



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2013

First Ship Lease Trust ("FSL Trust") is a provider of leasing services on a bareboat charter basis to the international shipping industry and is listed on the Singapore Exchange Securities Trading Limited ("SGX").

As at 31 March 2013, 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-two vessels are employed on leases (20 vessels on long-term bareboat charters and two vessels on time charters) and have a dollar-weighted average remaining lease period of approximately five years (excluding extension periods and early buy-out options). The remaining three chemical tankers are employed in a chemical tanker pool. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately seven and a half years.

Summary of FSL Trust Consolidated Results

	1Q 2013	1Q 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	23,047	26,081	(11.6)
Loss for the quarter	(7,067)	(4,168)	69.6
Net cash generated from operations	11,675	9,844	18.6
Net Distributable Amount	-	654	(100.0)
Amount to be distributed	-	654	(100.0)
Distribution Per Unit ("DPU") (US Cents)			
For the period	-	0.10	(100.0)
Annualised	-	0.40	(100.0)

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1(a)(i) Consolidated Income Statements

	Group		
	1Q 2013	1Q 2012	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	23,047	26,081	(11.6)
Depreciation expense on vessels	(13,757)	(14,499)	(5.1)
Voyage expenses	-	(3,520)	(100.0)
Vessel operating expenses	(3,087)	(1,773)	74.1
Management fees	(806)	(874)	(7.8)
Trustee fees	(39)	(41)	(4.9)
Other trust expenses	(604)	(1,560)	(61.3)
Results from operating activities	4,754	3,814	24.6
Finance income	22	30	(26.7)
Finance expenses	(6,522)	(8,019)	(18.7)
Impairment loss on available-for-sale financial assets	(5,298)	-	N.M.
Loss before tax	(7,044)	(4,175)	68.7
Income tax (expense)/write-back	(23)	7	N.M.
Loss for the quarter	(7,067)	(4,168)	69.6

Note:

- (a) This relates to an impairment loss recognised on FSL Trust's investment in TORM A/S ("TORM") due to a significant decline in the quoted price of the shares in TORM.

1(a)(ii) Statements of Comprehensive Income

	Group	
	1Q 2013	1Q 2012
	US\$'000	US\$'000
Loss for the quarter	(7,067)	(4,168)
Other comprehensive income:		
Translation differences relating to financial statements of foreign subsidiaries	(740)	647
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(211)	355
Effective portion of changes in fair value of cash flow hedges	442	(1,837)
Net change in fair value of cash flow hedges transferred to income statement	2,046	3,341
Net change in fair value of available-for-sale financial assets	(2,810)	-
Net change in fair value of available-for-sale financial assets reclassified to income statement	5,298	-
Other comprehensive income, net of tax	4,025	2,506
Total comprehensive income	(3,042)	(1,662)

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1(a)(iii) Distribution Statements

	Note	Group	
		1Q 2013	1Q 2012
		US\$'000	US\$'000
Loss for the quarter		(7,067)	(4,168)
Add: Non-cash adjustments	(a)	18,742	14,012
Net cash generated from operations		11,675	9,844
Less: Repayment of secured bank loans		(11,000)	(11,000)
Income available for distribution		675	(1,156)
Add: Utilisation of cash retained from previous periods		-	1,810
Less: Cash retained in the current period		(675)	-
Net distributable amount	(b)	-	654
Amount available for distribution		-	654
Comprising: (i) Tax-exempt distribution		-	617
(ii) Tax-exempt (one-tier) distribution		-	37
Amount to be distributed		-	654
Units at the end of the quarter ('000)		654,665	654,665
Distribution per unit (US Cents)		-	0.10

Notes:

- (a) Non-cash adjustments include depreciation expenses, impairment losses, translation exchange differences and amortisation of deferred income 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) In connection with a temporary relaxation of two of FSL Trust's loan covenants from its lenders, FSL Trust is restricted from paying any distributions to unitholders until 30 June 2013.

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1(b)(i) Statements of Financial Position

	Note	31 Mar 2013		31 Dec 2012	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels		712,533	-	727,517	-
Subsidiaries		-	523,253	-	523,253
Available-for-sale financial assets		2,827	-	5,637	-
Derivative assets		180	180	47	47
		715,540	523,433	733,201	523,300
Current assets					
Inventories		654	-	519	-
Derivative assets		482	482	185	185
Trade and other receivables		2,335	67,770	3,542	85,838
Cash and cash equivalents	(a)	36,982	30,654	37,488	29,604
		40,453	98,906	41,734	115,627
Total assets		755,993	622,339	774,935	638,927
Equity attributable to unitholders of FSL Trust					
Units in issue		525,412	525,412	525,412	525,412
Reserves		(211,222)	(334,048)	(208,180)	(329,918)
Total equity		314,190	191,364	317,232	195,494
Non-current liabilities					
Secured bank loans		375,545	375,545	386,218	386,218
Derivative liabilities		2,383	2,383	4,492	4,492
Deferred income		6,455	-	6,455	-
		384,383	377,928	397,165	390,710
Current liabilities					
Trade and other payables		3,144	956	4,134	684
Lease income received in advance		1,102	-	2,903	-
Derivative liabilities		8,090	8,090	8,039	8,039
Secured bank loans		44,000	44,000	44,000	44,000
Deferred income		1,083	-	1,444	-
Current tax payable		1	1	18	-
		57,420	53,047	60,538	52,723
Total liabilities		441,803	430,975	457,703	443,433
Total equity and liabilities		755,993	622,339	774,935	638,927

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1(b)(i) Statements of Financial Position (cont'd)

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2013		31 Dec 2012	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash [^]	10,000	10,000	10,000	10,000
Cash at Bank	4,365	808	5,723	608
Short-term deposits	22,617	19,846	21,765	18,996
Cash and cash equivalents	36,982	30,654	37,488	29,604
Less: Restricted cash	(10,000)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	26,982	20,654	27,488	19,604

[^]This relates to a deposit placed with the security agent of the amortising term loan facility (see paragraph 1(b)(ii)).

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

	31 Mar 2013	31 Dec 2012
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	380,558	391,558
Less: Unamortised debt upfront fees	(5,013)	(5,340)
	419,545	430,218

The Trustee-Manager, on behalf of FSL Trust, had secured a 6-year amortising term loan facility in December 2011 and the outstanding loan balance was US\$424.6 million as at 31 March 2013.

In June 2012, the Trustee-Manager secured a temporary relaxation of two loan covenants from the lenders for 12 months until 30 June 2013 ("Relaxation Period"):

- (i) the minimum security value-to-loan ("VTL") ratio is reduced from 125% to 100%; and
- (ii) debt service coverage ratio is reduced from at least 1.1:1 to at least 1:1.

As of the date of this announcement, FSL Trust is in full compliance with the covenants under the term loan facility.

During the Relaxation Period, FSL Trust is restricted from paying any distributions to unitholders. In addition, a US\$10 million security deposit is placed with the security agent, and a levy of 2% per annum is imposed on the shortfall amount, which is the difference between the outstanding loan balance and the theoretical loan balance assuming VTL ratio is 125%.

The interest margin of the term loan:

<u>VTL ratio</u>	<u>Margin over US\$ 3-month LIBOR</u>
>100% to 140%	3.0%
>140% to 180%	2.8%
>180%	2.6%

For 1Q 2013, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

The term loan 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;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) a pledge over the Group's shares in TORM.

In view of the expiry of the Relaxation Period on 30 June 2013, the Trustee-Manager is currently in discussion with the lenders to extend the Relaxation Period beyond 30 June 2013.

FSL Trust has hedged its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.06% per annum to 5.24% per annum.

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1(c) Consolidated Cash Flow Statements

	Group	
	1Q 2013	1Q 2012
	US\$'000	US\$'000
Operating activities:		
Loss before tax	(7,044)	(4,175)
Adjustments for:		
Depreciation expense on vessels	13,757	14,499
Impairment loss on available-for-sale financial assets	5,298	-
Amortisation of debt upfront fees and initial direct costs	486	509
Amortisation of deferred income	(361)	-
Interest income	(22)	(30)
Interest expense	6,083	7,906
Unrealised exchange differences	117	(286)
	18,314	18,423
Changes in working capital:		
Trade and other receivables	1,187	2,337
Inventories	(135)	(501)
Trade and other payables	(987)	(485)
Lease income received in advance	(1,801)	(1,486)
Cash generated from operations	16,578	18,288
Income tax (paid)/refund	(40)	8
Cash flows from operating activities	16,538	18,296
Investing activities:		
Interest received	42	28
Cash flows from investing activities	42	28
Financing activities:		
Distribution to unitholders	-	(655)
Repayment of secured bank loans	(11,000)	(11,000)
Interest paid	(6,086)	(7,040)
Cash flows from financing activities	(17,086)	(18,695)
Net decrease in cash and cash equivalents	(506)	(371)
Cash and cash equivalents at beginning of period	27,488	32,304
Cash and cash equivalents at end of period	26,982	31,933
Comprising:-		
Cash at Bank	4,365	8,719
Short-term deposits	22,617	23,214
	26,982	31,933

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

2013
Group
At 1 January 2013
Total comprehensive income for the
quarter
At 31 March 2013

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(12,299)	(2,420)	(2,488)	(190,973)	317,232
-	2,488	(951)	2,488	(7,067)	(3,042)
525,412	(9,811)	(3,371)	-	(198,040)	314,190

2012
Group
At 1 January 2012
Total comprehensive income for the quarter
Contribution by and distribution to unitholders:
Distribution to unitholders
At 31 March 2012

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(16,213)	(2,943)	(181,277)	324,979
-	1,504	1,002	(4,168)	(1,662)
-	-	-	(655)	(655)
525,412	(14,709)	(1,941)	(186,100)	322,662

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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
2013 Trust				
At 1 January 2013	525,412	(12,299)	(317,619)	195,494
Total comprehensive income for the quarter	-	2,488	(6,618)	(4,130)
At 31 March 2013	525,412	(9,811)	(324,237)	191,364

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2012 Trust				
At 1 January 2012	525,412	(16,213)	(287,955)	221,244
Total comprehensive income for the quarter	-	1,504	(8,601)	(7,097)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(655)	(655)
At 31 March 2012	525,412	(14,709)	(297,211)	213,492

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

	1Q 2013 Units	FY 2012 Units
At the beginning of the period	654,665,077	654,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	654,665,077

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 condensed consolidated 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 on the condensed consolidated interim financial information for the quarter ended 31 March 2013, which contains an emphasis of matter, 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

Except for the change as disclosed in paragraph 5, 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 2012.

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

Depreciation on dry bulk carriers-*Stella Fomalhaut* and *Stella Eltanin*

The restructuring of the bareboat charter agreements with the lessee, OMNI Ships Pte. Ltd. ("OMNI"), was completed subsequent to 31 December 2012. Under the restructuring, the base lease period for each vessel was extended by two years to 31 December 2018. Hence, in accordance with FSL Trust's accounting policy, the expected useful life of each of the two vessels has been revised from 10 years to 12 years. The residual value of each of the two vessels has also been revised.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from January 2013. The change reduces depreciation expense for the current quarter by US\$0.5 million for the two vessels.

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

	Group	
	1Q 2013	1Q 2012
Basic and diluted earnings per unit is based on:		
Loss for the quarter (US\$'000)	(7,067)	(4,168)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(1.08)	(0.64)
Number of issued units at end of quarter ('000)	654,665	654,665
Distribution per unit (US Cents)	-	0.10

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

	Note	31 Mar 2013		31 Dec 2012	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.48	0.29	0.48	0.30

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.

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8. Review of Performance

The breakdown of the revenue (on a bareboat charter/bareboat charter equivalent ("BBCE") basis) by the respective charter types and the net result from operations are as follows:

1Q 2013 vs 1Q 2012

	Group		
	1Q 2013	1Q 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	17,342	21,239	(18.3)
BBCE revenue of vessels on:-			
-Time charter	1,160	-	N.M.
-Pool	1,382	-	N.M.
-Spot	-	(526)	(100.0)
Total bareboat charter/BBCE revenue	19,884	20,713	(4.0)
Less:			
Depreciation expense on vessels ¹	(13,681)	(14,424)	(5.2)
Management fees	(806)	(874)	(7.8)
Trustee fees	(39)	(41)	(4.9)
Other trust expenses	(604)	(1,560)	(61.3)
Other operating expenses	(15,130)	(16,899)	(10.5)
Results from operating activities	4,754	3,814	24.6
Finance income	22	30	(26.7)
Finance expenses	(6,522)	(8,019)	(18.7)
Impairment loss on available-for-sale financial assets	(5,298)	-	N.M.
Loss before tax	(7,044)	(4,175)	68.7
Income tax (expense)/write-back	(23)	7	N.M.
Loss for the quarter	(7,067)	(4,168)	69.6

¹ For this analysis, depreciation expense on dry-docking costs is included in vessel operating expenses in deriving BBCE revenue.

8. Review of Performance (cont'd)

a. Bareboat charter/BBCE revenue

The rentals derived from the 22 vessels under leases continued to support the overall earnings of FSL Trust.

Rentals from vessels on bareboat charter fell 18.3% to US\$17.3 million mainly from:

- payment defaults by the subsidiaries of PT Berlian Laju Tanker Tbk for the three chemical tankers since February 2012; and
- lower rentals from vessels leased to TORM and to OMNI as the leases were restructured.

Time charter

The two vessels (*FSL Hamburg* and *FSL Singapore*) are employed on time charter arrangements with Petróleo Brasileiro S.A. Together, these vessels generated net time charter revenue of US\$2.4 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.2 million in the quarter under review.

Pool

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$3.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.4 million in the quarter under review.

Spot

No vessel was deployed in the spot market during the quarter under review. In 1Q 2012, the three chemical tankers, *FSL Hamburg* and *FSL Singapore* incurred a BBCE loss of US\$0.5 million from trading in their respective spot markets.

b. Other operating expenses

Other operating expenses declined 10.5% (-US\$1.8 million) to US\$15.1 million due mainly to:

- lower depreciation expenses (-US\$0.7 million) arising from changes in the expected useful life and residual value of the two vessels leased to TORM and the two vessels leased to OMNI; and
- vessel-related expenses (non-recurring) of US\$0.8 million incurred in 1Q 2012 due to the re-delivery of the three chemical tankers to FSL Trust.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$4.8 million in this quarter, an increase of 24.6% over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2013 (excluding exchange losses of US\$96,000 (1Q 2012: exchange gains of US\$252,000)) decreased 22.3% (-US\$1.8 million) mainly due to:

- lower outstanding indebtedness arising from the quarterly principal repayments of US\$11.0 million; and
- lower swap interest as some higher priced interest rate swaps were replaced by cheaper interest rate swaps following the refinancing of the credit facility.

8. Review of Performance (cont'd)

e. Impairment loss on available-for-sale financial assets

Available-for-sale financial assets relate to the shares in TORM received by FSL Trust as part of an agreement to permanently amend the terms on its two charter contracts.

In 1Q 2013, an impairment loss of US\$5.3 million was recognised due to a significant decline in the quoted price of the shares in TORM.

For 1Q 2013, FSL Trust incurred a net loss of US\$7.1 million which includes the impairment loss of US\$5.3 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The Trustee-Manager continues to monitor closely the deployment of FSL Trust's vessels as well as the lessees' performance. As disclosed in the last quarter, the Trustee-Manager remains engaged in a restructuring discussion with one bareboat charter lessee. Further details will be announced as and when there are material developments in this matter.

Given the near-term uncertainties, the Trustee-Manager is currently negotiating with the lenders to extend the Relaxation Period beyond 30 June 2013. The Trustee-Manager is confident that an agreement will be reached in due course.

From a broader perspective, the shipping industry is working its way through the excess capacity but this will take time given the large number of newbuildings that have been delivered into the market. The orderbook is now more manageable and supply pressures should subside gradually. Industry players have been relatively disciplined in managing capacity and financing for new ships has been limited. All these factors should set the stage for an eventual recovery.

11. Distribution

(a) Current financial period

Any distributions declared for the : No
current financial period

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the : Yes
previous corresponding period
Amount : US\$654,665
Distribution Period : 1 January 2012 to 31 March 2012
Distribution Type : Cash, Tax-exempt Distribution

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11. Distribution (cont'd)

Distribution Rate	:	US0.10 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	:	Not applicable
(d) Books closure date	:	Not applicable
(e) Currency election procedures	:	Not applicable

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

No distribution has been declared.

13. If the Group has obtained a general mandate from unitholders for Interested Party Transaction ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

FSL Trust does not have any unitholders' mandate for IPT.

14. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 31 March 2013 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 Jiu
Company Secretary
22 April 2013



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The Board of Directors
FSL Trust Management Pte Ltd
(in its capacity as Trustee-Manager
of First Ship Lease Trust)
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Our ref YC/ZA/130

Contact Yvonne Chiu
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Attention: Mr Cheong Chee Tham

22 April 2013

Dear Sirs

First Ship Lease Trust
Independent auditor's report on review of condensed consolidated interim financial information

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 consolidated statements of financial position of the Group and the Trust as at 31 March 2013, 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"). Trustee-Manager 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 opinion, we draw attention to Note 3 of the condensed consolidated interim financial information, which indicates that lenders of the amortising term loan facility with a carrying amount of US\$419,545,000 as at 31 March 2013, have granted the Trust temporary relaxation of two loan covenants (relating to Security Value-to-Loan ratio and Debt Service Coverage ratio) for 12 months. The relaxation will expire on 30 June 2013, which falls within 3 months of the reporting date. Covenants under the original loan agreement will be reinstated from 1 July 2013 and the Trust may breach the original Security Value-to-Loan ratio and the Debt Service Coverage ratio covenants. Should the Trust breach either of the two loan covenants after the expiry of the relaxation period, lenders shall have the ability to exercise their remedies under the loan agreement. Management believes the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments, and it intends to resolve such potential breach of these two loan covenants with the lenders prior to 30 June 2013.

The above circumstance indicates 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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
22 April 2013