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**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**

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First Ship Lease Trust ("FSL Trust") is a provider of leasing services on a bareboat charter basis to the international shipping industry.

FSL Trust was constituted under a deed of trust dated 19 March 2007 entered with FSL Trust Management Pte. Ltd. as its trustee-manager and was listed on the Singapore Exchange Securities Trading Limited ("SGX") on 27 March 2007.

As at 30 September 2011, FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. Twenty-three vessels are employed on long-term bareboat leases and have a dollar-weighted average remaining lease period of approximately six and a half years (excluding extension periods and early buy-out options). The remaining two product tankers are currently trading in the product tanker spot market. The combined portfolio of vessels has a dollar-weighted average age of approximately six years.

**Summary of FSL Trust Consolidated Results**

	3Q 2011	3Q 2010	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	28,587	23,421	22.1
Profit for the quarter	152	649	(76.6)
Net cash generated from operations	15,614	14,077	10.9
Net Distributable Amount	6,219	5,687	9.4
Amount to be distributed	6,219	5,687	9.4
Distribution Per Unit ("DPU") (US Cents)			
For the period	0.95	0.95	-
Annualised	3.80	3.80	-

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**1(a)(i) Consolidated Income Statements**

		Group				
Note	3Q 2011	3Q 2010	Inc/ (Dec)	YTD Sep 2011	YTD Sep 2010	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
	28,587	23,421	22.1	81,139	76,381	6.2
Revenue						
	(15,475)	(14,221)	8.8	(44,213)	(44,775)	(1.3)
Depreciation expense on vessels						
	-	-	-	-	(7,865)	N.M.
Impairment loss on vessels						
	(4,747)	(2,129)	N.M.	(13,157)	(2,348)	N.M.
Vessel operating and voyage expenses						
	(947)	(832)	13.8	(2,647)	(2,708)	(2.3)
Management fees						
	(44)	(43)	2.3	(127)	(132)	(3.8)
Trustee fees						
Other trust expenses	(a)	443	N.M.	(2,616)	(3,969)	(34.1)
Call on banker's guarantee		-	-	(2,500)	-	N.M.
Finance income		44	(81.8)	61	216	(71.8)
Finance expenses	(b)	(6,030)	3.8	(18,269)	(19,554)	(6.6)
Profit/(Loss) before income tax		653	(76.6)	(2,329)	(4,754)	(51.0)
Income tax expense	(c)	(4)	(75.0)	(5)	(17)	(70.6)
Profit/(Loss) for the quarter/period		649	(76.6)	(2,334)	(4,771)	(51.1)

Notes:

- (a) In 3Q 2010, other trust expenses included recovery of certain vessel-related expenses of US\$0.9 million relating to the re-delivery of 'FSL Hamburg' and 'FSL Singapore'.
- (b) The finance expenses for 3Q 2011 included an exchange loss of US\$87,000 arising from the partial repayment of inter-company US\$-denominated loans extended previously to certain subsidiaries.
- (c) This relates to tax expense on the taxable interest income from bank deposits.

**1(a)(ii) Statements of Comprehensive Income**

		Group			
		3Q 2011	3Q 2010	YTD Sep 2011	YTD Sep 2010
		US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/period		152	649	(2,334)	(4,771)
<b>Other comprehensive income:</b>					
Translation differences relating to financial statements of foreign subsidiaries		(1,998)	1,659	(253)	(1,247)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries		(1,850)	3,393	(191)	(1,956)
Effective portion of changes in fair value of cash flow hedges		(982)	(8,142)	(6,213)	(16,012)
Net change in fair value of cash flow hedges transferred to income statement		3,853	3,391	11,329	10,807
Other comprehensive income, net of tax		(977)	301	4,672	(8,408)
Total comprehensive income		(825)	950	2,338	(13,179)

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1(a)(iii) Distribution Statements

	Note	Group			
		3Q 2011	3Q 2010	YTD	YTD
		US\$'000	US\$'000	Sep 2011	Sep 2010
<b>Profit/(Loss) for the quarter/period</b>		152	649	(2,334)	(4,771)
Add: Non-cash adjustments	(a)	15,462	13,428	42,973	52,433
<b>Net cash generated from operations</b>		15,614	14,077	40,639	47,662
Less: Repayment of secured bank loans		(7,184)	(8,000)	(23,184)	(24,000)
<b>Income available for distribution</b>		8,430	6,077	17,455	23,662
Add: Utilisation of cash retained from previous periods		-	-	2,394	651
Less: Cash retained in the current period		(2,211)	(390)	(2,211)	(3,958)
<b>Net distributable amount</b>	(b)	6,219	5,687	17,638	20,355
Amount available for distribution		6,219	5,687	17,638	20,355
Comprising: (i) Tax-exempt distribution		6,212	5,647	17,582	20,156
(ii) Tax-exempt (one-tier) distribution		7	40	56	199
<b>Amount to be distributed</b>		6,219	5,687	17,638	20,355
Units at the end of the period ('000)		654,665	598,665	654,665	598,665
<b>Distribution per unit (US Cents)</b>		0.95	0.95	2.85	3.40

Notes:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.
- (b) Total net cash generated for the quarter amounted to US\$15.6 million. The net distributable amount of US\$6.2 million is derived after deducting loan repayments totalling US\$7.2 million and cash retention of US\$2.2 million.

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1(b)(i) Statements of Financial Position

	Note	30 Sep 2011		31 Dec 2010	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>					
Vessels		823,936	-	775,023	-
Subsidiaries		-	679,314	-	592,523
Derivative assets		150	150	476	476
		824,086	679,464	775,499	592,999
<b>Current assets</b>					
Inventories		1,529	-	738	-
Derivative assets		55	55	188	188
Deposits, prepayments and other receivables		2,562	34,114	3,758	90,743
Cash and cash equivalents	(a)	31,345	23,318	55,846	51,790
		35,491	57,487	60,530	142,721
<b>Total assets</b>		<b>859,577</b>	<b>736,951</b>	<b>836,029</b>	<b>735,720</b>
<b>Equity attributable to unitholders of FSL Trust</b>					
Units in issue		525,412	525,412	510,273	510,273
Reserves		(182,594)	(294,685)	(167,825)	(262,466)
<b>Total equity</b>		<b>342,818</b>	<b>230,727</b>	<b>342,448</b>	<b>247,807</b>
<b>Non-current liabilities</b>					
Secured bank loans		242,085	242,085	432,409	432,409
Derivative liabilities		10,866	10,866	14,289	14,289
		252,951	252,951	446,698	446,698
<b>Current liabilities</b>					
Trade and other payables		9,583	3,216	6,204	3,227
Lease income received in advance		4,166	-	2,682	-
Derivative liabilities		10,596	10,596	12,748	12,748
Secured bank loan		239,456	239,456	25,240	25,240
Current tax payable		7	5	9	-
		263,808	253,273	46,883	41,215
<b>Total liabilities</b>		<b>516,759</b>	<b>506,224</b>	<b>493,581</b>	<b>487,913</b>
<b>Total equity and liabilities</b>		<b>859,577</b>	<b>736,951</b>	<b>836,029</b>	<b>735,720</b>

Note (a): Cash and cash equivalents comprise:

	30 Sep 2011		31 Dec 2010	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	11,845	3,818	4,734	678
Short-term deposits	19,500	19,500	51,112	51,112
Cash and cash equivalents	31,345	23,318	55,846	51,790
Fixed deposit pledged for banker's guarantee <sup>^</sup>	(2,800)	(2,800)	(2,800)	(2,800)
Cash and cash equivalents in the statement of cash flows	28,545	20,518	53,046	48,990

<sup>^</sup> This relates to a cash deposit provided as security for a banker's guarantee of US\$2.8 million for the release of a vessel, 'FSL Hamburg'.

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**1(b)(ii) Aggregate Amount of Group's Borrowings and Debt Securities**

	<b>30 Sep 2011</b>	<b>31 Dec 2010</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Secured bank loans</b>		
Amount repayable within one year	239,456	25,240
Amount repayable after one year	243,624	435,024
Less: Unamortised debt upfront fees	(1,539)	(2,615)
	<b>481,541</b>	<b>457,649</b>

The Trustee-Manager, on behalf of FSL Trust, has in place a revolving credit facility of US\$515 million ("credit facility") with an outstanding loan balance of US\$483.08 million as at 30 September 2011.

The credit facility comprises three tranches:

Tranche	Facility amount (US\$'million)	Amount drawn as at 30 Sep 2011 (US\$'million)	Loan maturity	Margin above US\$ 3-month Libor
A	250	243.62 <sup>^</sup>	27 March 2014	1.25%
B	200	194.90 <sup>^</sup>	2 April 2012	1.45%
C*	65	44.56	2 April 2012	1.45%

\* The commitment amount for this tranche was reduced by US\$3.75 million every quarter starting from 20 September 2010.

<sup>^</sup> : US\$25.6 million under Tranche A and US\$20.4 million under Tranche B (totalling US\$46.0 million drawn during the amendment period, which ended on 30 June 2011, for the acquisition of the TORM vessels) attract a margin of 1.70% above US\$ 3-month Libor until the respective maturities of the loans.

The credit facility is secured on the following:

- (i) a first priority mortgage over the Group's vessels in the portfolio;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks; and
- (iii) a first priority assignment of the Group's rights, title and interest in and to the bareboat charter agreement and the charter income of each vessel.

FSL Trust has hedged its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates until the maturities of the facilities. For interest rate swaps, the all-in effective interest rates range from 4.74% per annum to 6.94% per annum.

The Trustee-Manager has commenced refinancing the entire outstanding loan balance of US\$483.08 million. As at the date hereof, it has secured firm commitments totalling about 90% of the required commitment from six lenders to refinance the existing credit facility. The commitments remain subject to documentation which has already started.

The Trustee-Manager is in the process of securing the remaining 10% commitment to close the refinancing. The new facility will be a 6-year amortising term loan. Details of the new facility will be announced once refinancing is completed.

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1(c) Consolidated Cash Flow Statements

	Group			
	3Q 2011	3Q 2010	YTD Sep 2011	YTD Sep 2010
Note	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Profit/(Loss) before income tax	153	653	(2,329)	(4,754)
Adjustments for:				
Depreciation expense on vessels	15,475	14,245	44,213	44,799
Impairment loss on vessels	-	-	-	7,865
Amortisation of debt upfront fees and initial direct costs	522	462	1,473	1,445
Interest income	(8)	(44)	(61)	(216)
Interest expense	5,788	6,231	17,705	18,437
Unrealised exchange differences	148	(664)	(729)	18
	22,078	20,883	60,272	67,594
Changes in working capital:				
Deposits, prepayments and other receivables	3,342	4,871	1,186	(1,904)
Inventories	6	(680)	(790)	(1,001)
Trade and other payables	238	41	3,382	2,702
Lease income received in advance	2,420	54	1,484	(447)
Fixed deposit pledged for banker's guarantee	(a)	(2,800)	-	(2,800)
<b>Cash generated from operations</b>	28,084	22,369	65,534	64,144
<b>Income taxes paid</b>	-	-	(8)	-
<b>Cash flows from operating activities</b>	28,084	22,369	65,526	64,144
<b>Investing activities:</b>				
Acquisition of vessels	-	-	(93,220)	-
Interest received	6	153	71	213
Costs incurred for dry-docking	-	(528)	(18)	(725)
<b>Cash flows from investing activities</b>	6	(375)	(93,167)	(512)
<b>Financing activities:</b>				
Net proceeds from issuance of units	(2)	-	15,139	-
Distribution to unitholders	(5,732)	(5,687)	(17,107)	(23,647)
Repayment of secured bank loans	(7,184)	(8,000)	(23,184)	(24,000)
Proceeds from borrowings	-	-	46,000	-
Interest paid	(5,752)	(6,150)	(17,708)	(18,326)
<b>Cash flows from financing activities</b>	(18,670)	(19,837)	3,140	(65,973)
Net increase/(decrease) in cash and cash equivalents	9,420	2,157	(24,501)	(2,341)
Cash and cash equivalents at beginning of period	19,125	52,272	53,046	56,770
Cash and cash equivalents at end of period	28,545	54,429	28,545	54,429
<b>Comprising:-</b>				
Cash at Bank	11,845	15,584	11,845	15,584
Short-term deposits	16,700	38,845	16,700	38,845
	28,545	54,429	28,545	54,429

Note:

- (a) This relates to a cash deposit provided as security for a banker's guarantee of US\$2.8 million for the release of a vessel, 'FSL Hamburg'.

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1(d)(i) Statements of Changes in Unitholders' Funds

2011  
Group  
At 1 July 2011  
Total comprehensive income for the quarter  
Contribution by and distribution to unitholders:  
Unit issue costs  
Distribution to unitholders  
At 30 September 2011

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,414	(23,752)	2,461	(159,954)	344,169
-	2,871	(3,848)	152	(825)
(2)	-	-	-	(2)
-	-	-	(524)	(524)
525,412	(20,881)	(1,387)	(160,326)	342,818

2010  
Group  
At 1 July 2010  
Total comprehensive income for the quarter  
Contribution by and distribution to unitholders:  
Distribution to unitholders  
At 30 September 2010

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
510,273	(27,574)	(4,819)	(129,232)	348,648
-	(4,751)	5,052	649	950
-	-	-	(5,687)	(5,687)
510,273	(32,325)	233	(134,270)	343,911

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1(d)(i) Statements of Changes in Unitholders' Funds (cont'd)

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2011 Trust				
At 1 July 2011	525,414	(23,752)	(266,602)	235,060
Total comprehensive income for the quarter	-	2,871	(6,678)	(3,807)
Contribution by and distribution to unitholders:				
Unit issue costs	(2)	-	-	(2)
Distribution to unitholders	-	-	(524)	(524)
At 30 September 2011	525,412	(20,881)	(273,804)	230,727

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2010 Trust				
At 1 July 2010	510,273	(27,574)	(211,684)	271,015
Total comprehensive income for the quarter	-	(4,751)	(6,681)	(11,432)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(5,687)	(5,687)
At 30 September 2010	510,273	(32,325)	(224,052)	253,896



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1(d)(ii)(iii) Details of any changes in Units

	3Q 2011 Units	FY 2010 Units
At the beginning of the period	654,665,077	598,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	598,665,077

1(d)(iv) Sales, Transfers, Disposal, Cancellation and/or use of Treasury Units

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have been extracted from the Interim Financial Information which has been reviewed by the auditors in accordance with the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

The Auditors' review report, modified with an emphasis of matter, dated 20 October 2011 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 September 2011 is enclosed in the Appendix.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

There are no changes.

6. Earnings per Unit ("EPU") and Distribution per Unit ("DPU") for the financial period

	Group			
	3Q 2011	3Q 2010	YTD Sep 2011	YTD Sep 2010
Basic and diluted earnings per unit is based on:				
Profit/(Loss) for the quarter/period (US\$'000)	152	649	(2,334)	(4,771)
Weighted average number of issued units (basic and diluted) ('000)	654,665	598,665	619,178	598,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.02	0.11	(0.38)	(0.80)
Number of issued units at end of quarter/period ('000)	654,665	598,665	654,665	598,665
Distribution per unit (US Cents)	0.95	0.95	2.85	3.40

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**7. Net Asset Value (“NAV”) per Unit based on units at the end of the period**

	Note	30 Sep 2011		31 Dec 2010	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.52	0.35	0.57	0.41

Note:

(a) Net asset value per unit was calculated based on the applicable number of units issued as at the end of the respective period/year.

**8. Review of Performance**

**Consolidated Income Statements**

	Group					
	3Q 2011	3Q 2010	Inc/ (Dec)	YTD Sep 2011	YTD Sep 2010	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	28,587	23,421	22.1	81,139	76,381	6.2
Depreciation expense on vessels	(15,475)	(14,221)	8.8	(44,213)	(44,775)	(1.3)
Impairment loss on vessels	-	-	-	-	(7,865)	N.M.
Vessel operating and voyage expenses	(4,747)	(2,129)	N.M.	(13,157)	(2,348)	N.M.
Management fees	(947)	(832)	13.8	(2,647)	(2,708)	(2.3)
Trustee fees	(44)	(43)	2.3	(127)	(132)	(3.8)
Other trust expenses	(969)	443	N.M.	(2,616)	(3,969)	(34.1)
Call on banker’s guarantee	-	-	-	(2,500)	-	N.M.
Finance income	8	44	(81.8)	61	216	(71.8)
Finance expenses	(6,260)	(6,030)	3.8	(18,269)	(19,554)	(6.6)
<b>Profit/(Loss) before income tax</b>	<b>153</b>	<b>653</b>	<b>(76.6)</b>	<b>(2,329)</b>	<b>(4,754)</b>	<b>(51.0)</b>
Income tax expense	(1)	(4)	(75.0)	(5)	(17)	(70.6)
<b>Profit/(Loss) for the quarter/period</b>	<b>152</b>	<b>649</b>	<b>(76.6)</b>	<b>(2,334)</b>	<b>(4,771)</b>	<b>(51.1)</b>

**3Q 2011 vs 3Q 2010**

Revenue rose 22.1% (+US\$5.2 million) to US\$28.6 million in 3Q 2011 compared to 3Q 2010. The net increase was contributed by the full quarter lease revenue from the two newly acquired vessels leased to TORM A/S (“TORM”) in June 2011 as well as higher freight income generated by the two product tankers trading in the spot market.

Excluding the vessel operating and voyage expenses of US\$4.7 million relating to the product tankers trading in the spot market, total operating expenditure increased by 19.0% (+US\$2.8 million) to US\$17.4 million. The higher expenditure in 3Q 2011 was mainly due to (i) higher depreciation expense of US\$1.3 million arising from the two newly acquired vessels leased to TORM and (ii) legal fees relating to the handling of the re-delivery and arrest of ‘FSL Hamburg’ and ‘FSL Singapore’. In addition, the expenditure in 3Q 2010 was offset partially by the recovery of certain vessel-related expenses of US\$0.9 million arising from the re-delivered vessels.

Finance expenses in 3Q 2011 (excluding exchange losses of US\$91,000 against exchange gains of US\$0.6 million in 3Q 2010) decreased by 6.9% (-US\$0.5 million) due to lower interest margin on outstanding indebtedness, following the amendment period which ended on 30 June 2011.

On an overall basis, FSL Trust reported a net profit of US\$152,000 for 3Q 2011.

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8. Review of Performance (cont'd)

Trading performance of two product tankers

	3Q 2011	YTD Sep 2011
	US\$ million	US\$ million
Freight income	4.995	15.640
Voyage expenses	(3.580)	(9.598)
Time charter equivalent revenue	1.415	6.042
Less: Crew cost, vessel maintenance and others	(1.243)	(3.787)
Bareboat charter equivalent revenue	0.172	2.255

Subsequent to the re-deliveries in 2Q 2010, 'FSL Hamburg' and 'FSL Singapore' were deployed in the product tanker spot market. In spite of the difficult trading conditions, these vessels managed to generate a marginal bareboat charter equivalent revenue of US\$172,000 for the quarter. Cumulatively, these vessels earned a bareboat charter equivalent revenue of US\$2.3 million.

Distribution Statements

Note	Group			
	3Q 2011	3Q 2010	YTD Sep 2011	YTD Sep 2010
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/period	152	649	(2,334)	(4,771)
Add: Non-cash adjustments	15,462	13,428	42,973	52,433
<b>Net cash generated from operations</b>	15,614	14,077	40,639	47,662
Less: Repayment of secured bank loans	(7,184)	(8,000)	(23,184)	(24,000)
<b>Income available for distribution</b>	8,430	6,077	17,455	23,662
Add: Utilisation of cash retained from previous periods	-	-	2,394	651
Less: Cash retained in the current period	(2,211)	(390)	(2,211)	(3,958)
<b>Net distributable amount</b>	6,219	5,687	17,638	20,355
Amount available for distribution	6,219	5,687	17,638	20,355
Comprising: (i) Tax-exempt distribution	6,212	5,647	17,582	20,156
(ii) Tax-exempt (one-tier) distribution	7	40	56	199
<b>Amount to be distributed</b>	6,219	5,687	17,638	20,355
Units at the end of the period ('000)	654,665	598,665	654,665	598,665
<b>Distribution per unit (US Cents)</b>	0.95	0.95	2.85	3.40

Note:

(a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs.

FSL Trust will distribute US\$6.2 million or a distribution per unit ("DPU") of US0.95¢ for the current quarter under review. This DPU is unchanged since 2Q 2010. The distribution will be paid from the US\$15.6 million cash generated in this quarter, after settling the loan repayment of US\$7.2 million.

Distribution Reinvestment Scheme

For the quarter ended 30 September 2011, the Board has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

**9. Variance from Prospect Statement**

Not applicable.

**10. Outlook and Prospects**

The Trustee-Manager's primary goal in the fourth quarter is to complete the refinancing for FSL Trust. It remains focused on growing its long-term lease portfolio with a view to further diversify cash-flows.

The Trustee-Manager continues to remain positive on FSL Trust's prospects and believes that the traditional sale and leaseback structure, which underpins FSL Trust's strategy, is particularly attractive given the current market environment of moderate asset prices and uncertain shipping market recovery prospects.

**11. Update on legal proceedings in Japan, China and Singapore**

With regard to the legal proceedings in Japan and the PRC arising from the arrest of our two vessels by Daxin Petroleum Pte. Ltd. in June 2010, there are no further updates regarding these proceedings as both cases are under appeal. As for the legal proceedings in Singapore, trial has been set for November 2011.

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**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**

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**12. Distribution**

**(a) Current financial period**

Any distributions declared for the current financial period	:	Yes
Amount	:	US\$6,219,318
Distribution Period	:	1 July 2011 to 30 September 2011
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US0.95 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

**(b) Corresponding Period of the Immediate Preceding Financial Period**

Any distributions declared for the previous corresponding period	:	Yes
Amount	:	US\$5,687,318
Distribution Period	:	1 July 2010 to 30 September 2010
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US0.95 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

**(c) Payment Date** 28 November 2011

**(d) Books closure date** : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 31 October 2011 for the purposes of determining each unitholder's entitlement to the Distribution of US0.95 cents. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 31 October 2011 will be entitled to the Distribution to be paid on 28 November 2011.

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**FIRST SHIP LEASE TRUST  
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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**

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- (e) Currency election procedures : Unitholders whose units are held directly through CDP will receive their distribution in the Singapore dollar equivalent of the US0.95 cents declared. Unitholders who wish to elect to receive the distribution in US dollars can do so by submitting a "Currency Election Notice" by 5.00 p.m. on 14 November 2011.

**13. If no distribution has been declared/recommended, a statement to that effect**

Not applicable.

**14. Confirmation by the Board**

The Board of FSL Trust Management Pte. Ltd. as Trustee-Manager of First Ship Lease Trust, has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results of the Group for the quarter ended 30 September 2011 to be false or misleading in any material aspect.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, changes in operating expenses, trust expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD  
FSL TRUST MANAGEMENT PTE. LTD.  
(COMPANY REGISTRATION NO. 200702265R)  
AS TRUSTEE-MANAGER OF FIRST SHIP LEASE TRUST

Rebecca Cheng Pei Jiuan  
Company Secretary  
20 October 2011



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The Board of Directors  
FSL Trust Management Pte Ltd  
(in its capacity as Trustee-Manager  
of First Ship Lease Trust)  
9 Temasek Boulevard  
#19-03 Suntec Tower Two  
Singapore 038989

Our ref KT/EC/130

Contact Kenny Tan  
(+65 6213 2836)

Attention: Mr Cheong Chee Tham

20 October 2011

Dear Sirs

**First Ship Lease Trust**  
**Independent auditors' report on review of condensed consolidated interim**  
**financial information for the period ended 30 September 2011**

*Introduction*

We have reviewed the accompanying condensed consolidated interim financial information of First Ship Lease Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the condensed statements of financial position of the Group and the Trust as at 30 September 2011, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in unitholders' funds and condensed consolidated statement of cash flows of the Group for the period then ended and certain explanatory notes (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

*Scope of review*

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

***Emphasis of Matter***

Without qualifying our review report, we draw attention to Note 3 of the condensed consolidated interim financial information which states that the condensed consolidated interim financial information for the period ended 30 September 2011 have been prepared on a going concern basis notwithstanding the deficiency in net current assets of US\$228.3million as at 30 September 2011. Under the Trust's existing financing arrangements, US\$229.9million matures on 2 April 2012. This loan balance, which is due within the next 12 months, has been classified within "current liabilities". In connection with this, the Trustee-Manager is in the process to complete a US\$483.1million 6-Year Secured Term Loan Facility to re-finance the existing credit facility. As of the date of this report, US\$437.3million of the facility sum has been committed by lenders, and the remaining US\$45.8million has not yet been subscribed. The entire facility is also subject to satisfactory completion of the loan documentation.

If the Trust is unable to complete the re-financing plan, and since the current working capital is not sufficient to settle the loan balance of US\$229.9million, these conditions indicate the existence of a material uncertainty that may affect the Group's ability to continue as a going concern. The accompanying condensed consolidated interim financial information does not include any adjustments that might result from the outcome of this material uncertainty.

***Restriction on use***

Our report is provided on the basis that it is solely for the private information of the directors of FSL Trust Management Pte. Ltd. and should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purposes. We do not assume any responsibility or liability for losses occasioned to the directors of FSL Trust Management Pte. Ltd., the Trust or any other parties as a result of the circulation, publication, reproduction or use of the report contrary to the provisions of this paragraph.

Yours faithfully

**KPMG LLP**  
*Public Accountants and*  
*Certified Public Accountants*

20 October 2011