE

	Number of units '000	Amount paid US$'000
Group and Trust		
2020		
At 1 January and 31 December	1,768,058	561,332
2019		
At 1 January	637,457	523,284
Units issued (Note (a))	956,185	31,215
Units issued costs (Note (a))	–	(262)
Conversion of convertible bonds (Note (b)) (Note 12)	174,416	7,095*
At 31 December	1,768,058	561,332

* Included option reserve of US$560,000

(a) During the previous financial year ended 31 December 2019, the Group issued 956,184,865 units as part of a Preferential Offering for a total consideration of US$31,215,000 (comprising cash of US$20,991,000 and capitalisation of loan from Sponsor of US$10,224,000) to provide funds for the Group's business operations and newbuilding acquisitions.

(b) During the previous financial year ended 31 December 2019, the subscribers of the Group's redeemable convertible bonds exercised their right to convert the bonds to 174,416,194 units.

All issued units are fully paid. There is no par value for these units. The holders of units are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at meetings of the Trust. All units rank equally with regard to the Trust's residual assets.

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10. RESERVES

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Foreign currency translation reserve	(6,725)	(6,725)	–	–
Accumulated losses	(425,043)	(351,726)	(483,463)	(403,410)
	(431,768)	(358,451)	(483,463)	(403,410)

The foreign currency translation reserve comprises: foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust; and foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations.

11. BANK LOANS

	Group	
	2020 US$'000	2019 US$'000
Secured bank loans		
Non-current	13,303	34,517
Current	16,538	35,544
Total carrying amount of secured bank loans	29,841	70,061
Add: Unamortised debt transaction costs	161	816
Total face value of secured bank loans	30,002	70,877

(a) In 2018, the Group secured loan facilities with three lenders, amounting to US$108,000,000. The loans bear interest at margin over US$ 1-month or US$ 3-month LIBOR. In 2020, the principal weighted average interest margin over LIBOR was 4.075% (2019: 4.012%).

(b) The term loan facilities are secured on the following:

(i) a first priority mortgage over the Group's vessels;

(ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;

(iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and

(iv) pledge of the shares of all the vessel-owning subsidiaries.

As at 31 December 2020, the Group is in compliance with the terms of the loan agreements.

(c) During the financial year ended 31 December 2020, the Group repaid in full the loan facility entered with Chailease International Financial Services Co., Ltd. in 2018 amounting to US$40,000,000.

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11. BANK LOANS (CONT'D)

(d) Under the terms of the three loan facilities entered in 2018, the loans are repayable in monthly or quarterly instalments, and mature between 2020 and 2022. During the financial year ended 31 December 2020, the Group made total loan repayments amounting to US$40,875,000 (2019: US$28,031,000). The table below summarises the maturity profile of the Group's bank loans at the end of the reporting period based on contractual undiscounted repayment obligations.

		Cash flows including interest		
	Carrying amount US$'000	Total Contractual cash flows US$'000	Within one year US$'000	Within one to five years US$'000
Group				
Secured bank loans				
2020	29,841	(31,175)	(17,560)	(13,615)
2019	70,061	(76,034)	(39,304)	(36,730)

Subject to the terms of the loan agreements, the Group may prepay the whole or any part of the loan and/ or be obliged to repay the relevant amount on the relevant date, in the case of the occurrence of events as defined in the loan agreements.

12. CONVERTIBLE BONDS

In May 2018, the Trust issued 7% redeemable convertible bonds denominated in United States Dollars (US$) with a nominal value of US$7,250,000. The bonds would mature in November 2020. The bonds may be converted into units of the Trust at the option of the subscriber, at an agreed conversion price of US$0.05687 per unit. The agreed conversion price will be subject to adjustment due to the anti-dilution clause upon the occurrence of certain adjustment events, including rights issues of Units. The maximum number of new units that may be issued by the Trust to the Subscriber will be 127,483,735 new units. The Trust has the option to redeem all the bonds at any time. On maturity date, the Trust will redeem any remaining bonds at 100% of the principal amount of the bond, together with any unpaid accrued interest on the maturity date.

During the previous financial year ended 31 December 2019, the carrying amount of the convertible bonds amounting to US$6,535,000 was fully converted into 174,416,194 units of the Trust (Note 9). There were no convertible bonds issued or outstanding during the financial year ended 31 December 2020.

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13. TRADE AND OTHER PAYABLES

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade payables	340	118	–	–
Accrued financing expenses	34	522	–	–
Accrued operating expenses	192	245	85	152
Lease income received in advance	756	–	–	–
Other payables	824	1,039	129	59
Amounts due to related parties	241	132	–	–
Amounts due to the Trustee–Manager	32	159	–	–
	2,419	2,215	214	211

The amounts due to related parties are trade in nature, unsecured, interest-free and repayable within credit terms. The amounts due to the Trustee-Manager are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's and the Trust's financial liabilities have a maturity of less than one year and approximate the contractual undiscounted cash flows amounts.

14. REVENUE

	Group	
	2020 US$'000	2019 US$'000
Performance obligations satisfied over time		
Bareboat charter lease income	17,458	26,205
Time charter income	8,414	8,369
Pool income	21,909	38,147
Freight income	551	386
	48,332	73,107

Bareboat charter lease income relates to lease income derived from operating leases.

Time charter income relates to income derived from two vessels time chartered to an international transportation provider.

Pool income relates to income substantially derived from two crude oil tankers, FSL Hong Kong and FSL Shanghai and four product tankers, FSL Singapore, FSL Piraeus, FSL Perth and FSL Osaka, deployed on pool arrangements.

Freight income relates to income derived from one crude oil tanker trading in the spot market.

Notes to the Financial Statements

31 DECEMBER 2020

15. FINANCE INCOME AND FINANCE COSTS

	Group 2020 US$'000	Group 2019 US$'000
Finance income		
Interest income from cash and cash equivalents	280	367
Finance costs:		
– bank loans and convertible bonds	(2,162)	(6,020)
– interest to agent	(5)	(20)
– amortisation of debt transaction costs	(655)	(1,058)
Net foreign exchange loss	(33)	(5)
	(2,855)	(7,103)
Net finance costs recognised in the income statement	(2,575)	(6,736)

16. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group 2020 US$'000	Group 2019 US$'000
Gain on disposal of vessels	(4,967)	(38)
Audit fees paid/payable to auditors of the Trust	105	98
Non-audit fees paid/payable to:		
– auditors of the Trust	5	6
Professional fees[(1)]	95	342
Amortisation of initial direct costs	111	217

(1) Professional fees included cost incurred on the loan restructuring and corporate actions.

17. INCOME TAX EXPENSE

	Group 2020 US$'000	Group 2019 US$'000
Income tax		
Current tax expense	10	39
Over provision in prior year	(9)	–
	1	39

Notes to the Financial Statements

31 DECEMBER 2020

17. INCOME TAX EXPENSE (CONT'D)

	Group	
	2020	**2019**
	US$'000	**US$'000**
Reconciliation of effective tax rate		
Profit before income tax	6,247	10,170
Tax calculated using the Singapore tax rate of 17%	1,062	1,729
Expenses not deductible for tax purposes[1]	1,791	993
Income not subject to tax	91	99
Exempt shipping activities	(2,923)	(2,769)
Singapore statutory tax exemption	(11)	(13)
Over provision in prior year	(9)	–
	1	39

(1) Includes impairment on vessels.

The lease income derived by the Group's entities from the respective bareboat charters qualifies for tax exemption under the Maritime Sector Incentive ("MSI") scheme and further extension for a period of five years from 8 February 2017 was granted to 12 vessels. The distributions made out of the tax exempt income less allowable expenses will also be exempt from Singapore income tax in the hands of the unitholders. The freight income and pool income derived by the Group's Singapore entities are also exempted from tax under Section 13A of the Singapore Income Tax Act ("SITA"), Chapter 134.

The Group is subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate, after adjusting for allowable expenses.

As at 31 December 2020, the Group has estimated unabsorbed capital allowance of approximately US$8,559,000 (2019: US$7,483,000) 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 SITA. The deferred tax benefit arising from the unabsorbed capital allowances has not been recognised in the financial statements in accordance with the Group's accounting policies (Note 2.13).

18. DISTRIBUTIONS TO UNITHOLDERS

	Group	
	2020	**2019**
	US$'000	**US$'000**
– Distribution of 1.50 US cents per unit for the period from 1 October 2019 to 31 December 2019 (tax-exempt income)	26,521	–
– Distribution of 1.50 US cents per unit for the period from 1 January 2020 to 31 March 2020 (tax-exempt income)	26,521	–
– Distribution of 1.50 US cents per unit for the period from 1 June 2020 to 30 September 2020 (tax-exempt income)	26,521	–
	79,563	–

Notes to the Financial Statements

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19. EARNINGS PER UNIT

	Group 2020	Group 2019
Basic and diluted earnings per unit is based on:		
Profit for the year (US$'000)	6,246	10,131
Weighted average number of units at the end of the year (basic) ('000)	1,768,058	1,255,727
Basic earnings per unit (US cents)	0.35	0.81
Weighted average number of units at the end of the year (diluted) ('000)	1,768,058	1,328,335
Diluted earnings per unit (US cents)	0.35	0.80

20. COMMITMENTS

(a) Operating lease commitments

The undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group 2020 US$'000	Group 2019 US$'000
Within one year	11,048	21,044
Between one to two years	5,037	2,505
Between two to three years	5,146	1,022
Between three to four years	3,995	1,018
Between four to five years	4,015	–
After five years	594	–
	29,835	25,589

Operating lease-Bareboat charter

The rental rates of lease arrangements are fixed over the lease term. The remaining lease period under these non-cancellable leases range from one year to five years six months (2019: five months to four years) at the end of the financial year. In four lease agreements (2019: one lease agreement) held by the Group, the lessees have the option to extend the lease period beyond the base lease period up to three years (2019: two years). The lessees have the option to purchase the related vessels in four lease agreements (2019: four lease agreements). Where considered necessary to reduce credit risk, the Group may obtain guarantees for the term of the lease.

Bareboat charter lease income from vessels is disclosed in Note 14.

Operating lease-Time charter

As at 31 December 2020, there are two time charter lease arrangements (2019: two time charter lease arrangement) with rental rates fixed over a period of six months (2019: six months). For both lease agreements held by the Group, the lessees have the option to purchase the related vessels.

The rentals received from the two lease agreements with rentals based on market rates for the financial year ended 31 December 2020 amounted to US$8,400,000 (2019: US$8,300,000).

Time charter income from vessels is disclosed in Note 14.

Notes to the Financial Statements

31 DECEMBER 2020

20. COMMITMENTS (CONT'D)

(b) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group 2020 US$'000	Group 2019 US$'000
Shipbuilding contracts (Two LR2 Product Tankers)		
Within one year	58,560	48,800
Between one to five years	–	29,280
	58,560	78,080

During the financial year ended 31 December 2020, the Group accepted an offer from a reputable Chinese leasing company in relation to the sale and leaseback of the two LR2 Product Tankers currently under construction at the shipyard. Subject to definitive documentation being entered into between the Chinese leasing company and the Group, the Group will receive an aggregate amount of US$58.56 million to be used to finance the remaining payments to the shipyard under the relevant shipbuilding contracts.

21. 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.

The Trustee-Manager is a subsidiary of a substantial unitholder of the Trust. Other than disclosed elsewhere in the financial statements, significant transactions with related parties are as follows conducted at terms agreed between the parties:

	Group 2020 US$'000	Group 2019 US$'000
Transactions with the Trustee-Manager:		
Management fees	1,365	2,125
Trustee fees	45	55
Disposal fees	451	58
Transactions with other related parties:		
Directors' fees paid to non-executive directors(1)	212	170
Technical management fees paid to Prime Tanker Management Inc(2)	297	685
Loan interest for bridging loan paid to FSL Holdings Pte. Ltd.(3)	–	224

(1) Directors' fees paid to the four Non-Executive and Independent Directors.
(2) Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 1,292,288,508 of the Trust's issued units as at 31 December 2020.
(3) FSL Holdings Pte. Ltd. who is deemed interested in 1,292,288,508 of the Trust's issued units as at 31 December 2020.

Notes to the Financial Statements

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22. SEGMENT INFORMATION

The Trustee-Manager has determined the Group as one reportable segment as the Group is only involved in the leasing and chartering of vessels which is carried out in international waters.

Geographical information

Revenues from external customers are attributed to the regions based on the customers' country of origin.

	Revenue	
	2020 US$'000	**2019 US$'000**
Asia	29,212	25,816
Europe	6,590	11,362
Others	12,530	35,929
	48,332	73,107

With respect to the presentation of vessels by geographical information, the Group deals with several lessees and the vessels are deployed to various parts of the world at the discretion and direction of these lessees. Accordingly, the Trustee-Manager does not consider it meaningful to allocate vessels to specific geographical locations.

All other non-current assets are attributed to the countries based on the Group's country of domicile.

As at 31 December 2020, the Group has five customers (2019: four customers) each accounting for more than 10% (2019: 10%) of the Group's total revenue.

23. FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group is exposed to credit, liquidity and market risks. The Group from time to time may use derivative financial instruments to hedge its interest rate and foreign currency risk exposures. The Group does not hold or issue derivative financial instruments for trading purposes.

Management uses natural hedges or closely monitors the Group's business risk exposures in connection with its financial assets and financial liabilities and adopts the appropriate measures including the use of other financial instruments when considered necessary to reduce any potential financial risk exposures or losses.

(a) Credit Risk

As part of the Trustee-Manager's due diligence activities and prior to the completion of a lease transaction, each new lessee is analysed individually for creditworthiness. The Trustee-Manager then incorporates the results from its due diligence activities into a risk-adjusted pricing model. This model incorporates a credit loss component which takes into account the likelihood of default, the level of recoverability following a default and the credit exposure at the time of default.

Upon the completion of a lease transaction, the Trustee-Manager conducts on-going credit reviews annually or semi-annually to monitor each lessee's financial performance and compliance with financial covenants (if any). In addition, the payment conduct of a lessee is monitored on a monthly basis.

The Group's credit risk is concentrated in lessees in the shipping industry; and the Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as of 31 December 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position.

Notes to the Financial Statements

31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit Risk (cont'd)

Cash and cash equivalents and other financial assets

The Group does not expect to incur material credit losses on its financial assets. Cash and cash equivalents are placed with financial institutions which are regulated. Deposits are held with a major financial institution with external credit rating (as provided by independent rating agency) of at least an "A" rating.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of expected credit loss for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents are assessed to be minimal.

Credit risk grading guideline

The Group has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are set out in Note 2.7(a) to the financial statements.

Credit risk exposure and significant credit risk concentration

The Group have assessed the financial assets as performing, counterparties having low risk of default and does not have any past due amounts. The basis of recognition of expected credit loss for trade and other receivables are set out in Note 6 to the financial statements. The ageing of trade receivables at the reporting date was:

	Group	
	2020	2019
	US$'000	US$'000
Not past due	1,636	5,819

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations.

The contractual undiscounted cash outflows for bank loans are disclosed in Note 11 to the financial statements. The contractual undiscounted cash outflows for trade and other payables approximate their carrying amounts stated in the Statements of Financial Position due to their short term maturity.

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, which will affect the Group'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.

Notes to the Financial Statements

31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest Rate Risk

The Trustee-Manager, on behalf of the Trust, reviews any unhedged exposures periodically and will consider hedging them after taking into consideration the prevailing interest rate environment.

Sensitivity analysis

With respect to the variable rate bank loans, an increase of 50 bps in interest rate at the reporting date would decrease profit after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit for the year 2020 US$'000	Profit for the year 2019 US$'000
Group and Trust		
Variable rate bank loans	196	429

A decrease of 50 bps in interest rate at the reporting date would have equal but opposite effects of the amounts as shown above, on the basis that all other variables remain constant.

(e) Foreign Currency Risk

In respect of other monetary assets and liabilities held in currencies other than the US dollar, the Group 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.

The Group's and the Trust's exposures to foreign currencies are as follows:

	2020		2019	
	Euro US$'000	Singapore dollar US$'000	Euro US$'000	Singapore dollar US$'000
Group				
Other receivables	–	9	–	18
Cash and cash equivalents	2	208	3	95
Trade and other payables	(79)	(198)	(1)	(215)
Trust				
Other receivables	–	9	–	6
Cash and cash equivalents	2	159	3	47
Trade and other payables	(79)	(127)	–	(152)

Notes to the Financial Statements

31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Foreign Currency Risk (cont'd)

Sensitivity analysis

A 10% strengthening/weakening of US dollar against the following currencies at the reporting date would increase/(decrease) results and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit for the year and other comprehensive income	
	Strengthening of US Dollars US$'000	Weakening of US Dollars US$'000
Group		
2020		
Euro	9	(9)
Singapore dollar	(2)	2
2019		
Euro	–	–
Singapore dollar	11	(11)

(f) Fair Values Measurements

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust.

Non-derivative financial liabilities

The carrying amount of the variable rate bank loans, which are repriced on a monthly or quarterly basis at prevailing market interest rates (Level 2), closely reflects the corresponding fair values.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values due to their short period to maturity and where the effect of discount is immaterial.

Fair Value Hierarchy

Fair value measurement disclosure of other assets that are recognised or measured at fair value, are disclosed in Note 4 and Note 8 to the financial statements.

- 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).

Notes to the Financial Statements

31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Capital Management

The Trustee-Manager defines "capital" to include funds raised through the issuance of units, revenue reserves and proceeds raised from debt facilities. The Trustee-Manager's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group and the Trust. The Trustee-Manager monitors capital based on a gearing ratio.

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Bank loans	29,841	70,061	–	–
Equity	129,564	202,881	77,869	157,922
Total debt and equity	159,405	272,942	77,869	157,922
Bank loans against total debt and equity	0.19	0.26	–	–

The Trustee-Manager also monitors the distribution per unit (if any), which is the annualised distribution to unitholders divided by total number of units (Note 18).

The cash flows from the operating activities of the Group and the Trust are sufficient to fund the scheduled debt service, payments to the Trustee-Manager and working capital requirements. To the extent that financing for additional vessels as described in Note 20 (b) or otherwise is required, additional equity or debt securities may be issued or additional secured borrowings may be incurred.

There were no changes in the Group's and the Trust's approach to capital management during the year. Other than disclosed elsewhere in the financial statements, the Group and the Trust are not subject to externally or regulatory imposed capital requirements.

24. LEGAL CASE

(a) FSL-25 Pte. Ltd. ("FSL-25") and FSL-26 Pte. Ltd. ("FSL-26"), wholly-owned subsidiaries of the Trust and respective owners of the LR2 Product Tankers "FSL Piraeus" (formerly known as "Torm Margrethe") and "FSL Perth" (formerly known as "Torm Marie"), had entered into seven year bareboat charter agreements with Torm Singapore Pte. Ltd. ("TORM") in June 2011.

In mid 2018, TORM redelivered these two vessels back to FSL-25 and FSL-26 in breach of the redelivery provisions of the bareboat charters.

Consequently, in order to protect the interests of the Unitholders, FSL-25 and FSL-26 performed all necessary repairs.

During the financial year ended 31 December 2020, litigation claims against TORM were amicably resolved and a final settlement was concluded and paid on the terms and conditions set out in the settlement agreement.

(b) FSL-20, Inc. ("FSL-20"), a wholly-owned subsidiary of the Trust and the owner of the containership "FSL Eminence" (formerly known as "YM Eminence") had entered into a twelve year bareboat charter agreement with the charterer in May 2008.

During the current financial year, the charterer redelivered the vessel back to FSL-20 in breach of the redelivery provisions of the bareboat charter.

Consequently, in order to protect the interests of the Unitholders, FSL-20 performed all necessary repairs. FSL-20 is in the process to file a claim to recover the repair costs and losses incurred from the charterer.

Notes to the Financial Statements

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25. SUBSEQUENT EVENTS

(a) Subsequent to year end, the Group executed a Memorandum of Agreement to sell the LR2 Product Tanker newbuildings, FSL Suez and FSL Fos, to an unaffiliated third party following their deliveries from the shipyard and received the initial 15% deposit in escrow.

Due to delivery of the two newbuildings from the shipyard and their disposal in short order, and to the benefit of the Trust and its unitholders, the Trustee-Manager has waived the acquisition fee of 1.0% on the purchase price, as well as the divestment fee of 0.5% on the disposal price, in the aggregate amount of US$1.5 million.

In the same month, the disposal of the LR2 Product Tanker newbuildings, FSL Suez and FSL Fos, was completed with the successful delivery to their new unaffiliated owners, guaranteed nominees of General Maritime Transport Company, a state-owned Libyan shipping company. The Group realised an aggregate net gain of approximately US$0.5 million and aggregate net sale proceeds of approximately US$103.8 million. An amount of US$12.5 million of the aggregate net sale proceeds was used towards the full and final repayment of the zero interest bridge facility from its related party, Prime Shareholdings Inc.

(b) Subsequent to year end, the Group entered into a zero interest bridge facility with its related party, Prime Shareholdings Inc., amounting to US$12.5 million. The bridge facility will be used to finance the final instalments payable to the shipyard upon delivery of the two newbuildings.

This loan is secured by a guarantee of the Trust and is repayable upon the completion of disposal of the two newbuildings.

(c) Subsequent to year end, the Group accepted an offer from a reputable Taiwanese financial institution for the refinancing (the “New Loan”) of the Group’s six product tankers, Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, Seniority and Superiority. Subject to definitive documentation being entered into between the Taiwanese financial institution and the Group, the Group will receive an aggregate amount of US$15.0 million under the New Loan. The New Loan will have a maturity of 5 years from the date of drawdown.

(d) Subsequent to year end, the Group entered into a Memorandum of Agreement to sell the product tanker, FSL Osaka, to an unaffiliated third party and received the initial 10% deposit in escrow.

(e) Subsequent to year end, the Group repaid in full the amounts outstanding under the loans from Amsterdam Trade Bank N.V. and Hellenic Bank Public Company Limited of approximately US$28.8 million in aggregate (“Prepayment”), partly utilising the proceeds from the disposal of the two LR2 Product Tanker newbuildings as disclosed in Note 25(a) above.

Following the Prepayment, the Group has no loans outstanding, in anticipation of the US$15.0 million new loan as disclosed in Note 25(c) above, which remains subject to definitive documentation being entered into between the parties.

Lease Portfolio

AS AT 18 MARCH 2021

Vessel	Year Built	Capacity	Employment	Lessee	Lease Commencement
Chemical Tanker					
FSL New York	2006	19,970 DWT	Time Charter	Golden Stena Baycrest	12 Jun 2018
FSL London	2006	19,966 DWT	Time Charter	Golden Stena Baycrest	19 Jun 2018
Crude Oil Tanker					
FSL Hong Kong	2007	115,000 DWT	Vessel is employed in 'Teekay RSA Aframax Pool'		
Product Tanker					
Cumbrian Fisher	2004	12,921 DWT	Bareboat Charter	James Fisher	24 Dec 2017*
Clyde Fisher	2005	12,984 DWT	Bareboat Charter	James Fisher	24 Dec 2017*
Shannon Fisher	2006	5,421 DWT	Bareboat Charter	James Fisher	01 Feb 2021*
Solway Fisher	2006	5,421 DWT	Bareboat Charter	James Fisher	01 Jul 2016*
Speciality	2006	4,426 DWT	Bareboat Charter	James Fisher	31 Dec 2020*
Seniority	2006	4,426 DWT	Bareboat Charter	James Fisher	31 Dec 2020*
Superiority	2007	4,426 DWT	Bareboat Charter	James Fisher	31 Dec 2020*
FSL Singapore	2006	47,470 DWT	Vessel is employed in 'Hafnia MR Pool'		
FSL Osaka	2007	45,998 DWT	Vessel is employed in 'Hafnia MR Pool'		

Note:

* Commencement date for lease renewal period

Additional Information

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons for the financial period 1 January to 31 December 2020 which fall under the Listing Manual of the SGX-ST and the Business Trusts Act, Chapter 31A of Singapore are:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 (equivalent to approximately US$75,660^))
Prime Tanker Management Inc. – services rendered	An affiliate of Prime Shareholdings Inc., who is deemed interested in the units held by FSL Holdings Pte. Ltd	US$ 297,300

Notes:

^ Based on prevailing exchange rate as at 31 December 2020.

The above does not include the following on-going interested person transactions:

(a) the fees and charges payable by FSL Trust to FSLTM under the deed of trust dated 19 March 2007 as amended and supplemented from time to time; and

which are deemed to be specifically approved by the unitholders upon subscription for the units at the initial public offering and which are not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees, rentals and charges charged thereunder which will adversely affect FSL Trust.

Except as disclosed above, there were no additional interested person transactions (excluding transactions less than S$100,000 (US$75,660) equivalent) entered into up to and including 31 December 2020.

FSL Trust does not have any unitholders' mandate for interested person transactions.

Statistics of Unitholdings

AS AT 15 MARCH 2021

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	6	0.19	70	0.00
100 – 1,000	225	7.26	202,500	0.01
1,001 – 10,000	1,284	41.42	6,712,550	0.38
10,001 – 1,000,000	1,539	49.65	150,450,291	8.51
1,000,001 and above	46	1.48	1,610,692,225	91.10
Total	**3,100**	**100.00**	**1,768,057,636**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	FSL HOLDINGS PTE. LTD.	1,283,670,931	72.60
2	RAFFLES NOMINEES (PTE.) LIMITED	59,194,600	3.35
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	44,665,800	2.53
4	CITIBANK NOMINEES SINGAPORE PTE LTD	43,827,600	2.48
5	DBS NOMINEES (PRIVATE) LIMITED	38,099,733	2.15
6	NG HWEE KOON	20,066,400	1.13
7	HSBC (SINGAPORE) NOMINEES PTE LTD	13,518,500	0.76
8	PHILLIP SECURITIES PTE LTD	10,561,900	0.60
9	FSL TRUST MANAGEMENT PTE LTD	8,617,577	0.49
10	TAN SIEW KENG CHRISTINA	7,610,000	0.43
11	PEH KOK WAH @ PEH WAH CHYE	6,955,000	0.39
12	ONG EUGENE	5,425,000	0.31
13	CHOW KAR WAH	4,523,000	0.26
14	YIM WING CHEONG	4,241,000	0.24
15	TAN WEY LING	4,191,500	0.24
16	WIRTZ JOCHEN	4,026,200	0.23
17	LEE GUAN HUAT	3,870,000	0.22
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,392,850	0.19
19	SF VENTURES PTE LTD	3,000,000	0.17
20	NG CHEE KEONG	2,954,000	0.17
	Total	**1,572,411,591**	**88.94**

Statistics of Unitholdings

AS AT 15 MARCH 2021

SUBSTANTIAL UNITHOLDERS

(As shown in the Register of Substantial Unitholders)

Name of Substantial Unitholder	Direct Interests	%	Deemed Interests	%
FSL Holdings Pte. Ltd.[1]	1,283,670,931	72.60	8,617,577	0.49
Prime Shareholdings Inc.[2]	–	–	1,292,288,508	73.09
Prime Investments and Holdings Ltd[2]	–	–	1,292,288,508	73.09
Prime Marine Corporation[2]	–	–	1,292,288,508	73.09
PMC Holding Inc.[2]	–	–	1,292,288,508	73.09
Joelma Holding Inc.[2]	–	–	1,292,288,508	73.09
Geomel Holding Inc.[2]	–	–	1,292,288,508	73.09
Stella Maris Holding Inc.[2]	–	–	1,292,288,508	73.09
Efstathios Topouzoglou[2]	–	–	1,292,288,508	73.09
Michail Chalkias[2]	–	–	1,292,288,508	73.09
Georgios Kouleris[2]	–	–	1,292,288,508	73.09

Notes:

1. FSL Holdings Pte. Ltd. ("FSLH") is the 100% shareholder of FSL Asset Management Pte. Ltd., which in turn wholly-owns FSL Trust Management Pte. Ltd. FSLH is therefore deemed to be interested in 8,617,577 units held by FSL Trust Management Pte. Ltd.

2. FSLH is a wholly-owned subsidiary of Prime Shareholdings Inc. ("PSI"). PSI is a wholly-owned subsidiary of Prime Investments and Holdings Ltd, which is a wholly-owned subsidiary of Prime Marine Corporation, which is in turn a wholly-owned subsidiary of PMC Holding Inc. ("PMCHI"). PMCHI is 57% held by Joelma Holding Inc., which is 100% held by Efstathios Topouzoglou, 21.5% held by Geomel Holding Inc., which is 100% held by Michail Chalkias, and 21.5% held by Stella Maris Holding Inc., which is 100% held by Georgios Kouleris.

FREE FLOAT

Based on information available as at 15 March 2021, approximately 26.54% of the units of First Ship Lease Trust is in the hands of the public and accordingly Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Notice of Annual General Meeting of the Unitholders

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of First Ship Lease Trust ("**FSL Trust**" or the "**Trust**"), will be held by way of electronic means on Friday, 23 April 2021 at 4:00 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESSES

1. To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and Audited Financial Statements of FSL Trust for the financial year ended 31 December 2020, together with the Auditor's Report thereon. **(Ordinary Resolution 1)**

2. To re-appoint Moore Stephens LLP as the Auditors of FSL Trust to hold office until the conclusion of the next annual general meeting of FSL Trust, and to authorise the Directors of the Trustee-Manager to fix their remuneration. **(Ordinary Resolution 2)**

3. To transact any other ordinary business which may properly be transacted at an annual general meeting of the Unitholders.

SPECIAL BUSINESSES

4. To consider and, if thought fit, to pass the following resolution with or without modifications as an Ordinary Resolution:

   THAT:

   pursuant to Section 36 of the Business Trusts Act, Chapter 31A of Singapore (the "**Business Trusts Act**") Clause 6.1 of the deed of trust dated 19 March 2007 constituting First Ship Lease Trust (as amended) (the "**Trust Deed**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Trustee-Manager, on behalf of FSL Trust, be authorised to:

   (a) (i) issue units in FSL Trust ("**Units**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that would or might require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Units,

   at any time to such persons and on such terms and conditions whether for cash or otherwise as the Trustee-Manager may in its absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Units in pursuance of any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

   provided that:

   (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 50 per cent. (50%) of the total number of issued Units excluding treasury Units (as calculated in accordance with sub-paragraph (2) below); of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders of FSL Trust shall not exceed 20 per cent. (20%) of the total number of issued Units excluding treasury Units in FSL Trust (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting of the Unitholders

(2) (subject to such calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be based on the total number of issued Units (excluding treasury Units) in FSL Trust at the time of the passing of this Resolution, after adjusting for:

(a) new Units arising from the conversion or exercise of any Instruments that are convertible into Units; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Trust Deed and the Business Trusts Act; and

(4) unless revoked or varied by ordinary resolution of Unitholders of FSL Trust in a general meeting, such authority shall continue in force (i) until the conclusion of the next annual general meeting of the Unitholders of FSL Trust or the date by which the next annual general meeting of the Unitholders of FSL Trust is required by law to be held, whichever is earlier, or (ii) in the case of Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments. **(Ordinary Resolution 3)**

5. To consider and, if thought fit, to pass the following resolution with or without modifications as an Ordinary Resolution:

THAT:

authority be and is hereby given to the Trustee-Manager to allot and issue from time to time such number of Units as may be required to be allotted and issued pursuant to the FSL Trust Distribution Reinvestment Scheme. **(Ordinary Resolution 4)**

By Order of the Board
FSL Trust Management Pte. Ltd.
As Trustee-Manager of First Ship Lease Trust

Elizabeth Krishnan
Company Secretary

Singapore
05 April 2021

Notice of Annual General Meeting of the Unitholders

Explanatory Notes on Resolution 3

If passed, the Ordinary Resolution set out in Resolution 3 empowers the Trustee-Manager from the date of the Fourteenth Annual General Meeting until the date of the subsequent Annual General Meeting or the date by which the subsequent Annual General Meeting is required by law to be held or such authority is varied or revoked by FSL Trust in a general meeting of Unitholders, whichever is the earlier, to issue Units, make or grant Instruments convertible into Units and to issue Units pursuant to such Instruments in FSL Trust up to a number not exceeding in aggregate 50% of the issued Units in FSL Trust of which up to 20% may be issued other than on a pro rata basis to Unitholders.

The aggregate number of Units which may be issued shall be based on the total number of issued Units (excluding treasury Units) at the time Resolution 3 is passed after adjusting for new Units arising from the conversion or exercise of any Instruments that are convertible into Units, as well as any subsequent bonus issue, consolidation or subdivision of Units.

Explanatory Notes on Resolution 4

Resolution 4 is a renewal of the resolution that was approved by Unitholders at the Thirteenth Annual General Meeting held on 30 June 2020.

If passed, the Ordinary Resolution set out in Resolution 4 authorises the Trustee-Manager to issue Units pursuant to the FSL Trust Distribution Reinvestment Scheme, which was adopted by resolution of the Unitholders at the Extraordinary General Meeting held on 9 October 2008, to Unitholders who, in respect of a qualifying distribution, have elected to receive Units in lieu of the cash amount of that qualifying distribution.

NOTES:

1. **General**

   This Fourteenth Annual General Meeting ("AGM"), convened by the Trustee-Manager will be held by electronic means, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A unitholder will not be able to attend the AGM in person.

   Alternative arrangements have been put in place to allow unitholders to participate in the AGM by (i) watching or listening to the AGM proceedings via a Live Webcast; (ii) submitting questions in advance of the AGM; and (iii) voting by proxy at the AGM.

2. **Notice of AGM**

   This Notice of AGM is sent to unitholders by electronic means via publication on the Trustee-Manager's website at the URL *www.fsltrust.com*. The Notice will also be available on the SGX website at the URL *www.sgx.com/securities/company-announcements*. A printed copy of the Notice is also included in the Annual Report 2020, sent to the unitholders.

3. **Attendance at AGM**

   Attendance at the AGM will be via electronic means. Unitholders or their corporate representatives (in the case of a member which is a legal entity) will be able to participate in the AGM by accessing a live webcast or live audio feed. Unitholders who are interested to participate at the AGM are required to pre-register their interest at *conveneagm.com/sg/fsltrust* for verification purposes.

   The Website will be open for pre-registration from 9:00 a.m. on 5 April 2021 and will close at 4:00 p.m. on 21 April 2021. Following verification, an email will be sent to unitholders on or around 22 April 2021 via the e-mail address provided on pre-registration. If you have any queries on the Webcast, please email *support@conveneagm.com* or call the toll-free telephone number 800 852 3335.

Notice of Annual General Meeting of the Unitholders

4. Voting by proxy

Unitholders who wish to exercise their right to vote must submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf. Unitholders appointing the Chairman of the Meeting as proxy must give specific directions as to the manner of voting or abstentions from voting, in the proxy form, failing which, the appointment will be treated as invalid. The proxy form can be downloaded from the Trustee-Manager's website at the URL *www.fsltrust.com* and will also be available on the SGXNet.

The instrument appointing the Chairman of the Meeting as proxy must be submitted in the following manner:-

(a) if submitted in hard copy, the proxy form may be sent personally or by post and lodged with our Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(b) if submitted electronically via email, the proxy form must be sent to *agm@firstshiplease.com*.

In either case, the proxy form must be received by the Unit Registrar not less than 48 hours before the time appointed for the AGM.

Unitholders who hold their units through relevant intermediaries as defined in Section 181 of the Companies Act. Chapter 50 (including SRS investors), and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy, should approach their respective relevant intermediaries to submit their voting instructions in advance, in order to allow sufficient time for their respective relevant intermediaries to submit the proxy form to appoint the Chairman of the Meeting to vote on their behalf, by 4.00 p.m. on 21 April 2021.

The Chairman of the Meeting, as proxy, need not be a unitholder of the Trust.

5. Submission of questions in advance

Unitholders will not be able to ask questions during the AGM. Instead, unitholders may submit questions related to the resolutions to be tabled at the AGM, at *conveneagm.com/sg/fsltrust*, latest by 4.00 p.m. on 21 April 2021. The Trustee-Manager will address substantial questions relating to these resolutions and post the answers on its website before the AGM. The Trustee-Manager will, within one month after the AGM, publish the minutes of the AGM on SGXNet and its website.

6. Annual Report 2020

A copy of the Annual Report 2020 was despatched to unitholders on 5 April 2021. The Annual Report is also available on the Trustee-Manager's website and on SGXNet.

PERSONAL DATA PRIVACY:

By (a) submitting a proxy form appointing the Chairman of the Meeting to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with Note (5) or submitting the pre-registration form in accordance with Note (3) of this Notice, a Unitholder of FSL Trust (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as proxy of the AGM (including any adjournment thereof) and the preparation and compilation of the pre-registration forms, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) agrees that the Unitholder will indemnify the Trustee-Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FIRST SHIP LEASE TRUST
(A business trust constituted on 19 March 2007)

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in the Republic of Singapore)
Company Registration No. 200702265R
(as Trustee-Manager of First Ship Lease Trust)

Proxy Form

Fourteenth Annual General Meeting of Unitholders of First Ship Lease Trust

I/We ______________________________ (Name)

holder of NRIC/Passport Number or Company registration or UEN ______________________________ of

______________________________ (Address)

being a Unitholder/Unitholders of First Ship Lease Trust hereby appoint the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf, at the Fourteenth Annual General Meeting ("**AGM**") of Unitholders of First Ship Lease Trust to be held on Friday, 23 April 2021 at 4:00 p.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*	No. of votes 'Abstain'*
1.	Adoption of the Report of the Trustee-Manager, Statement by the Trustee-Manager and Audited Financial Statements of First Ship Lease Trust for the financial year ended 31 December 2020 together with the Auditor's Report thereon			
2.	Re-appointment of Moore Stephens LLP as Auditors of First Ship Lease Trust and authority of Directors of Trustee-Manager to fix their remuneration			
3.	Authority to issue new Units			
4.	Authority to issue new Units pursuant to the First Ship Lease Trust Distribution Reinvestment Scheme			

* If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the "Abstain" box for a particular resolution, you are directing your proxy not to vote on that resolution and your votes will not be counted in computing the required majority on the poll.

Dated this ______________ day of ______________ 2021

Total No. of Units in:	No. of Units
CDP Register:	

____
Signature of Individual Unitholder(s) or
Common Seal of Corporate Unitholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Due to the COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting ("**AGM**") in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

2. The Chairman of the Meeting, as proxy need not be a Unitholder of First Ship Lease Trust.

3. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted in the following manner:-

   (a) if submitted in hard copy, the proxy form may be sent personally or by post and lodged with our Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically via email, the proxy form must be sent to agm@firstshiplease.com

   In either case, the proxy form must be received by the Unit Registrar not less than 48 hours before the time appointed for the AGM, that is, 4.00 p.m. on Wednesday, 21 April 2021, failing which, the instrument of proxy shall be treated as invalid.

5. The instrument appointing a proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney or duly authorised officer, the letter or power of attorney or board resolution duly authorising the officer or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Trustee-Manager shall be entitled to reject the instrument appointing a proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject the instrument appointing a proxy if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited ("**Depository**") to the Trustee-Manager.

8. For the purposes of determining the number of Units held in respect of Units registered in the name of the Depository and the number of votes which a particular Unitholder may cast in respect of such Units, the Trustee-Manager shall be entitled and bound to accept as accurate the number of Units credited in the securities account(s) of the relevant depositor as shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant meeting supplied by the Depository to the Trustee-Manager, and accept as the maximum number of votes which in aggregate the depositor's proxy is able to cast on a poll a number which is the number of Units credited into the securities account(s) of the relevant depositor, as shown in the aforementioned records of the Depository, whether that number is greater or smaller than that specified by the depositor in the instrument of proxy. The Trustee-Manager shall not, under any circumstances, be responsible for, or liable to any person as a result of it, acting upon or relying on the aforementioned records of the Depository.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy, the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 05 April 2021.

Fold this flap for sealing

Please affix postage stamp

THE COMPANY SECRETARY
FSL TRUST MANAGEMENT PTE. LTD.
(as Trustee-Manager of First Ship Lease Trust)
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

FSL TRUST MANAGEMENT PTE. LTD.
as Trustee-Manager for First Ship Lease Trust
(Co. Reg. No.: 200702265R)

9 Temasek Boulevard
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Investor Relations
Email: Investors@FirstShipLease.com
Website: www.FSLTrust.com