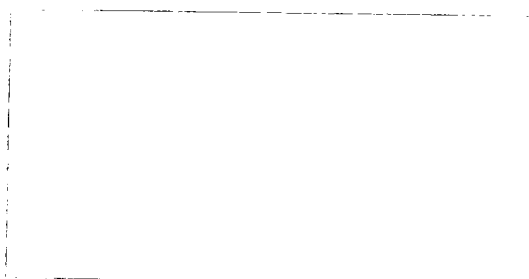


FC SHIPPING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



FC SHIPPING LIMITED

COMPANY INFORMATION

Directors S G Thom (Appointed 3 May 2021)
G P Sheach
C Harvie (Resigned 30 April 2021)

Secretary Endeavour Secretary Limited
Tobias House
St. Mark's Court
Teesdale Business Park
Teesside
TS17 6QW

Company number 5085910

Registered office Tobias House
St. Mark's Court
Teesdale Business Park
Teesside
TS17 6QW

Independent Auditors PricewaterhouseCoopers LLP
The Capitol, 431 Union Street
Aberdeen
Aberdeenshire
AB11 6DA

Bankers ABN Amro Bank
Coolsingel 119
Postbus 949
Rotterdam
The Netherlands
3000 DD ROTTERDAM

Solicitors Endeavour Partnership LLP
Tobias House
St. Mark's Court
Teesdale Business Park
Teesside
TS17 6QW

FC SHIPPING LIMITED

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FC SHIPPING LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

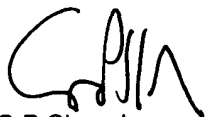
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



G P Sheach

Director

Aberdeen

8 March 2022

FC SHIPPING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

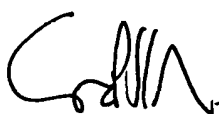
	Notes	2020 £	2019 £
Non-current Assets			
Finance Lease Receivables	6	3,322,568	3,458,660
Current assets			
Trade and other receivables	8	296,519	275,170
Cash at bank and in hand		1,996	691
		<u>298,515</u>	<u>275,861</u>
Current liabilities			
Borrowings	9	(137,693)	(25,000)
Trade and other payables	10	(3,491,837)	(3,606,497)
Taxation and social security		(6,202)	(6,202)
		<u>(3,635,732)</u>	<u>(3,637,699)</u>
Net current liabilities		<u>(3,337,217)</u>	<u>(3,361,838)</u>
Total assets less current liabilities		<u>(14,649)</u>	<u>96,822</u>
Non-current liabilities			
Borrowings	9	-	(106,391)
Net liabilities		<u>(14,649)</u>	<u>(9,569)</u>
Equity			
Called up share capital	11	100	100
Retained earnings - deficit		(14,749)	(9,669)
Total equity		<u>(14,649)</u>	<u>(9,569)</u>

The directors of the company have elected not to include a copy of the income statement within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 4 to 19 are integral part of these financial statements.

The financial statements on page 2 to 19 were approved by the board of directors and authorised for issue on 8 March 2022 and were signed on its behalf by:



G P Sheach

Director

Aberdeen

Company Registration No. 5085910

FC SHIPPING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	100	(4,717)	(4,617)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2019:			
Loss and total comprehensive expense for the year	-	(4,952)	(4,952)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	100	(9,669)	(9,569)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Loss and total comprehensive expense for the year	-	(5,080)	(5,080)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	100	(14,749)	(14,649)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

FC SHIPPING LIMITED is a private company limited by shares incorporated in England and Wales. The registered office is Tobias House, St. Mark's Court, Teesdale Business Park, Teesside, TS17 6QW.

The principal activity of the company continued to be that of lessor and financier of assets for the shipping sector.

1.1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applicable to companies subject to small companies regime and under the historic cost accounting rules.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Basis of preparation

In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), making amendments where necessary in order to comply with the Companies Act 2006. The Company has also taken advantage of the available FRS 101 disclosure exemptions in relation to the following:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with related parties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's: and; IFRS 7, 'Financial instruments: Disclosures
- Disclosures in respect of the compensation of Key Management Personnel

The Company proposes to continue to adopt the reduced disclosure framework in its next financial statements.

The Company's ultimate parent, Vroon Group B.V. includes the Company in its consolidated financial statements. The consolidated financial statements of Vroon Group B.V. are available to the public and may be obtained from Vroon Shipping U.K. Ltd, C/o Endeavour Partnership LLP, Tobias House, St Mark's Court, Teesdale Business Park, Teesside, TS17 6QW.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

No judgments, made by the directors, in the application of these accounting policies, are considered to have a significant effect on the financial statements. No estimates have a significant risk of material adjustment in the next year.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

The Company is part of a corporate group (hereafter: "VGBV") with Vroon Group B.V. being the ultimate holding Company. The Company is interrelated with the financing of Vroon Group B.V. through group wide guarantees and common financial, legal and commercial interests.

Background restructuring process

VGBV, and the Company, are involved in an ongoing debt restructuring process which we expect to complete before 31 March 2022. We will start with a summary of the key events leading up to the current situation, followed by a summary of the outstanding issues identified as being material for the completion of the restructuring.

As a result of a protracted market downturn in several of its business segments, the results of VGBV and the Company have been under pressure for several years. Although VGBV has successfully divested more than 60 vessels since 2016, including all of its offshore-wind assets, and has reduced cost, earnings and cash generation have deteriorated significantly. This led to significant over-indebtedness.

In December 2016, VGBV, also on behalf of the Company, informed its Lenders that it would be unable to meet its ongoing financial obligations. Following extensive discussions and negotiations, Vroon Group B.V. and most of its subsidiaries including the Company signed a Framework Agreement (FWA) with 18 Lenders in November 2018 with a duration until 31 March 2021. This FWA obligated VGBV and the Company to make certain repayments and cash and deferred 'Paid in Kind' (PIK) interest, to divest certain activities and vessels and restricts investments, movement of (excess) liquidity and any (dividend) distributions. As the negotiations on a new agreement continued after 31 March 2021, the FWA still applies. The requirements of the FWA are laid down in a number of financial and non-financial covenants. In case VGBV and the Company fail to meet these requirements, Lenders' approval is required to solve (potential) default situations.

In September 2019, VGBV, also on behalf of the Company, informed its Lenders that it had breached certain covenants under the FWA set for the third quarter of that year and would likely breach further covenants going forward. VGBV, also on behalf of the Company, engaged with its Lenders to find solutions to its difficult financial situation, since the Group continued to be highly leveraged and undercapitalised due to continued losses and asset impairments. The FWA referred to above has not resulted in a more acceptable debt level and improved capital structure in either the short or longer term. In order for the discussions with the Lenders to continue on a constructive basis, in February 2020 VGBV, also on behalf of the Company, requested its Lenders to waive the existing 2019 defaults and reset the 2020 financial covenants to more achievable levels, in line with its initial 2020 budget. The assumptions underlying this 2020 budget, which was prepared prior to the emergence of the COVID-19 pandemic, and before the coinciding collapse of the oil prices in due course of 2020, reflected business management's input and experience and the assumptions were consistent with external market reports from reputable sources. The waivers for the 2019 defaults and consents for resetting the 2020 financial covenants were agreed by Lenders in March 2020. Since then, the discussions with its Lenders towards a new agreement for a more sustainable debt level continued.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern (continued..)

Developments in the restructuring process

Towards the end of the first quarter of 2020, VGBV and the Company witnessed an unprecedented decline of the global oil price. Around the same time, the COVID-19 virus started to spread outside China to South East Asia and Europe. Lockdowns initiated by governments globally to stop the virus led to an immediate stop of most economic activity and cross-border travel. This in turn lowered oil demand, putting further pressure on oil and gas prices, and investments in oil & gas globally. COVID-19 began to impact VGBV's operations in drydocking, crew changes and also lowered demand for deepsea transport in all segments except Livestock. VGBV was confronted with (early) contract cancellations and project delays in its offshore businesses towards the end of the first quarter of 2020, which accelerated into the second quarter. The downturn across most of VGBV's markets continued during the second quarter. In offshore, markets began to stabilise during the third and fourth quarter, albeit at much lower demand and price levels than seen in the second half of 2019 and in the first quarter of 2020. VGBV's Deepsea division was also impacted, but much less so.

Reflecting weaker than budgeted results and a very high level of uncertainty on forecasted liquidity, VGBV, also on behalf of the Company, announced on 2 June 2020 a unilateral standstill and made only partial debt-service payments (including interest) to its FWA Lenders as from 30 June 2020. On 30 June 2020 the payment default under the FWA occurred and is continuing to date. As a result, PIK interest continued to accrue and, in addition, as from June 2020 onwards VGBV and the Company, also accrued default interest.

Solution is dependent on the consent of FWA and non-FWA Lenders

The progress to come to a new financing agreement before the maturity date of the FWA, being 31 March 2021, has been significantly slower than anticipated in early 2020 due to high level of complexity in finding a resolution acceptable to essentially all FWA Lenders despite very different Lender positions and acceptable to VGBV and the Company, to preserve continuity. Also, COVID-19 related meeting and travel restrictions have made it difficult to come to an acceptable solution, as meeting in person was more difficult. Finally, these discussions resulted in a Term Sheet for the VGBV and the Company's restructuring in late November 2021.

All of the FWA Lenders acknowledged to VGBV and the Company, in writing, their intention to complete the proposed restructuring, subject to the final terms of the agreement, documentation in form and substance satisfactory to the Lenders and credit committee approvals. Although not legally binding, this supports management's expectation of the continued support from its Lenders. Upon the anticipated formal approval of this Term Sheet, VGBV, the Company, and its FWA Lenders will enter into a lock-up period until the agreed Restructuring Effective Date (RED), set for 31 March 2022.

The Term Sheet stipulates certain conditions need to be fulfilled in relation to the Lenders not included in the FWA ('non-FWA Lenders'). This includes that the corporate guarantees with the relevant non-FWA Lenders need to be released prior to RED or that sufficient guarantees are in place to ensure that the vessels can be operated on a cash-neutral basis. Discussions with the non-FWA Lenders are underway to restructure these agreements and to release the corporate guarantees and/or to dispose of the related vessels. For the restructuring to become effective, it is important to reach agreements with the individual non-FWA Lenders before 31 March 2022.

In the Term Sheet, VGBV's economically non-viable assets (i.e. structurally overleveraged) and its associated debt will be transferred into a separate (warehouse) legal structure (WHCo) which would ultimately be wound down, while the other part of the assets will be operated as a going concern under NewCo in a separate legal structure. It is the intention of the Managing Board of Vroon Group B.V. to discontinue (i.e. solvent liquidation of) the legal entity Vroon Group B.V., which is the current top holding, after the Restructuring Effective Date. The Company will be part of NewCo.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern (continued..)

The warehouse structure will be owned by the respective Lenders and contain the majority of VGBV's Offshore Division and certain assets deemed as 'non-core' by the Lenders. This remains commercially and technically managed by NewCo 'on an arm's length basis'. Continuity of WHCo entities is expected through a so-called cash 'dowry', which will support continued trading of the relevant vessels. Each relevant Lender to the respective WHCo entities will commit to provide financial support necessary to ensure a solvent wind-down of individual entities once vessels are sold.

The FWA Lenders will receive NewCo depository receipts (i.e. shares) in NewCo in return for writing off debt to 100% of the 'Fair Market Value' of the underlying vessels and as such will become the owners of NewCo. NewCo will contain VGBV's livestock carriers, product and high-heat tankers, the ERRV fleet (which is part of VGBV's current Offshore Division) and the Management Companies and will hold certain other assets/vessels in a separate 'ringfenced' structure until these assets/vessels can be disposed. The restructuring proposal as reflected in the Term Sheet includes debt write-off, release of the corporate guarantee agreement (termination of cross subsidisation), continued cash pooling and simplification of the NewCo capital structure by a syndicated corporate loan structure. The agreed NewCo structure will have customary financial covenants and will include the build-up of a so-called 'Restructuring Reserve' account to allow for any future reorganisation and downsizing of NewCo management activities.

The future stability and longer-term continuity of NewCo will be dependent on the continued performance of its four business segments, which during the past years have shown to be volatile, and on the management activities NewCo will perform for WHCo vessels.

Material uncertainty regarding going concern

Uncertainty exists whether the current restructuring proposal as reflected in the Term Sheet will be (formally) supported by (a qualified majority of) Lenders and can be implemented timely, which depends amongst other things on complying with conditions precedent included in the Term Sheet. Uncertainty also exists in relation to some remaining non-FWA Lender positions and whether they can be resolved before RED.

Upon RED, further consequential uncertainties exist whether:

* NewCo will be able to meet its post-restructuring debt-service obligations which the Managing Board believes are achievable, but uncertain. In this respect, NewCo entities must meet their expected financial performance during 2022 and improve their performance in the years thereafter to generate sufficient earnings and cash flow.

* For WHCo entities, the so-called cash 'dowry' that will support continued trading of the relevant vessels is expected to be sufficient but is uncertain as it depends on having realised its planned divestments, and/or to continuing profitable trading and debt reduction. Also, the relevant Lenders will need to provide the committed financial support necessary to ensure a solvent wind-down of individual WHCo entities once vessels are sold

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern (continued..)

* Solvent liquidation of the legal entity Vroon Group B.V. can and will be effected after RED.

A further improvement of the global shipping markets in the coming years is a condition to meet the expected financial performance for both NewCo and WHCo. However, the timing and speed of market recovery is yet uncertain and thus so is the projected performance.

VGBV and the Company believe that all Lenders have shown they support a consensual restructuring based on the existing proposal which has been confirmed separately and in writing by all FWA Lenders and submitted for Credit Committee approval by all FWA Lenders. On this basis, we believe that implementation of this proposal can ensure the continuity for NewCo, will allow for continued and solvent operations of WHCo and will allow for the solvent liquidation of Vroon Group B.V. Consequently, the Financial Statements of the Company are prepared on a going-concern basis.

At the time of signing of these financial statements, 14 of the 18 FWA Lenders have confirmed their internal approvals of the Term Sheet already providing majority lender consent and the remaining Lenders are expected to complete their approvals shortly. None of the remaining FWA Lenders who have not yet completed internal approvals have raised material issues with the Termsheet, or indicated that approval will be withheld.

Although much work is still to be completed and material uncertainties remain, the Directors believe, based on the above, that completion towards RED on 31 March 2022 is likely and therefore to date they have not prepared any alternative restructuring solutions. In the event that the above restructuring solution is not completed in time, the Directors believe that with certain amendments an alternative restructuring solution may be available, but there is no certainty that such alternative restructuring solution can be agreed, that it can be agreed in an appropriate timeframe and/or on terms acceptable to VGBV and the Company .

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the Company were not able to continue as a going concern.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Revenue from finance leases is recognised in accordance with the company's policy on leases (see below).

Finance income and finance costs

Income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through the statement of profit or loss are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses. The calculation includes all amounts paid or received by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts. Interest income on assets classified as loans and receivables, interest expense on liabilities classified at amortised cost and interest income are recognised in the Statement of Comprehensive income.

Leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases and hire purchase contracts.

If the lease agreement transfers the risk and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the lower of the estimated useful life and the life of the lease. The corresponding rental obligations are recorded as borrowings. The aggregate benefit of incentives, if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.4 Cash and cash equivalents

Cash is represented by cash in hand and in the bank.

1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received. Ordinary shares are classified as equity.

1.6 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

Current taxation, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company's profits from vessel operations are taxed under the UK Tonnage tax regime.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Financial Instruments :

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures. (effective 1 January 2018).

a) Classification and measurement

Financial assets

It is the Company's policy to initially recognize financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in the statement of comprehensive income.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortized cost, fair value through statement of comprehensive income and at fair value through other comprehensive income.

All the Company's financial assets as at 31 December 2020 satisfy the conditions for classification at amortized cost under IFRS 9.

The Company's financial assets include cash and cash equivalents, finance lease receivables and trade and other receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of comprehensive income and presented in finance income/costs.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortized cost net of directly attributable transaction costs.

The Company's financial liabilities include Borrowings and Trade and other payables.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Financial Instruments : [continued..]

Accounting policy [continued..]

b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortized cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for accounts receivable while the general approach is applied to cash and bank balances.

The simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together and adjusted for forward-looking information to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognized in the statement of comprehensive income.

c) Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Financial Instruments : [continued..]

Accounting policy [continued..]

Furthermore, financial assets that have been identified to be more than 45 days past due for accounts receivable on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 365 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

d) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognized as finance income/costs.

Financial liabilities

The Company derecognizes a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized immediately in the statement of comprehensive income.

e) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet. Offsetting can be applied when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Adoption of new and revised standards and changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Critical accounting estimates and judgements

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Residual values

Residual values are estimated at the inception of the lease agreements and are subsequently reviewed for impairment during the life of the lease agreements. Appropriate impairment losses are charged to the Statement of comprehensive income.

Impairment loss allowances

Individual impairment loss allowances are made in respect of finance and rental agreements where recovery is considered doubtful. The impairment loss allowances are deducted from the net investment in finance agreements. The charge in the Statement of comprehensive income comprises write offs, recoveries and the net movement in impairment loss allowances in the year.

4 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	7,000	6,000
	=====	=====
For other services		
Tax services	2,000	2,000
	=====	=====

Auditors' remuneration was borne by another group company in the current and preceding year.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

The company had no employees in either the current year or the preceding year.

6 Finance Lease Receivables

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Amounts receivable under finance lease	294,781	275,170	3,322,568	3,458,660

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

7 Analysis of Finance lease receivables

	2020 £	2019 £
Gross amounts receivable under finance leases:		
Within one year	357,939	340,894
In two to five years	1,619,898	1,542,760
In over five years	3,107,321	3,542,398
	5,085,158	5,426,052
Unearned finance income	(1,467,809)	(1,692,222)
	3,617,349	3,733,830
Present value of minimum lease payments receivable		
The present value is receivable as follows:		
Within one year	294,781	275,170
In two to five years	836,178	713,676
In over five years	2,486,390	2,744,984
	3,617,349	3,733,830

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Analysis of Finance lease receivables

(Continued)

Analysed as:			2020	2019
			£	£
Non-current finance lease receivables				
(recoverable after 12 months)			3,322,568	3,458,660
Current finance lease receivables				
(recoverable within 12 months)			294,781	275,170
			-----	-----
			3,617,349	3,733,830
			=====	=====

In November 2011, the company made changes in the contracts for the leasing of its vessels. The lease terms were adjusted and are now contracted with related parties. Under the new lease terms, the company received additional rentals totalling £33,271,278 in November 2011. Accordingly, the remaining annual rentals are adjusted to be lower amounts than in the original payment scheme; but are receivable over the same time period and on the same payment dates. The company's finance leases are scheduled to be repaid in full in April 2031.

Residual values of assets leased under finance leases at 31 December 2020 is £nil (31 December 2019 - £nil). The directors consider that the net investment in finance leases is approximately equal to their fair value.

8 Trade and other receivables

	2020	2019
	£	£
Amounts owed by fellow group undertakings	296,519	275,170
	=====	=====

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Borrowings

Unsecured borrowings at amortised cost & Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities		
Bank loans	137,693	25,000
Non-current liabilities		
Bank loan	-	106,391
	<u>137,693</u>	<u>131,391</u>

The bank loan has an interest accrued on a monthly and paid on a quarterly basis @ the GBP LIBOR plus 0.3%.

Maturity Analysis of Bank Loan:

Bank Loan:

Payable :	2020 £	2019 £
1 - 3 Months	-	357
3 - 12 Months	137,693	26,896
1 - 5 Years	-	111,468
Over 5 Years	-	-
	<u>137,693</u>	<u>138,721</u>

In November 2018, a Framework Agreement between all obligors, apart from so-called excluded subsidiaries, within the Vroon Group, including the Company (hereafter: the Group) and 18 Lenders was signed with a duration until 31 March 2021. Within this Framework Agreement, the Group needs to comply with a number of financial covenants which are tested on a quarterly basis. The financial covenants consist of ratios for leverage, interest cover, minimum liquidity and a group maintenance cover. Variables used for the calculation of financial covenants slightly differ from the definitions used in this Financial Statement. As per 31 December 2020, the Group is in non-compliance with a number of financial and non-financial covenants under the FWA. With the payment default since June 2020 and the expiration of the FWA maturity, these covenants are no longer tested and only continue to be reported to Lenders on a quarterly basis

The Company will be part of NewCo. The NewCo syndicated loan financing as agreed in the restructuring Term Sheet includes a minimum liquidity, leverage ratio, interest cover ratio and a Minimum Security Value covenant (MSV). These covenants require the Company, as part of NewCo, to maintain a minimum freely available cash balance of USD 15m, which is deemed to be sufficient to support ongoing operations and working capital requirements for NewCo. The agreed gross leverage covenant includes 20% headroom on EBITDA. The interest cover covenant is set at 5.0x and the MSV covenant has a 100% floor and 125% cap. The financial covenants have been set based on the 2022 Budget and longer-term outlook and the Managing Board believes the set covenant levels and headroom are sufficient to allow for downward deviation of results well within what management believes can reasonably be expected. The loan facilities in NewCo other than the syndicated loan do not have any covenants.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Trade and other payables

	2020 £	2019 £
Amounts owed to fellow group undertakings	3,491,417	3,606,497
Accruals	420	-
	<u>3,491,837</u>	<u>3,606,497</u>

Interest rate variations due under		2020	2019
finance leasing contract:		£	£
Payable:	on demand or up to 1 month	108,756 =====	55,361 =====

The loan due to the company's parent undertaking attracts interest at 0.28% above LIBOR per annum and interest is payable quarterly. There is no fixed repayment schedule for the loan capital.

11 Share capital

	2020 £	2019 £
Ordinary share capital		
75 "A" ordinary shares of £1 each	75	75
25 "B" ordinary shares of £1 each	25	25
	<u>100</u>	<u>100</u>

All issued share capital is classified as equity.

The "A" ordinary shares carry one vote each with no entitlement to appoint or remove directors.

The "B" ordinary shares carry 20 votes each with the entitlement to appoint or remove directors.

12 Contingent liabilities

In 2017, the company received tax assessments from HM Revenue & Customs related to the disallowance of £6.7 Million of capital allowances. The company is not in agreement with the basis of assessments and has submitted formal appeals disputing the amounts. The company has engaged Counsel and is confident that the assessments will be cancelled in due course. Accordingly, the company is of the opinion that it would not be appropriate to make provision for the tax impact of these assessments.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Events after the reporting date

In 2021 the Vroon Group sold 17 of its vessels. The sale of this vessels has been taken into account in the assessment of the valuation of the Group's fleet as per year-end 2020. The total of the sales proceeds has been used for loan repayments.

In late November 2021, the discussions regarding a new financing agreement resulted in a Term Sheet for the Company/Group's restructuring. Upon anticipated approval of this Term Sheet, the Group, also on behalf of the Company, and its FWA Lenders will enter into a lock-up period until the agreed Restructuring Effective Date (RED) set for 31 March 2022. All the Lenders acknowledged to the Group their intention to complete the proposed restructuring, subject to the final terms of the agreement, documentation in form and substance satisfactory to the Lenders and credit committee approvals. Although not legally binding, this supports management's expectation of the continued support from its Lenders. Reference is made to the going concern sections as included in the Financial Statements.

No other events occurred after the balance-sheet date that could result in significant financial implications for the Company.

14 Controlling party

The company's immediate parent undertaking is Vroon Shipping U.K. Ltd, a company registered in England.

The ultimate holding company is Vroon Group B.V., a company registered in the Netherlands.

The consolidated financial statements of Vroon Group B.V. are available to the public and may be obtained from Vroon Shipping U.K. Ltd, C/o Endeavour Partnership LLP, Tobias House, St Mark's Court, Teesdale Business Park, Teesside, TS17 6QW.

FC SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Audit report information

As the statement of comprehensive income has been omitted from the filling of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006 :

The auditors' report was unqualified, and contains "Material uncertainty relating to going concern" section as follows:

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the company's ability to continue as a going concern.

The company's going concern status is interrelated with the financing of its ultimate parent company Vroon Group B.V. Due to continued losses and the impact that the Covid-19 virus and the reduction in oil price has had on global shipping markets, uncertainty exists as to whether Vroon Group B.V can comply with the requirements within its financing agreement. Further uncertainty exists as to whether Vroon Group B.V will reach a new agreement with its lenders on a more sustainable solution for the company going forward.

These conditions, along with the other matters explained in note 1.2 to the financial statements , indicate the existence of a material uncertainty which may cast significant doubt about company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

The senior statutory audit was Julie Watson.

The auditor was PricewaterhouseCoopers LLP.