

FB SHIPPING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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FB SHIPPING LIMITED

COMPANY INFORMATION

Directors

G P Sheach
C Harvie

Secretary

Endeavour Secretary Limited
Tobias house
St Marks' Court
Teesside Business Park
Teesside
TS17 6QW

Company number

5161386

Registered office

Tobias house
St Marks' Court
Teesside 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

FB SHIPPING LIMITED

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FB SHIPPING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities in respect of the financial statements

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



C Harvie

Director

Aberdeen

26 October 2020

FB SHIPPING LIMITED

STATEMENT OF FINANCIAL POSITION

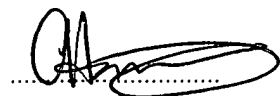
AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Finance lease receivables	6	2,312,025	2,410,879
Current assets			
Trade and other receivables	8	248,744	236,125
Cash and cash equivalents		804	4,175
		249,548	240,300
Current liabilities			
Borrowings	9	(25,000)	(25,000)
Trade and other payables	10	(2,436,358)	(2,526,024)
Taxation and social security		(6,486)	(6,486)
		(2,467,844)	(2,557,510)
Net current liabilities		(2,218,296)	(2,317,210)
Total assets less current liabilities		93,729	93,669
Non-current liabilities			
Borrowings	9	106,391	100,392
Net liabilities		(12,662)	(6,723)
Equity			
Called up share capital	11	100	100
Retained earnings		(12,762)	(6,823)
Total equity		(12,662)	(6,723)

The directors of the company have elected not to include a copy of the income statement within the financial statements. The notes on pages 4 to 22 are integral part of these 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 financial statements were approved by the board of directors and authorised for issue on 26 October 2020 and are signed on its behalf by:



C Harvie

Director

Aberdeen

Company Registration No. 5161386

FB SHIPPING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2018	100	(5,041)	(4,941)
Year ended 31 December 2018:			
Loss and total comprehensive expense for the year	-	(1,782)	(1,782)
	<hr/>	<hr/>	<hr/>
Balances at 31 December 2018	100	(6,823)	(6,723)
Year ended 31 December 2019:			
Loss and total comprehensive expense for the year	-	(5,939)	(5,939)
	<hr/>	<hr/>	<hr/>
Balances at 31 December 2019	100	(12,762)	(12,662)
	<hr/>	<hr/>	<hr/>

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

FB SHIPPING LIMITED is a private company limited by shares incorporated in England and Wales. The registered office is 4th Floor, Regent Centre, Regent Road, Aberdeen, AB11 5NS.

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

1.1 Basis of preparation

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

These financial statements were prepared for the 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 £.

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;
- 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 has 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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.2 Going concern

The Company is part of a group with Vroon Group B.V. (hereafter: "VGBV") being the ultimate holding Company. The Company is interrelated with the financing of Vroon Group B.V. In the remainder of the disclosures the Company will be indicated as 'VGBV, on behalf of itself and the Company'.

As a result of a protracted market downturn in several of its business segments, the result of VGBV and the Company have been under pressure for several years. Although VGBV was successful in divesting 40 vessels since 2016 (including most of its offshore-wind assets) and reducing costs, earnings and cash generation deteriorated significantly. This led to high leverage and VGBV, on behalf of itself and the Company, informing its Lenders in December 2016 that it would be unable to meet its debt service obligations. Following extensive discussions and negotiations, VGBV and most of its subsidiaries (hereafter: The Group) signed a Framework Agreement (FWA) with 18 Lenders in November 2018, with a duration until 31 March 2021. The FWA obligates VGBV, and the Company to continue making repayments and paying cash interest, to divest certain activities and vessels and restricts investments, movement of (excess) liquidity and any (dividend) distributions. The requirements of the FWA are laid down in a number of (non-) financial covenants. In case the Group fails 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 set for the third quarter of that year and would likely breach further covenants going forward including on balance-sheet date. VGBV engaged with its Lenders to find solutions to its difficult financial situation, since the Group continues to be highly leveraged and undercapitalised due to continued losses and asset impairments. The current FWA 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 2020 budget. The assumptions underlying the 2020 budget reflected business management's input and experience and were consistent with external market reports from reputable sources (i.e. Clarkson, DSF and MSI). The waivers for the 2019 defaults and consents for resetting the 2020 financial covenants were received by 17 March 2020.

At the date of completion of the Annual Accounts of Vroon Group B.V. on 26 March 2020, the Managing Board believed that the Group would be able to deliver on its 2020 budget and the performance and liquidity during the first quarter actually exceeded this budget. The financial covenants were reset to levels consistent with this budget, including headroom should performance lag behind budget. The Group's budget was prepared prior to the emergence of the Corona (Covid-19) virus in China in late January 2020 and its further global spread and before the coinciding collapse of the oil price towards the end of the first quarter in 2020. The development of the oil price and the rapidly spreading Corona virus created increased uncertainty for the global economy and the markets in which the Group operates, which already affected and will likely continue to affect the Group's operations and results going forward.

In April 2020, the Group completed its first quarter (re)forecast for 2020 and revised its budget. The Q1 forecast incorporated the impact of Covid-19 and the coinciding collapse of the oil price. Very shortly after completion of the Annual Accounts of Vroon Group B.V., the Group witnessed unprecedented worldwide contract terminations in its Offshore Division by customers who were postponing, reducing and/or terminating Oil & Gas exploration and production activities. As a result, 2020 results in our Offshore Division are now expected to be significantly lower than initially budgeted.

Although Covid-19 lockdowns are also impacting our Deep-sea Division, this effect is most likely temporary, operational and less severe than in Offshore markets.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.2 Going Concern (continued..)

Management took immediate action, reducing operational costs, putting additional vessels in lay-up and deferring capital expenditure where possible. Depending on the development in the shipping market and of the operational and financial performance including results of the Group later this year, something that remains uncertain, Management will take further cost-saving measures to protect results and liquidity. As the deterioration of results from April onwards will have a negative impact on liquidity, the Managing Board has carefully assessed the liquidity outlook for the remainder of the year. Without a deferral of debt-service payments from the second quarter onwards, liquidity is expected to drop below the minimum covenant level set for 2020, or could even become negative. The Group's FWA Lenders were informed of this in an All Lenders' Call on 13 May 2020. During this call, VGBV, also on behalf of the Company, announced it would seek all Lenders' consent for a waiver of payments to its Lenders scheduled for 30 June 2020 and indicated that further debt-service payments scheduled for later this year will likely need to be waived as well.

Most of the Lenders reacted supportively to the request to retain sufficient liquidity in the Group. However, due to intercreditor issues, which VGBV, also on behalf of the Company, has discussed extensively with some of its Lenders, the Monitoring Committee and advisors, it has not been possible to receive the required support on a waiver for a payment default from all individual FWA Lenders. Consequently, VGBV, also on behalf of the Company, announced a unilateral standstill on 2 June 2020. Following this announcement, VGBV, also on behalf of the Company, continued discussions with individual Lenders to avoid these Lenders enforcing any of their rights during the unilateral standstill period and/or to remedy any enforcement action taken. These discussions resulted in the Group making a partial debt service repayment of USD 6.9m on 31 July 2020 and all Lenders adhering to the unilateral standstill until at least 30 September 2020. The Group aims to make another partial payment on the scheduled payments for the third quarter (30 September 2020), in return for continued adherence to the unilateral standstill until at least 31 December 2020. In parallel, VGBV, also on behalf of the Company, continues to seek waivers for any (covenant) breaches and any other (consequential) defaults while the payment default (resulting from the unilateral standstill) continues. Based on the agreements and waivers received since early June, VGBV and the Company believe that its Lenders will continue to support the Group and will not enforce rights under the ongoing payment default.

As of end of the 2nd Quarter of 2020, the Company was compliant with its financial covenants except for the Group Value Maintenance Cover for which breach the Company has requested a waiver together with the request to waive any consequential defaults following the announcement of the unilateral Standstill.

Even considering further partial payments to Lenders during the remainder of the year, the Group expects, consistent with its second quarter (re)forecast for 2020, liquidity well above the covenant level of USD 25m minimum free cash. Depending on results during the second half of the year, the Group could breach certain covenants. If so, VGBV, also on behalf of the Company, will engage with its Lenders to obtain further waivers and remain compliant with the FWA to the extent possible and ensure adherence to the unilateral standstill.

The unforeseen deterioration of results, caused by the Covid-19 crisis and oil-price collapse, exacerbates the need to reach a new financing agreement well before the maturity date of the FWA at the end of first quarter 2021. Discussions with Lenders on this topic are progressing and a first proposal put forward by the FWA Lenders is under review. Although the complexity of (intercreditor) issues makes it difficult to estimate when these discussions will be completed, the Group expects (a) new agreement(s) to be in place before the maturity date of the Framework Agreement on 31 March 2021.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.2 Going concern (continued..)

Since early January 2020, the Managing Board has been further developing the Group's future vision and strategy, including updating and revising its four-year Business Plan (Medium-Term Plan (MTP)), consistent with the 'Vroon as a Platform' strategy and including the expected effects of Covid-19 and oil price collapse.

During 2020, and in the years to come, the Group must improve its financial performance, generate increased earnings and cash flows and realise planned divestments. An improvement of global shipping markets in the coming years is a prerequisite for this. However, as both the timing and speed of any market recovery are yet uncertain especially given the development of the oil price and the global outbreak of the Corona virus, so too is the projected operational performance in day rates, vessel utilisation and direct and indirect operating cost. Depending on the development of the oil price and how the Corona virus outbreak can be (further) controlled by measures taken by governments and the extent and effectiveness of economic support measures, the economic impact of the Corona crisis can be relatively short lived, or more profound and causing another global recession of unknown duration, which may impact the Group accordingly. Further uncertainty exists as to whether the Group can continue its compliance with all FWA requirements or receive necessary waivers from its Lenders and whether it will reach a new agreement with its Lenders before the maturity date of the FWA on 31 March 2021 on a more sustainable solution. These matters indicate the existence of a material uncertainty that gives rise to significant doubt about the Company's ability to continue as a going concern and realise its assets and discharge all of its liabilities, in normal course of business. These financial statements do not include the adjustments that would result if the Company was not able to continue as a going concern.

VGBV and the Company believe that successful execution of its Business Plan will ensure longer-term continuity and support a new financing agreement for a more sustainable debt level. Based on ongoing discussions with its Lenders, VGBV and the Company believe that achieving a new agreement before the maturity date of the current FWA on 31 March 2021, although challenging is achievable. Consequently, the Financial Statements of the Company are prepared on a going-concern basis.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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 or loss.

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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.5 Financial assets

Financial Instruments:

Accounting policy prior to 1 January 2018 :

The company classifies its financial assets as: financial assets at fair value through the statement of profit or loss and loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through the Statement of profit or loss.

Loans and advances to customers are classed as Loans and Receivables. 'Net investment in finance leases' are treated in accordance with the company's policy on finance lease agreements.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest rate method, less any impairment. Interest calculated using the effective interest rate method is recognised in the Statement of profit or loss. They are derecognised when the rights to receive cash flows have expired or the company has transferred substantially all of the risks and rewards of ownership.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Impairment of financial assets

At each reporting date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted, are experiencing significant financial difficulty, or the debt has been restructured to reduce the burden to the borrower. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- a. significant financial difficulty of the issuer or obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the company, for economic or legal reasons relating to the borrowers' financial difficulty, granting to the borrower a concession that the company would not otherwise consider;
- d. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e. the disappearance of an active market for that financial asset because of financial difficulties; or
- f. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is not objective evidence of impairment for an individually assessed financial asset it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Impairment is calculated based on the probability of default, exposure at default and the loss of given default, using recent data. An adjustment is made for the effect of discounting cash flows.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measure as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

1.6 Financial liabilities

Financial liabilities are initially recognised when the company becomes contractually bound to the transfer of economic benefits in the future. Financial liabilities are derecognised when extinguished.

Non-trading financial liabilities are initially recognised at fair value net of transaction costs incurred. They are subsequently stated at amortised cost and the redemption value recognised in the Statement of Profit or Loss over the period of the liability using the effective interest rate method.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Effective interest method

Interest expense on financial assets and liabilities held at amortised cost is measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the lease agreements. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount on initial recognition.

1.7 Equity instruments

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

1.8 Taxation

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

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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Financial Instruments :

Accounting policy from 1 January 2018

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.

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 2019 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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Financial Instruments : [continued..]

Accounting policy from 1 January 2018 [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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Financial Instruments : [continued..]

Accounting policy from 1 January 2018 [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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 Profit or Loss.

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 profit or loss comprises write offs, recoveries and the net movement in impairment loss allowances in the year.

4 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	6,000	2,000
For other services		
Tax services	2,000	2,000

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

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees

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

The directors are employed by and receive remuneration from other group companies. In the opinion of the directors it is not possible to apportion directors' remuneration to subsidiaries on the basis of level of service and accordingly no allocation has been made.

Retirement benefits are accruing to two directors under a defined contribution scheme (2018 - two).

6 Finance Lease Receivables

	Current 2019 £	2018 £	Non-current 2019 £	2018 £
Amounts receivable under finance lease	<u>248,744</u>	<u>236,125</u>	<u>2,312,025</u>	<u>2,410,879</u>

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 Finance lease receivables

	2019 £	2018 £
Gross amounts receivable under finance leases:		
Within one year	254,099	241,999
In two to five years	1,149,958	1,095,198
In over five years	<u>2,127,644</u>	<u>2,436,501</u>
	3,531,701	3,773,698
Unearned finance income	<u>(970,932)</u>	<u>(1,126,694)</u>
Present value of minimum lease payments receivable	<u>2,560,769</u>	<u>2,647,004</u>
The present value is receivable as follows:		
Within one year	248,744	236,125
In two to five years	603,994	516,409
In over five years	<u>1,708,031</u>	<u>1,894,470</u>
	<u>2,560,769</u>	<u>2,647,004</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Finance lease receivables

Analysed as:	2019	2018
	£	£
Non-current finance lease receivables (recoverable after 12 months)	2,312,025	2,410,879
Current finance lease receivables (recoverable within 12 months)	248,744	236,125
	<u>2,560,769</u>	<u>2,647,004</u>
	=====	=====

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 £34,480,651 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 2019 is £nil (2018: £nil). The directors consider that the net investment in finance leases is approximately equal to their fair value.

8 Trade and other receivables

	2019	2018
	£	£
Amounts owed by fellow group undertakings	<u>248,744</u>	<u>236,125</u>

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Borrowings

Unsecured borrowings at amortised cost and 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:

	2019 £	2018 £
Current liabilities		
Bank loans	25,000	25,000
Non-current liabilities		
Bank loans	106,391	100,392
	<u>131,391</u>	<u>125,392</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:

Payable :	2019 £	2018 £
1 - 3 Months	357	26,783
3 - 12 Months	26,896	111,675
1 - 5 Years	111,468	-
Over 5 Years	-	-
	<u>138,721</u>	<u>138,458</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 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. Besides the financial covenants, there are also obligations applicable for the sale of certain assets. The Framework Agreement includes a fixed repayment of USD 50.0m per year and a variable cash balance sweep on a quarterly basis.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Borrowings

In September 2019, VGBV also on behalf of the Company informed its Lenders that it had breached the financial covenants for leverage and interest cover as well as one specific non-financial covenant. As per 31 December 2019, the Group in addition breached the group maintenance cover. VGBV, also on behalf of the Company, engaged with its Lenders to find solutions to its financial situation. In order for these discussions 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 in line with 2020 budget. The Managing Board believed that the Group would be able to deliver on its 2020 budget and the performance and liquidity during the first quarter actually exceeded this budget. The financial covenants were reset to the levels consistent with this budget, including headroom should performance lag behind budget. The Group's budget was prepared prior to the emergence of the Corona (Covid-19) virus in China in late January 2020 and its further global spread and before the coinciding collapse of the oil price towards the end of the first quarter in 2020. In return, VGBV, also on behalf of the Company, agreed to an additional liquidity covenant. The necessary waivers for the 2019 covenant breaches and consent to resetting the 2020 financial covenants were received on 17 March 2020 with the exception of one specific non-financial default of which consequential defaults were waived. Consequently, mortgage loans are classified as long-term liabilities in the Financial Statements.

In April 2020, the Group completed its first quarter (re)forecast for 2020 and revised its budget, taking into account the impact of Covid-19 and the coinciding collapse of the oil price. Based on the results and liquidity outlook originating from this Q1 forecast, VGBV also on behalf of the Company, after consultation with its Lenders, announced a unilateral standstill on 2 June 2020. Following this announcement, VGBV, also on behalf of the Company, continued discussions with individual Lenders to avoid these Lenders enforcing any of their rights during the unilateral standstill period and/or to remedy any enforcement action taken. These discussions resulted in the Group making a partial debt service repayment of USD 6.9m on 31 July 2020 and all Lenders adhering to the unilateral standstill until at least 30 September 2020. The Group aims to make another partial payment on the scheduled payments for the third quarter (30 September 2020), in return for continued adherence to the unilateral standstill until at least 31 December 2020.

As of 30 June 2020 the (reset) Value Maintenance Cover covenant was breached. This breach is waived by 1 September 2020. In parallel, the Group received waivers regarding the emerged consequential defaults from the relevant Lenders. Based on the agreements and waivers received since early 2020, VGBV and the Company believe that its Lenders will continue to support the Group and will not enforce rights under the ongoing payment default.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Trade and other payables

	Current 2019 £	2018 £
Amounts due to fellow group undertakings	2,436,358	2,526,024
Interest rate variations due under finance leasing contract:	2019 £	2018 £
Payable: on demand or up to 1 month	36,974	38,229
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

	2019 £	2018 £
Ordinary share capital		
75 'A' ordinary shares of £1 each	75	75
25 'B' ordinary shares of £1 each	25	25
	100	100

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 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

The company has taken advantage of exemptions available under FRS 101 paragraph 8(K) from disclosing the related party transactions entered between two or more members of a company within the same group (wholly owned subsidiaries within the same group).

13 Contingent liabilities

In 2017, the company received tax assessments from HM Revenue & Customs related to the disallowance of £20.9 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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Events after the reporting date

The global spread of the coronavirus during the first quarter of 2020, followed by a fall in oil price led to significant challenges for the company. As a globally operating group, epidemic and pandemic risk scenarios are an integral part of Vroon's ongoing risk planning. Accordingly, Vroon's business activities are constantly being adjusted to reduce the potential effects of the outbreak. A taskforce follows the situation closely and can take necessary measures at any time. The safety of our employees, clients and supply chain is paramount importance to the company. All measures taken are consistent with the guidance from government and health authorities. The management continues to closely monitor the latest updates about the global COVID-19 outbreak and are taking appropriate actions to safeguard the health of our employees, clients and supply chain, in order to preserve our ability to operate in a safe and efficient way. We have identified the critical operational areas and have implemented operational continuity plans within our organisation to ensure we have sufficient resources to keep the business running safely and serving the demand from our clients.

15 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.

FB SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Audit report information

As the income statement has been omitted from the filing copy 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 a "Material uncertainty related 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 disclosures 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 auditor was Julie Watson.

The auditor was PricewaterhouseCoopers LLP.