FIRST SHIP LEASE TRUST

FSL TRUST

PROSPECTUS DATED 19 March 2007

(Registered with the Monetary Authority of Singapore on 19 March 2007)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

FIRST SHIP LEASE TRUST

(a business trust constituted on 19 March 2007 under the laws of the Republic of Singapore)
managed by FSL Trust Management Pte. Ltd. (the "Trustee-Manager")
(Registration Number 200702265R)
(a wholly-owned subsidiary of First Ship Lease Pte. Ltd. (the "Sponsor"))

First Ship Lease Trust ("FSL Trust") is a business trust (Registration Number: 2007002) registered under the Business Trusts Act, Chapter 31A of Singapore (the "Business Trusts Act" or "BTA"). A copy of this Prospectus has been lodged on 16 February 2007 with and registered on 19 March 2007 by the Monetary Authority of Singapore (the "Authority" or the "MAS"). The MAS assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the MAS does not imply that the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act" or "SFA"), or any other legal or regulatory requirements, have been complied with. The MAS has not, in any way, considered the merits of the units being offered for investment.

OFFER FOR SUBSCRIPTION BY FSL TRUST MANAGEMENT PTE. LTD.
220,000,000 Units subject to the Over-allotment Option
The size of the Public Offer is 7,000,000 Units
Offering Price: US$0.98 per Unit (equivalent to S$1.50 per Unit based on the fixed exchange rate of US$1.00 : S$1.5291)

The Trustee-Manager is making an offering (the "Offering") of 220,000,000 units (the "Units") representing undivided interests in First Ship Lease Trust ("FSL Trust") for subscription at the offering price as defined below. The Offering consists of (i) an international placement to investors, including institutional and other investors in Singapore (the "Placement") and (ii) an offering to the public in Singapore (the "Public Offer"). The size of the Public Offer is 7,000,000 Units. The offering price for each Unit (the "Offering Price") will be US$0.98, equivalent to S$1.50 per Unit based on the fixed exchange rate of US$1.00:S$1.5291. The Placement will be underwritten by Deutsche Bank AG, Singapore Branch and J.P. Morgan (S.E.A.) Limited (collectively, the "Joint Bookrunners"), CLSA Singapore Pte Ltd and Macquarie Securities (Asia) Pte Limited, (together with the Joint Bookrunners, the "Initial Purchasers") at the Offering Price. The Public Offer will be underwritten by the Joint Bookrunners and Oversea-Chinese Banking Corporation Limited (together with the Joint Bookrunners, the "Singapore Underwriters") at the Offering Price.

At the same time as but separate from the Offering, the Sponsor has entered into a separate subscription agreement to subscribe for 160,000,000 Units at the Offering Price (the "Sponsor Units"), conditional upon the Trustee-Manager, the Sponsor and the Singapore Underwriters entering into the Offer Agreement (as referred to herein) and the Trustee-Manager, the Sponsor and the Initial Purchasers entering into a purchase agreement in connection with the Offering (the "Purchase Agreement") and that the Offer Agreement and the Purchase Agreement are not terminated pursuant to their terms on or prior to the Settlement Date (as referred to herein).

Also separate from the Offering, each of AIG Global Investment Corporation (Singapore) Ltd, DWS Investment GmbH and Penta Investment Advisers, Ltd (collectively, the "Cornerstone Investors") has entered into a cornerstone subscription agreement with the Trustee-Manager (collectively, the "Cornerstone Subscription Agreements") to subscribe for an aggregate of 120,000,000 Units at the Offering Price (the "Cornerstone Units"), conditional upon the Trustee-Manager, the Sponsor and the Singapore Underwriters entering into the Offer Agreement and the Trustee-Manager, the Sponsor and the Initial Purchasers entering into the Purchase Agreement and that the Offer Agreement and the Purchase Agreement are not terminated pursuant to their terms on or prior to the Settlement Date (as referred to herein).

No Units shall be allotted or allocated on the basis of this Prospectus later than six months after the registration of this Prospectus by the Authority.

Prior to the Offering, there has been no market for the Units. The Offering will be by way of an initial public offering in Singapore. FSL Trust has received a letter of eligibility from Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation on the Main Board of the SGX-ST of all the Units comprised in the Offering, the Sponsor Units, the Cornerstone Units as well as all the Units which may be issued to the Trustee-Manager from time to time in full or part payment of the Trustee-Manager's fees. The Units will be traded on the Main Board of the SGX-ST in US dollars. Neither FSL Trust's eligibility to list on the Main Board of the SGX-ST nor admission to the Official List of the SGX-ST is to be taken as an indication of the merits of the Offering, the Units, FSL Trust or the Trustee-Manager. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus.

The permission to list will be granted when FSL Trust has been admitted to the Official List of the SGX-ST (the "Listing Date"). Acceptance of applications for Units will be conditional upon issue of the Units and upon permission being granted to list the Units. In the event that such permission is not granted, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers as referred to herein or the Singapore Underwriters.

See "Risk Factors" commencing on page 22 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Units. None of FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers as referred to herein or the Singapore Underwriters guarantees the performance of FSL Trust, the repayment of capital or the payment of a particular return on the Units.

Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in the instructions booklet entitled "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the equivalent in Singapore dollars of the Offering Price (such amount being S$1.50 per Unit based on the fixed exchange rate of US$1.00 = S$1.5291) on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom), where (i) an application is rejected or accepted in part only or (ii) the Offering does not proceed for any reason.

In connection with the Offering, the Initial Purchasers have been granted an over-allotment option (the "Over-allotment Option") by the Sponsor, exercisable by Deutsche Bank AG, Singapore Branch (the "Stabilising Manager") on behalf of the Initial Purchasers, in full or in part, on one or more occasions within 30 days from the Listing Date, to purchase up to an aggregate of 34,000,000 Units (which is in aggregate not more than 20% of the total number of the Units under the Offering) at the Offering Price from the Sponsor, solely to cover the over-allotment of Units (if any). The total number of Units in issue immediately after the completion of the Offering (including the issued Cornerstone Units and the Sponsor Units), will be 500,000,000 Units. The exercise of the Over-allotment Option will not increase the total number of Units in issue.

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Units may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), except to "qualified institutional buyers" in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Units may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about restrictions on offers, sales and transfers of the Units, see "Plan of Distribution" and "Transfer Restrictions".

Sole Global Co-ordinator, Joint Lead Manager and Joint Bookrunner

Deutsche Bank

Joint Lead Manager and Joint Bookrunner

JPMorgan

Co-Lead Managers

CLSA MACQUARIE

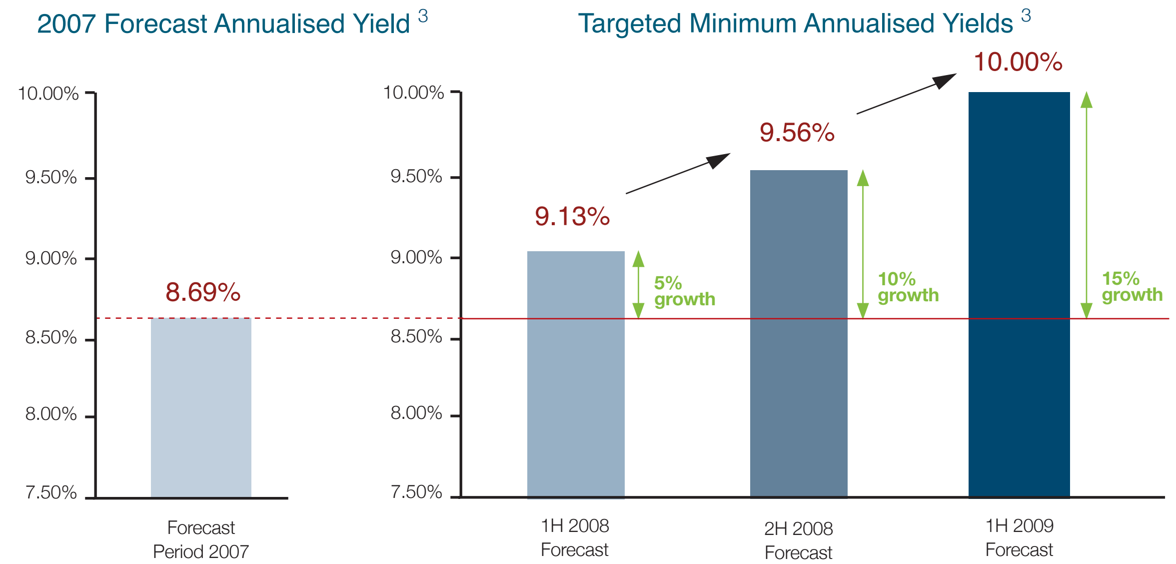
Manager and Co-ordinator of the Public Offer

OCBC Bank

PROJECTED TAX-FREE[1] DISTRIBUTION YIELD OF

8.69%[2]

2007 Annualised Forecast and Targeted Minimum Annualised Yield[3]



To provide support for the above annualised forecast and targeted minimum annualised yields, the Sponsor has agreed to subordinate its entitlement to distributions in respect of 50% of its Units and the Trustee-Manager has agreed to subordinate its Management Fees, during the period commencing from the Listing Date to 30 June 2009.

About First Ship Lease Trust

First Ship Lease Trust ("FSL Trust") provides leasing services on a long term bareboat charter basis to the international shipping industry. Under a bareboat charter, the shipowner leases the vessel to another company (the lessee) for a pre-agreed period and at a daily hire rate. The lessee is responsible for the costs associated with operating the vessel and for payment of the lease hire.

FSL Trust will have a modern, high quality and diverse initial portfolio of 13 vessels, comprising:

- four containerships
- four product tankers
- three chemical tankers
- two dry bulk carriers

- Average vessel age of approximately five years
- Bareboat charters with an average remaining term of approximately nine years (excluding extensions and early buy-out options)
- All vessels currently leased to international ship operators on operating leases

1 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. Please see the section "Taxation" in the Prospectus for more information.

2 Annualised projected distribution yield for Forecast Period 2007 based on the Offering Price, and subject to assumptions contained in the Prospectus.

3 Annualised yields based on DAU and Offering Price. DAU - Net Distributable Amount less any Retained Distributable Amount (as defined in the section entitled "Distributions and Subordination" of this Prospectus), and excluding non-recurring income and related costs, as at the end of the relevant quarter per Unit then in issue.

Key Investment Highlights

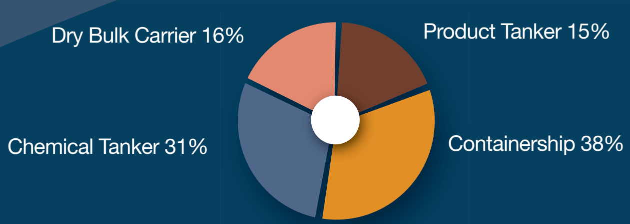
The Trustee-Manager believes that an investment in FSL Trust will offer the following benefits for Unitholders:

- **Attractive and stable distribution yield from initial portfolio**
  - Forecast annualised distribution yield of 8.69%[4] for Forecast Period 2007.
  - Yield on the initial portfolio expected to be protected against shipping cycle risk in the longer term.
  - Average remaining lease period of nine years[5] (excluding lease extension and early buy-out options)

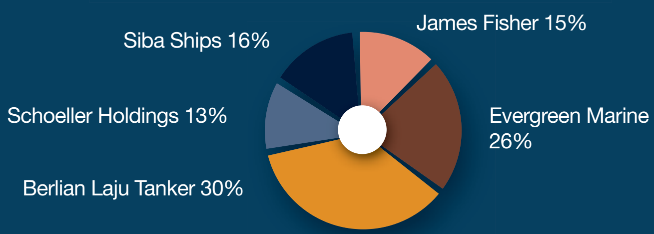
- **Focus on DPU growth through accretive acquisitions**
  - Facilitated by a debt-free capital structure at Listing Date
  - Minimum targets for annualised growth of DAU[6]
    - 5% in the first half of 2008 (unit yield: 9.13%[4])
    - 10% in the second half of 2008 (unit yield: 9.56%[4])
    - 15% in the first half of 2009 (unit yield: 10.00%[4])

- **Diversified lease portfolio**
  - Modern, high quality portfolio of vessels.
  - Portfolio diversified across five customers and four shipping sub-sectors.

Revenue Breakdown by vessel type[7]



Revenue Breakdown by lessee[7]



4 Annualised projected distribution yield based on the Offering Price, and subject to assumptions contained in the Prospectus .
5 Average remaining lease period is approximately seven years with early buy-out options factored in for some of the leases.
6 DAU - Net Distributable Amount less any Retained Distributable Amount (as defined in the section entitled “Distributions and Subordination” of this Prospectus), and excluding non-recurring income and related costs, as at the end of the relevant quarter per Unit then in issue.
7 Forecasted net lease income of FSL Trust as at the Latest Practicable Date (as defined in the Prospectus).

- **Strong management and commitment of the Sponsor**
  - Executive Officers have an average of approximately 15 years of experience in structured finance, ship financing and the operational and commercial aspects of the shipping industry, with a wide network of contacts with both customers and intermediaries in the finance and shipping industries.
  - Sponsor is purchasing a 32% post-Offering stake in FSL Trust (assuming that the Over-allotment Option is not exercised).
  - Sponsor has agreed to subordinate its entitlement to distributions on 50% of its Units from the Listing Date until 30 June 2009.
  - Lock-ups provided by the Sponsor and its major shareholders.

- **Robust risk management practices**
  - Proprietary internal risk management process with well-defined lease transaction criteria:
    - o Portfolio of vessels with average age of not more than 10 years
    - o Not more than 25% single customer concentration (long term target)
    - o Not more than 40% single sub-sector concentration
  - Trustee-Manager's risk management function is independent of its sales function and is necessary for the approval of any acquisition or transaction.

- **No Singapore tax on distributions to Unitholders**

Competitive Strengths

The Trustee-Manager believes that FSL Trust benefits from the following competitive strengths:

Well positioned in the growing non-tax driven ship leasing market

- Non-tax driven ship leasing market has grown at a compound annual growth rate of 24.6%[8] during 2003 to 2006 and is estimated at a size of approximately US$4.72[8] billion in 2006.
- Leverage on Sponsor's established credibility and strong brand name.

Flexibility in structuring transactions

- FSL Trust can offer its lessees greater transaction structuring flexibility due to its targeted conservative capital structure and flexible bareboat charter model.
- Leases can be customised with purchase options, early buyout options, lease extension options and vessel-flagging options to meet lessees' requirements.

[8] **Source: Marine Money International**

Strong support from the Sponsor and its substantial shareholders

- Trustee-Manager can leverage on the network and industry contacts of the Sponsor and its substantial shareholders for cross-referrals and customer referrals.
- Participation of the Sponsor and its substantial shareholders in FSL Trust's Investment Advisory Committee.
- Preferential access to Columbia Shipmanagement for technical support.

Extensive shipping expertise and wide networking contacts of the Management

- Trustee-Manager's management team has extensive experience and has built up a wide network of contacts with both the customers and intermediaries in the finance and shipping industries.

No conflict of interests with potential lessees

- Potential lessees will not view FSL Trust as a competitor as it does not engage or intend to engage in any ship operating activities, nor is it likely to be majority controlled by any ship operator.

Competitive capital structure and cost of capital post-Offering

- Debt-free capital structure at Listing Date provides substantial financial flexibility for FSL Trust to use debt to grow its vessel portfolio.
- US$250 million Credit Facility in place to further grow the asset base by approximately 50% in value without raising further equity capital.

Strategy

FSL Trust seeks to become the leading provider of leasing services on a bareboat charter basis to the international shipping industry. To achieve this, the Trustee-Manager will focus on rapidly growing the vessel portfolio of FSL Trust through accretive acquisitions with long-term bareboat charters. The key elements of its strategy are:

- Drive rapid growth in the portfolio
- Focus on long-term bareboat charters
- Maintain a high quality and modern asset portfolio
- Maintain a disciplined approach to portfolio and risk management
- Maintain conservative financial structure
- Customize asset redeployment strategy according to prevailing market conditions

Lessees of FSL Trust's Initial Portfolio[9]

James Fisher and Sons Public Limited Company (UK)
Listed on the London Stock Exchange, James Fisher and Sons is a leading service provider in all sectors of the marine industry and a specialist supplier of engineering services to the nuclear industry in the UK and abroad.

Schoeller Holdings Ltd (Cyprus)
Schoeller Holdings Ltd, a privately owned company, conducts an array of marine-related activities, such as ship owning, providing ship management, liner and agency services.

Evergreen Marine Corporation (Taiwan) Ltd (Taiwan)
Listed on the Taiwan Stock Exchange, Evergreen boasts a fleet of over 100 container vessels. Both in terms of the magnitude of its fleet and its cargo loading capacity, Evergreen ranks among the world's leading international shipping companies. With more than 240 service locations, Evergreen covers more than 80 countries with its shipping network.

PT Berlian Laju Tanker Tbk. (Indonesia)
Listed on the Jakarta, Surabaya and Singapore Stock Exchanges, PT Berlian Laju Tanker Tbk. is an international liquid cargo shipping company with operations primarily throughout Asia, the Middle East and Europe. It is the largest provider of seaborne transportation of liquid cargoes in Indonesia and one of the largest in the intra-Asian chemical tanker segment. The company operates 57 vessels, comprising 35 chemical tankers, 17 oil tankers and five gas carriers.

Siba Ships S.p.A. (Italy)
Siba Ships, a privately owned company, specializes in the transportation of live animals, and has also diversified into the dry bulk business. The latest delivery of their two bulk carriers, which will be owned by FSL Trust, brings the number of bulk carriers operated by Siba Ships to 11.

About the Sponsor, its substantial shareholders and the Trustee-Manager

The Sponsor is First Ship Lease Pte. Ltd. Its predecessor, First Ship Lease Ltd., was incorporated in September 2002 to provide long-term non-tax driven operating and finance leases to shipping and industrial companies.

The substantial shareholders of the Sponsor include:
- Schoeller Holdings Ltd, a Cyprus-based investment company with investments over a breadth of services;
- HSH Nordbank AG, the world's largest ship financier; and
- Bayerische Hypo- und Vereinsbank AG, one of the leading financial institutions in Germany.

The Trustee-Manager, FSL Trust Management Pte. Ltd., is responsible for safeguarding the interests of Unitholders, for FSL Trust's investment and financing strategies, for managing the acquisition and disposal of assets and for the overall management of FSL Trust's portfolio.

The Trustee-Manager is a wholly-owned subsidiary of the Sponsor. The board of directors of the Trustee-Manager is made up of individuals with a broad range of commercial expertise, including expertise in the structured finance and shipping industry.

Indicative Timetable

Date and Time	Event
19 March 2007, 7.00 pm	Opening date and time for the Offering
22 March 2007, 12.00 noon	Closing date and time for the Offering
27 March 2007, 2.00 pm	Commence trading on a "ready" basis

[9] The information on the lessees has been sourced from the websites as stated in the Prospectus. None of James Fisher, Schoeller Holdings, Evergreen Marine, PT Berlian Laju Tanker or Siba Ships has provided its consent, for purposes of Section 282I of the Securities and Futures Act, to the inclusion of the information extracted from these websites. Accordingly, they are not liable for such information under Sections 282N and 282O of the Securities and Futures Act. While the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters have taken reasonable actions in an effort to ensure that the information from the relevant websites is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager and the Joint Bookrunners nor any other party has conducted an independent review of the information contained in such website nor verified the accuracy of the contents of the relevant information.

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NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or the Sponsor. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall in the circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of FSL Trust, the Units, the Trustee-Manager or the Sponsor since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Trustee-Manager will make an announcement of the same to the SGX-ST and, if required, issue and lodge a supplementary document or replacement document pursuant to Section 282D of the Securities and Futures Act and take immediate steps to comply with the said Section 282D. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of FSL Trust, the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of FSL Trust, the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, the Sponsor or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of FSL Trust, the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, and the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber of Units under appropriate legal, investment or similar laws. In addition, this Prospectus is issued solely for the purpose of the Offering and investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they are required to bear the financial risks of an investment in the Units. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

as well as from branches of OCBC Bank and, where applicable, from certain members of Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: http//www.sgx.com.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. FSL Trust, the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, and the Sponsor require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to FSL Trust, the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, and the Sponsor. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, at its discretion, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earlier of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the Initial Purchasers) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The Units have not been registered under the Securities Act nor under the securities laws of any other jurisdiction. Therefore, the Units are only being offered to qualified institutional buyers, as defined in Rule 144A under the Securities Act, and to persons outside the United States in compliance with Regulation S of the Securities Act. The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or an available exemption therefrom.

Any offer to purchase Units shall be made solely by this Prospectus, only in those jurisdictions where permitted by law. Before investing in the Units, prospective investors should read this Prospectus, in its entirety for more complete information about FSL Trust and the Units.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This Offering is being made on the basis of this Prospectus. Any decision to purchase Units in this Offering must be based on the information contained herein and on your own evaluation of FSL Trust and the terms of this Offering, including the merits and risks of the investment.

This Prospectus is based on information provided by the Trustee-Manager and other sources that it believes are reliable. The Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters make no representation or warranty that this information is accurate or complete and are not responsible for this information. Nothing in this Prospectus is, or may be relied upon as, a promise or representation by the Initial Purchasers as to the future performance of FSL Trust.

No person has been authorized to give any information or make any representations about FSL Trust that are not contained in this Prospectus in connection with this Offering. If any information is given or any representations are made to you outside of this Prospectus, they should not be relied upon as having been authorized by the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or by FSL Trust.

The Trustee-Manager and Initial Purchasers reserve the right to reject all or part of any offer to purchase Units for any reason. The Trustee-Manager and Initial Purchasers also reserve the right to sell less than all of the Units offered by this Prospectus or to sell to any purchaser less than the full amount of Units such purchaser has offered to purchase. This Prospectus is directed only to each person who receives it, and is not an offer to any other person or to the public generally.

This Offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase Units, you agree that your purchase will constitute your representation, warranty, acknowledgment and agreement to all of the statements about purchasers in the "Notice to Investors" section of this Prospectus.

Neither the Trustee-Manager, FSL Trust, the Co-Lead Managers, the Initial Purchasers nor the Singapore Underwriters are giving you legal, business, financial or tax advice about any matter. You may not be legally able to participate in this Offering. You should consult with your own attorney, accountant and other advisers about those matters.

You must comply with all applicable laws and regulations (including obtaining required consents, approvals or permissions) in force in any jurisdiction in which you purchase, offer or sell the Units. Neither the Trustee-Manager, FSL Trust, the Co-Lead Managers, the Initial Purchasers nor the Singapore Underwriters have any responsibility for any purchase, offer or sale of the Units by you.

If you have any questions relating to this Prospectus or this Offering, or if you require additional information in connection with your investment in the Units, you should direct your questions to the Trustee-Manager, the Co-Lead Managers, the Initial Purchasers or the Singapore Underwriters.

TAX NOTICE

Notwithstanding the above and anything else herein to the contrary, except as reasonably necessary to comply with applicable securities laws, effective from the date of commencement of discussions concerning this Offering, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the United States federal income "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) and all materials of any kind, including opinions or other tax analyses, of this offering that are provided to you (or your representatives) relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of the Trustee-Manager or FSL Trust, or the identity of the affiliates, agents or advisers of the Trustee-Manager or FSL Trust or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. THIS DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE UNITS AND IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE UNITS, OR THE MATTERS THAT ARE THE SUBJECT OF THE DESCRIPTION, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

AVAILABLE INFORMATION

For so long as the Units remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Trustee-Manager will furnish, upon the request of any Unitholder, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act, to such holder or beneficial owner or to a prospective purchaser of such Units or interest therein who is a "qualified institutional buyer" within the meaning of Rule 144A, in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such Units or beneficial interest therein in reliance on Rule 144A unless, at the time of such request, the Trustee-Manager is subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, (the "Exchange Act") or the Trustee-Manager is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act and therefore are required to furnish to the United States Securities and Exchange Commission certain information pursuant to Rule 12g3-2(b) under the Exchange Act.

RESALE AND TRANSFER RESTRICTIONS APPLICABLE TO PURCHASERS IN THE UNITED STATES

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. SEE "TRANSFER RESTRICTIONS".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEABILITY OF CIVIL LIABILITIES

FSL Trust is a Singapore registered business trust and the Trustee-Manager is a private company limited by shares incorporated under the laws of Singapore. All of the directors of the Trustee-Manager reside outside the United States. In addition, a substantial portion of FSL Trust's assets and the assets of these directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon the Trustee-Manager. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against FSL Trust. Judgments of United States courts based upon the civil liability provisions of the federal securities laws of the United States are not enforceable in Singapore courts and there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements including but not limited to the section on "Business - Business Prospects". This Prospectus also contains forward-looking financial information in the sections on "Distribution and Subordination" and "Profit Forecast". Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of FSL Trust or the Trustee-Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Trustee-Manager's present and future business strategies and the environment in which FSL Trust or the Trustee-Manager will operate in the future. As these statements and financial information reflect the Trustee-Manager's current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause FSL Trust's or the Trustee-Manager's actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional and global economies that result in changes in lease rates for FSL Trust's assets, default by its lessees, changes in government laws and regulations affecting FSL Trust, competition in the global shipping finance market, currency exchange rates, interest rates, commodity prices, relations with service providers, relations with lenders and the quality of lessees and other matters not yet known to the Trustee-Manager or not currently considered material by the Trustee-Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors," "Profit Forecast" and "Business". These forward-looking statements and financial information speak only as at the date of this Prospectus. The Trustee-Manager expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Trustee-Manager's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

MARKET AND INDUSTRY INFORMATION

This Prospectus includes market and industry data and forecasts that have been obtained from reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. While the Trustee-Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, neither the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers nor the Singapore Underwriters have independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein. Moreover, the rapidly changing nature of FSL Trust's industry makes it difficult to obtain precise and accurate statistics. Neither the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers nor the Singapore Underwriters make any representation as to the correctness, accuracy or completeness of such data and accordingly prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and prospective investors should not place undue reliance on the third-party objections cited in this Prospectus.

CERTAIN DEFINED TERMS AND CONVENTIONS

FSL Trust will publish its financial statements in US dollars. In this Prospectus, references to "US$" and "US dollars" are to the lawful currency of the United States of America and references to "S$" or "Singapore dollars" are to the lawful currency of the Republic of Singapore.

References to "acquisition of the Vessels" or any grammatical variations of or similar words shall refer to an acquisition of the shares in the SPCs that own the Vessels.

References to "ownership of the Vessels" or any grammatical variations of or similar words shall refer to the ownership of the shares in the SPCs that own the Vessels.

References to "HSH Nordbank" as a shareholder of the Sponsor shall refer to its shareholding through its subsidiary, Godan GmbH. References to "Bayerische Hypo- und Vereinsbank" as a shareholder of the Sponsor shall refer to shareholding through its subsidiary, Beteiligungs- und Handelgesellschaft in Hamburg mit beschrankter Haftung. References to "Schoeller Holdings" as a shareholder of the Sponsor shall refer to its shareholding through its subsidiary, Schoeller Investments Ltd.

Capitalised terms used in this Prospectus shall have the meanings set out in the Glossary of Technical Terms and the Definitions.

Unless otherwise indicated, data relating to the financial performance of FSL Trust as at the Listing Date is pro forma data and has been derived based on the assumptions that (i) all the SPCs which own the Vessels had been acquired by FSL Trust on the Listing Date and (ii) all the Vessels had been generating revenue for FSL Trust on the Listing Date, and computed based on the lease rates which are or will be applicable upon acquisition of such Vessels by FSL Trust.

The forecast and projected distribution yields and distribution yield growth are calculated based on the Offering Price. Such distribution yield and distribution yield growth will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Offering Price. Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

References to "Appendices" are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean Singapore dates and times unless otherwise specified.

For the convenience of readers and investors, certain Singapore dollar amounts in this Prospectus have been translated into US dollars based on the exchange rate of US$0.6516 = S$1.00, which was the exchange rate on Bloomberg L.P. for Singapore dollars on 9 February 2007. Such translation should not be construed as a representation that the US dollar amounts in this Prospectus would have been or could be converted into Singapore dollars at that or any other rate.

The information on any websites referred to in this Prospectus, or any website directly or indirectly linked to such websites is not incorporated by reference into this document and should not be relied upon.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus. Investors should read this Prospectus in its entirety and, in particular the sections from which the information in this summary is extracted and "Risk Factors". The meanings of terms not defined in this summary can be found in the Glossary of Technical Terms, the Definitions or in the Trust Deed. A copy of the Trust Deed can be inspected at the principal place of business of the Trustee-Manager.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast or projected (see "Forward-looking Statements"). In no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters, the Sponsor or any other person or that these results will be achieved or are likely to be achieved. Investing in the Units involves risks.

Overview

FSL Trust was established to provide long-term non-tax driven leasing services across major maritime segments. Specifically, FSL Trust engages in the business of providing leasing services on a bareboat charter basis to the international shipping industry, and owns and invests in a portfolio of lease assets across various sub-sectors of this industry. All of FSL Trust's assets are currently leased to international ship operators under operating leases. Under the terms of the leases over the vessels, which are in the form of bareboat charters, each lessee has possession of the asset and pays rent to the lessor of the asset for the right to use the asset. FSL Trust may also lease its assets under finance leases in the future. FSL Trust's main objective is to derive a stable income stream from its portfolio of lease assets.

The lease assets in FSL Trust's portfolio will comprise long-term bareboat charters of a diverse range of commercial ocean-going transportation vessels to customers. Under a bareboat charter, the shipowner leases the vessel to another company (the lessee) for a pre-agreed period and at a daily hire rate. The lessee is responsible for the costs associated with operating the vessel and for payment of the lease hire.

Upon the completion of this Offering, FSL Trust will acquire 13 SPCs from the Sponsor, with each SPC owning one vessel which is subject to a long-term bareboat charter. The vessels to be acquired by FSL Trust through the SPCs will comprise four containerships, four product tankers, three chemical tankers and two dry bulk carriers with an average vessel age of approximately five years, and bareboat charters with an average remaining term of approximately nine years (excluding extensions and early buyout options).

In the future, FSL Trust intends to seek additional accretive leasing transactions, in order to grow its business and increase DPU.

FSL Trust is managed by the Trustee-Manager, which will provide management services to FSL Trust. The Trustee-Manager will be responsible for safeguarding the interests of Unitholders and for investment and financing strategies, asset acquisition and disposal policies, and the overall management of the business of FSL Trust.

Key Investment Highlights

The Trustee-Manager believes that an investment in FSL Trust will offer the following highlights for Unitholders:

Attractive and stable distribution yield from initial portfolio

FSL Trust's initial portfolio of lease assets will comprise long-term bareboat charters of vessels held by special purpose holding companies to be acquired from the Sponsor following the completion of the Offering (the "Vessels"). This initial lease portfolio is forecasted to have an annualised distribution yield of 8.69% for the remainder of 2007 based on the Offering Price. (See "Profit Forecast"). As the leases are structured on what is commonly known as a "hell and high water" basis and provide for long-term fixed-rate charters, the distribution yield on FSL Trust's initial portfolio is expected to be protected against shipping cycle risk in the longer term. Please refer to "Business - The Portfolio" on "Charters and Lessees".

FSL Trust only intends to acquire vessels that have long-term bareboat charters in place at the time of acquisition. Under the terms of each lease, the lessee will have possession and control of the vessel for a fixed period of time and the lessee will be liable to pay a monthly fixed amount of lease hire to FSL Trust and to bear all operating costs and expenses incurred in the operation of the vessel during the tenure of the lease.

In an effort to achieve a long-term stable flow of income, the initial leases have base lease terms of between nine and 12 years, some of which provide an option for the lessee to extend the lease by an additional three to five years. All the leases commenced within the last 27 months and have remaining lease periods ranging from eight to 12 years, with the average remaining lease having a duration of approximately nine years (excluding lease extension and early buyout options). As of the Latest Practicable Date, the total contracted lease revenues for the remaining base lease periods are approximately US$446 million. Certain of such leases have early buyout options and even after factoring in such early buyout options, the remaining average duration of the leases would be approximately seven years.

Focus on DPU growth through accretive acquisitions

Led by a management team with a strong growth track record, the Trustee-Manager is focused on achieving accretive DPU growth by entering into additional accretive long-term leases. This will be facilitated by a debt-free capital structure as at the Listing Date, together with a US$250 million seven-year bullet term credit facility available to finance future acquisitions. (See "The Credit Facility"). Furthermore, the Sponsor has agreed to subordinate its right to distributions in respect of 50% of its Units as at the Listing Date, and the Trustee-Manager has agreed to subordinate its Management Fees, in each case during the subordination period (as further described in "Distributions and Subordination") so as to support a targeted minimum DAU growth of 5% in the first half of 2008, 10% in the second half of 2008 and 15% in the first half of 2009, in excess of the annualized quarterly forecasted DPU of 2.13 US Cents in 2007. (See "Distributions and Subordination" for further details on such subordination).

Diversified lease portfolio

FSL Trust will have a modern high quality portfolio of vessels, which will, as at the Listing Date, be diversified across five customers and four shipping sub-sectors, i.e. product tankers, chemical tankers, dry bulk carriers and containerships. The Vessels are certified by Classification Societies which are members of IACS. As of the Latest Practicable Date, the average age of vessels to be included in the initial portfolio will be approximately five years with no vessel older than 13 years, as compared to the average global fleet age of approximately 15 years. (See "Industry"). Vessels in general are expected to have useful commercial lives of approximately 25 to 30 years. As a result, FSL Trust will have a relatively young fleet of vessels in its portfolio which are expected to provide a long-term stable stream of lease income. Subsequent to the acquisition of the initial portfolio, the Trustee-Manager intends to continue to maintain a modern high quality portfolio of vessels for FSL Trust.

Based on the initial portfolio, no single shipping sub-sector is expected to account for more than 38% of the forecast revenues of FSL Trust for 2007 and no individual lessee is expected to account for more than 30% of the forecast revenues of FSL Trust for 2007. This diversification reduces the exposure of FSL Trust's initial portfolio to a particular sector of the market or individual lessee. Going forward, FSL Trust intends to continue to maintain, within its overall risk management policies, a portfolio of lease assets which are diversified across different lessees and sub-sectors of the shipping industry. (See "Business – Strategy").

Strong management and commitment of Sponsor

The management of the Trustee-Manager has demonstrated a strong growth track record, as evidenced by the creation, since 2004, of the portfolio comprising 13 lease assets with aggregate lease revenues of approximately US$486 million over the base periods. The Executive Officers have an average of approximately 15 years of experience in structured finance, ship financing and the operational and commercial aspects of the shipping industry and have built up a wide network of contacts with both customers and intermediaries in the finance and shipping industries. The structure of the fees payable to the Trustee-Manager, comprising a base fee structured as a percentage of lease revenue and an incentive fee based on DAU growth, serves to align the interests of the management with those of the Unitholders. (See "The Trustee-Manager – Fees Payable to the Trustee-Manager").

In addition, the main beneficial shareholders of the Sponsor, Schoeller Holdings Ltd., HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG, will be committed to FSL Trust through their active participation as members of FSL Trust's Investment Advisory Committee which leverages on the Sponsor's experience and contacts in the ship financing industry (See "The Trustee-Manager – Investment Advisory Committee"). The Sponsor has also given an undertaking in favour of FSL Trust, not to compete in the business of FSL Trust, namely, the financing of lease or shipping assets through long-term bareboat charters. In connection with the Offering, the Sponsor will further demonstrate its commitment to FSL Trust by subscribing for Units at the Offering Price for a total post-Offering stake of 32% (assuming that the Over-allotment Option is not exercised), representing an investment of US$156.8 million. To provide support for FSL Trust's distributions on the Units during the period commencing from the Listing Date to 30 June 2009 (the "Subordination Period"), the Sponsor has agreed to subordinate its entitlement to distributions in respect of 50% of its Units (the "Subordinated Units") during the Subordination Period as described. (See "Distributions and Subordination"). These Subordinated Units will be subject to a lock-up during the Subordination Period. (See "Plan of Distribution").

Robust risk management practices

The Trustee-Manager has developed a set of proprietary internal risk management protocols that it believes will enable it to manage the risk profile of the overall portfolio, as well as individual transactions. These include the identification, assessment and pricing of risks prior to a potential transaction, monitoring of on-going risks following the execution of a transaction and hedging of risks associated with a transaction. These protocols have been internally developed in line with what the Trustee-Manager believes to be good international market practice. The risk management function is independent of the sales function of the Trustee-Manager and is necessary for the approval of any acquisition or transaction. The Trustee-Manager's risk management criteria give priority to long-term cash flow security from the lease over potential capital gains considerations. These protocols were also used by the Sponsor for its portfolio and, since inception, the Sponsor has not experienced any default or delays in lease payments in its portfolio. (See "Business – Risk Management").

No Singapore tax on distributions to Unitholders

The distributions made by FSL Trust to Unitholders will be free of Singapore withholding tax or tax deduction at source, in view that FSL Trust, being a registered business trust, is treated like a company under the one-tier corporate tax system for Singapore income tax purposes. Such distributions made out of surplus cash flows of FSL Trust will also be exempt from Singapore income tax in respect of payments made to all Unitholders regardless of whether they are corporate or individual Unitholders. (See "Taxation" and Appendix D, "Independent Taxation Report", for further information on the Singapore income tax consequences of the purchase, ownership and disposal of the Units).

Competitive Strengths

The Trustee-Manager believes that FSL Trust benefits from the following competitive strengths:

Well positioned in the growing non-tax driven ship leasing market

According to Marine Money International, the non-tax driven ship leasing market has grown at a compound annual growth rate ("CAGR") of 24.6% during 2003 to 2006 and is estimated at a size of approximately US$4.72 billion in 2006. (See "Industry"). The Trustee-Manager believes that FSL Trust is well-positioned to take advantage of the growing market. Focused exclusively on the long-term bareboat charter market, the Sponsor believes that it has established credibility and a strong brand name as a specialist in this field. This is evidenced by its track record of having created, since 2004, the initial portfolio to be acquired by FSL Trust, comprising 13 lease assets with aggregate base lease revenues of approximately US$486 million. Following the transfer of the initial portfolio to FSL Trust, the Trustee-Manager intends to continue to leverage on the relationships with and reputation of the Sponsor and its substantial shareholders to continue to grow its business.

FSL Trust's competitive position is further enhanced by the establishment of its operational headquarters in Singapore, which the Trustee-Manager believes is rapidly developing into one of the world's key ship finance centres, and enables FSL Trust to tap into the growing ship leasing demand in Asia. The Singapore headquarters is supported by a marketing office in Switzerland to exploit market opportunities outside of Asia.

Flexibility in structuring transactions

Besides lease pricing, the Trustee-Manager believes that the other key success factor in writing ship leases is lease structuring flexibility. Given FSL Trust's targeted conservative capital structure (see "Business – Strategy"), the absence of any transaction restrictions arising from tax structuring requirements and the flexible bareboat charter model, the Trustee-Manager believes that FSL Trust can offer its lessees greater structuring flexibility, in the form of customised purchase options, early buyout options, extension options and vessel-flagging options, all of which are features in the leases in the initial portfolio.

Strong support from the Sponsor and its substantial shareholders

The substantial shareholders of the Sponsor include HSH Nordbank (through its subsidiary, Godan GmbH) ("HSH"), which is the world's largest ship mortgage lender, Bayerische Hypo- und Vereinsbank (through its subsidiary Beteiligungs- und Handelgesellschaft in Hamburg mit beschrankter Haftung) ("HVB"), which is one of the largest ship finance banks in the world (see "Industry") and, Schoeller Holdings (through its subsidiary, Schoeller Investments Ltd) ("Schoeller"), a large privately held company with its core activities in ship owning, ship management and liner services. Schoeller Holdings is also the holding company of Columbia Shipmanagement, which is one of the world's largest ship management companies. As a result of its relationship with the Sponsor, the Trustee-Manager is able to leverage on the network and industry contacts of, as well as cross-referrals and customer referrals from, the Sponsor and its substantial shareholders. The Sponsor, together with its substantial shareholders, will also be committed to FSL Trust through their participation as members of FSL Trust's Investment Advisory Committee which leverages on their experience and contacts in the ship financing industry. (See "The Trustee-Manager – Investment Advisory Committee"). In addition, FSL Trust will also benefit from preferential access to Columbia Shipmanagement, which provides the Trustee-Manager with technical support (principally relating to the physical inspection of vessels) in its vessel acquisition and ongoing inspection process as well as asset management capabilities for redelivered vessels that are not leased out on a bareboat charter basis. The fees charged to FSL Trust by Columbia Shipmanagement for their services are similar to the fees for similar services that the Trustee-Manager expects will be charged by independent third party service providers. Each of HSH, HVB, Schoeller and Philip Clausius, CEO of the Trustee-Manager, has given an undertaking not to dispose of their shares in the Sponsor for a period of 12 months commencing from the Listing Date.

Extensive shipping expertise and wide networking contacts of the Management

FSL Trust is able to benefit from the extensive experience of the management team of the Trustee-Manager. The team is growth-oriented but adopts a disciplined and prudent approach to investments, requiring each investment to be subject to its internal risk management protocols before execution. The Executive Officers have an average of approximately 15 years of experience in structured finance, ship financing and the operational and commercial aspects of the shipping industry. Through their years of experience, the Executive Officers have built up a wide network of contacts with both the customers and intermediaries in the finance and shipping industries. In particular, the CEO and the Executive Officer of the Trustee-Manager, Philip Clausius and Ronald Anthony Dal Bello respectively, have wide contacts within the ship financing industry and extensive experience in originating, structuring and executing ship leasing transactions and were primarily responsible for growing the portfolio of the Sponsor since inception.

No conflict of interests with potential lessees

The Trustee-Manager believes that following the completion of the Offering, the Unitholder base of FSL Trust will be such that it is unlikely that FSL Trust will be majority-controlled by any ship operator. In addition, FSL Trust does not engage or intend to engage in any ship operating activities. On the basis of the foregoing, the Trustee-Manager expects that FSL Trust is likely to be perceived in the ship finance market as a ship leasing provider that is independent from any ship operator. The Trustee-Manager believes that this is advantageous to FSL Trust as potential lessees will not view FSL Trust as a competitor operating in the same market.

Competitive capital structure and cost of capital post-Offering

FSL Trust's competitive position is enhanced by a debt-free capital structure following the Offering which provides substantial financial flexibility and the ability to incur a substantial amount of debt to grow its vessel portfolio. To this end, the Trustee-Manager believes that the US$250 million Credit Facility will enable FSL Trust to pursue its acquisition strategy and grow the asset base of the initial portfolio by approximately 50% in value without raising further equity capital. (See "The Credit Facility"). In addition, as a publicly listed vehicle, the Trustee-Manager expects that FSL Trust will have access to a larger pool of competitively priced funding options.

Strategy

FSL Trust seeks to become the leading provider of leasing services on a bareboat charter basis to the international shipping industry. To achieve this, the Trustee-Manager will focus on rapidly growing the vessel portfolio of FSL Trust through accretive acquisitions with long-term bareboat charters. The key elements of its strategy are:

Drive rapid growth in the portfolio

The Trustee-Manager believes that there is substantial market potential for customers to enter into bareboat lease agreements with FSL Trust due to its ability to be flexible in meeting its customers' asset finance considerations and to offer customized solutions. Therefore, the Trustee-Manager intends to actively grow the portfolio of FSL Trust through acquisitions of vessels with long-term bareboat charters that it believes will be accretive to DPU and to maintain a balanced portfolio. The Trustee-Manager believes that it is well placed to drive rapid growth in the portfolio of FSL Trust and intends to do so through its strategically located sales offices in Singapore and Switzerland. It will leverage on the network of relationships of the Sponsor and its shareholders, and its strong relationships with shipping industry intermediaries to provide it with access to potential customers.

Focus on long-term bareboat charters

Shipping is a capital intensive industry. The world fleet is currently under a process of renewal and growth which requires the commitment of substantial funds. The ability of shipowners to access different forms of financing, including lease financing of the type offered by FSL Trust has grown significantly in recent years. (See "Industry"). The Trustee-Manager believes that long-term bareboat charters have the benefit of eliminating exposure to volatility in spot or short-term time charter rates during the charter period, whilst also protecting against escalation in voyage and vessel operating costs such as fuel, manpower, insurance and vessel maintenance costs as well as costs arising from technical downtime, as these costs will be borne by the lessee. The Trustee-Manager intends to continue focusing on entering into long-term bareboat charters with a minimum initial charter term of seven years, although the Trustee-Manager may consider entering into short-term time or voyage charter contracts if vessels are redelivered in weak market conditions.

Maintain a high quality and modern asset portfolio

The Trustee-Manager believes that a high quality and modern asset portfolio will preserve the long-term cash generating capability of the portfolio. The average age of the vessels in the initial portfolio of FSL Trust is approximately five years and FSL Trust intends to maintain a modern portfolio with an average age of no more than 10 years. In addition, FSL Trust intends to invest only in vessels which are constructed by reputable shipbuilders with a good track record and certified by Classification Societies which are members of IACS, in an effort to achieve quality in the design and build of the vessel, and it generally leases its assets to customers of good repute for the maintenance and quality of their vessels. FSL Trust does not own any single-hull tankers, and in view of their gradual phase out by IMO, FSL Trust will not acquire single-hull tankers.

Maintain disciplined approach to portfolio and risk management

FSL Trust's portfolio is diversified across customers and sub-sectors of the shipping industry and its internal risk policy is intended to ensure that the risk profile of the portfolio is not concentrated on any particular lessee or sub-sector, having regard to FSL Trust's assessment of credit quality and risk profile of the lessee as well as the prevailing market conditions and industry cycle. Subject to periodic review by the Board, the long-term objective of FSL Trust is to limit the exposure to any single customer to no more than 25% of its revenues and any single shipping sub-sector to no more than 40% of its revenues, although there may be deviations from these limits in the short-term as FSL Trust grows its vessel portfolio.

The Trustee-Manager intends to continue to maintain a disciplined risk management approach for new transactions, and to give priority to certainty of cash flows over potential capital gains considerations. Currently, the Trustee-Manager has a dedicated risk management officer who evaluates the risks associated with a transaction by using a proprietary internal risk management process which assigns an internal credit rating to each customer and transaction. The methodology for these internal credit ratings is in line with what the Trustee-Manager believes to be good international market practice. The Trustee-Manager will not enter into transactions which it believes have a substantial risk of default over the life of the lease.

Maintain conservative financial structure

The Trustee-Manager's objectives in relation to capital management are to maintain a conservative financial leverage with a debt to equity ratio of no greater than 1:1, although there may be deviations from this in the short-term arising from timing differences in equity and debt capital raising for new acquisitions. The Trustee-Manager believes that this ratio is prudent given the inherently cyclical nature of the shipping industry. This also enables FSL Trust to enjoy amortization free/interest only debt facilities for long tenures on competitive terms that allow it to maximize distributable cash per Unit.

The Trustee-Manager aims to fund the growth of FSL Trust through a combination of debt and equity with the objective of minimizing the overall cost of capital of FSL Trust. The Trustee-Manager intends to diversify the sources of debt funding, and may supplement bank debt with debt from the international capital markets. The Trustee-Manager believes that this would enable FSL Trust to maintain its competitive position in the industry and long-term cash distributions for Unitholders.

Customize asset redeployment strategy according to prevailing market conditions

The Trustee-Manager will customize its asset redeployment strategy according to prevailing market conditions. Therefore, where market conditions are positive, the Trustee-Manager will aim to maximize investment returns by selling the vessels upon redelivery or by re-chartering the vessels on a long-term basis. In weak market conditions, the Trustee-Manager, leveraging on its access to Columbia Shipmanagement's services, intends to charter the vessels on a short-term time or voyage charter basis until market recovery allows a profitable disposal or a long-term charter.

Targeted Lease Transaction Objectives

The Trustee-Manager intends to apply its lease transaction criteria towards the following targeted objectives:

- *Target incremental lease volume*: the Trustee-Manager will target to achieve an average incremental lease volume (based on asset acquisition cost) of at least US$200 million per annum, subject to conducive prevailing market conditions and business environment.[1]

- *Target average asset yield*: the Trustee-Manager will target to achieve an average asset yield (that is, the ratio of annual lease income to the acquisition cost of the asset) of approximately 10.5% in the current interest rate environment. Such target is on an average basis and the actual asset yield of each independent acquisition may vary depending on the specific terms of the relevant lease.

- *Target average lease internal rate of return ("IRR")*: the Trustee Manager will target an average lease IRR (taking into account the asset acquisition cost, lease revenue and assumed residual value) of approximately 7.5% in the current interest rate environment. Such target is on an average basis and the actual IRR of each independent lease may vary depending on the specific conditions of the relevant lease.

(See "Business – Lease Transaction Criteria" for more details).

1 The "incremental lease volume" refers to the additional cost incurred by FSL Trust in acquiring additional vessels. For example, if the cost of a vessel with lease attached is approximately US$40 million, then FSL Trust will be targeting to acquire five such vessels (with leases attached) per annum.

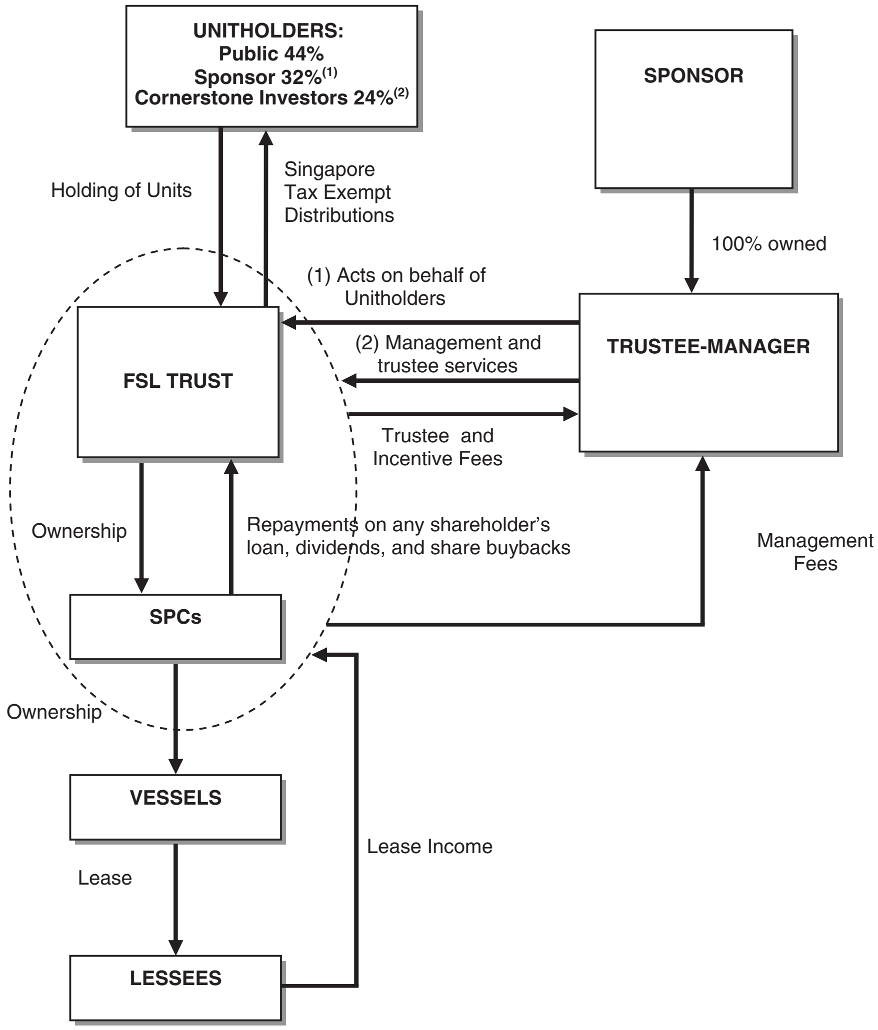
Key Information on the Vessels

The initial portfolio of FSL Trust will have 13 vessels, comprising four containerships, four product tankers, three chemical tankers and two dry bulk carriers that are all held through special purpose companies and subject to long-term bareboat charter leases with international shipping companies. A summary of key information on the Vessels is set out below (see "Business – The Portfolio" for further details):

Name of Vessel	Year Built	Vessel Type	Capacity	Lessee	Lease Commencement	Lease Term + Extension, if any (Years)
Cumbrian Fisher	2004	Product Tanker	12,921 DWT	James Fisher	23 December 2004	10 + 5
Clyde Fisher	2005	Product Tanker	12,984 DWT	James Fisher	18 February 2005	10 + 5
Shannon Fisher	2006	Product Tanker	5,421 DWT	James Fisher	1 February 2006	10 + 5
Solway Fisher	2006	Product Tanker	5,421 DWT	James Fisher	30 June 2006	10 + 5
YM Subic	2003	Containership	1,221 TEU	Schoeller Holdings	5 July 2005	9
Cape Falcon	2003	Containership	1,221 TEU	Schoeller Holdings	5 July 2005	9
Ever Renown	1994	Containership	4,229 TEU	Evergreen Marine	24 January 2006	10 + 3
Ever Repute	1995	Containership	4,229 TEU	Evergreen Marine	24 January 2006	10 + 3
Pertiwi	2006	Chemical Tanker	19,970 DWT	Berlian Laju Tanker	7 July 2006	12
Pujawati	2006	Chemical Tanker	19,900 DWT	Berlian Laju Tanker	28 September 2006	12
Prita Dewi	2006	Chemical Tanker	19,998 DWT	Berlian Laju Tanker	26 July 2006	12
Fomalhaut	1999	Dry Bulk Carrier	46,685 DWT	Siba Ships	11 January 2007	10
Eltanin	1999	Dry Bulk Carrier	46,693 DWT	Siba Ships	11 January 2007	10

STRUCTURE OF FSL TRUST POST-OFFERING

The following diagram illustrates the relationship between FSL Trust, the Trustee-Manager, the Sponsor and the Unitholders upon the completion of the Offering:



Notes:

1. The Sponsor will hold 160,000,000 Units constituting 32% of the Units post-Offering assuming that the Over-allotment Option is not exercised and 126,000,000 Units constituting 25% of the Units post-Offering assuming that the Over-allotment Option is exercised in full.
2. The Cornerstone Investors are Penta Investment Advisers, Ltd, DWS Investment GmbH and AIG Global Investment Corporation (Singapore) Ltd who will respectively hold 40,000,000, 40,000,000 and 40,000,000 Units, representing 8%, 8% and 8% of the total number of issued Units as at the Listing Date.

The Trust: First Ship Lease Trust

FSL Trust is a business trust constituted by a trust deed dated 19 March 2007 and is principally regulated by the BTA and the SFA. Under the Trust Deed, the Trustee-Manager declared that it will hold the Vessels acquired, through the SPCs, on trust for Unitholders as the trustee-manager of FSL Trust. The initial portfolio of FSL Trust will comprise long-term bareboat charters of four containerships, four product tankers, three chemical tankers and two dry bulk carriers. (See "Business – The Portfolio").

The Sponsor: First Ship Lease Pte. Ltd.

First Ship Lease Ltd., the predecessor of the Sponsor, was incorporated in Bermuda in September 2002 to provide long-term non-tax driven operating and finance leases to shipping and industrial companies, with its operations based in New York City. Its beneficial shareholders are Schoeller Holdings Ltd., HSH Nordbank AG, Bayerische Hypo- und Vereinsbank AG, BH Ship Leasing Corp., Mr Philip Clausius and Mr Peter Michael Klopfer. BTMU Capital Corporation, a wholly-owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ Limited, HSH Nordbank AG, and Bayerische Hypo- und Vereinsbank AG each hold warrants in the Sponsor, that are convertible, upon completion of the Offering, into ordinary shares representing a shareholding interest of 5% (on an enlarged basis) in the Sponsor. In August 2005, First Ship Lease Ltd. relocated its management and operations from New York City to Singapore and in December 2006, it transferred all its assets and business to the Sponsor.

Prior to the Offering, the Sponsor owned the Vessels through the SPCs. On 19 March 2007, the Sponsor and the Trustee-Manager entered into the Sale and Purchase Agreement under which the SPCs, together with the Vessels, will be acquired by FSL Trust. The Sale and Purchase Agreement provides that the aggregate purchase price for the 13 SPCs will be US$471.4 million. The Sponsor has also entered into a Non-Competition Agreement to mitigate any potential conflicts of interest with FSL Trust. (See "Certain Agreements relating to FSL Trust and the Vessels – Non-Competition Agreement"). FSL Trust has been awarded the status of an Approved Shipping Investment Enterprise ("ASIE") under the Maritime Finance Incentive Scheme by the Maritime and Port Authority of Singapore with effect from 22 February 2007, the date of registration of FSL Trust under the BTA, for a period of 10 years. (See "The Trustee-Manager – Maritime Finance Incentive").

The Trustee-Manager: FSL Trust Management Pte. Ltd.

The Trustee-Manager is responsible for safeguarding the interests of Unitholders and for FSL Trust's investment and financing strategies, asset acquisition and disposal policies and for the overall management of FSL Trust's portfolio.

The Trustee-Manager was incorporated in Singapore under the Companies Act on 8 February 2007. It has an issued and paid up capital of US$100,000 and its principal place of business is at 8 Temasek Boulevard, #15-02A Suntec Tower 3, Singapore 038988. The Trustee-Manager is a wholly-owned subsidiary of the Sponsor.

The Board is made up of individuals with a broad range of commercial expertise, including expertise in the structured finance and shipping industry. The Board consists of Mr Philip Clausius and Mr Cheong Chee Tham, as Non-Independent Directors (as defined herein) and Mr Wong Meng Meng, Mr Phang Thim Fatt and Mr Michael John Montesano III as Independent Directors (as defined herein).

Generally, the Trustee-Manager will provide the following services to FSL Trust:

- *Investment strategy.* Formulate and execute FSL Trust's investment strategy, including determining the size of FSL Trust's portfolio.

- *Acquisitions and disposals.* Manage the acquisition and disposal of investments.

- *Financing.* Provide advisory services regarding plans for equity and debt financing for FSL Trust's acquisitions, distribution payments, expense payments and capital expenditure payments.

- *Planning and reporting.* Make periodic plans, including budgets and reports, relating to the performance of FSL Trust's portfolio.

- *Administrative and advisory services.* Perform day-to-day administrative services as FSL Trust's representative, including providing administrative services relating to meetings of Unitholders when such meetings are convened.

- *Investor relations.* Communicating and liaising with Unitholders and potential investors.

- *Compliance management.* Make all regulatory filings on behalf of FSL Trust, and ensure that FSL Trust is in compliance with the applicable provisions of the Business Trust Act, the Securities and Futures Act and all other relevant legislation, the Listing Manual, the Trust Deed and all relevant contracts.

- *Accounting records.* Maintain accounting records and prepare or cause to be prepared accounts and annual reports.

(See "The Trustee-Manager" for further details).

Certain Fees

The following is a summary of certain fees payable by FSL Trust in connection with the establishment and on-going management and operation of FSL Trust:

	Payable to Trustee-Manager	**Amount payable**
(a)	Trustee fee	0.02% per annum of the value of the Trust Property.
(b)	Management Fees	4.0% of the cash lease rentals, net of any other commissions or deductions by third parties and all applicable tax, duties and levies whatsoever imposed by the relevant authorities in Singapore or elsewhere.
(c)	Incentive Fees	The Trustee-Manager will receive incentive fees determined on the basis of DAU growth over the annualized quarterly forecast DPU of 2.13 US Cents for 2007. These incentive fees are payable quarterly to the Trustee-Manager. Please see "The Trustee-Manager" for further details on the Incentive Fees.
(d)	Any other substantial fee or charge (*i.e.* 0.1% or more of FSL Trust's asset value)	
	(i) Acquisition fee	1.0% of vessel acquisition cost.
	(ii) Divestment fee	0.5% of vessel disposal proceeds, excluding proceeds from exercise of original purchase or early buy out options.

The Offering

FSL Trust	FSL Trust is a business trust established in Singapore and constituted by the Trust Deed.
The Trustee-Manager	FSL Trust Management Pte. Ltd.
The Sponsor	First Ship Lease Pte. Ltd.
The Offering	220,000,000 Units offered under the Placement and the Public Offer.
The Placement	213,000,000 Units offered by way of an international placement to investors, including institutional and other investors in Singapore. The Units have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of, U.S. persons (as defined in Regulation S), except to "qualified institutional buyers" in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons outside the United States in reliance on Regulation S.
The Public Offer	7,000,000 Units offered by way of a public offer in Singapore.
Clawback and Re-allocation	The Units may be re-allocated between the Placement and the Public Offer in the event of an excess of applications in one and a deficit of applications in the other.
Subscription by the Sponsor	Separate from the Offering, 160,000,000 Units will be subscribed by the Sponsor.
Cornerstone Units	Separate from the Offering, each of the Cornerstone Investors has entered into a Cornerstone Subscription Agreement with the Trustee-Manager to subscribe for an aggregate of 120,000,000 Units at the Offering Price, subject to certain conditions. The Cornerstone Units will in aggregate constitute 24% of the total issued Units as at the Listing Date.
Offering Price	The Offering Price is US$0.98 per Unit.
Subscription for the Public Offer	Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in the instructions booklet entitled "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the equivalent in Singapore dollars of the Offering Price (such amount being S$1.50 per Unit based on the fixed exchange rate of US$1.00 = S$1.5291) on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason. For the purpose of illustration, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application under the Public Offer will have to pay US$980 (such amount being S$1,500 based on the fixed exchange rate of US$1.00 = S$1.5291), which is subject to a refund of the full amount or the balance thereof (without interest or any share of revenue or other benefit arising therefrom), as the case may be, upon the occurrence of any of the foregoing events. The minimum initial subscription is for 1,000 Units. An applicant may subscribe for a larger number of Units in integral multiples of 1,000.

Investors in Singapore must follow the application procedures set out in the instructions booklet entitled "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Subscriptions under the Public Offer must be paid for in Singapore dollars. No fee is payable by applicants for the Units, save for an administration fee of S$1.00 for each application made through automated teller machines of certain Participating Banks.

Over-allotment Option

In connection with the Offering, the Initial Purchasers have been granted the Over-allotment Option by the Sponsor. The Over-allotment Option is exercisable by the Stabilising Manager, on behalf of the Initial Purchasers, in full or in part, on one or more occasions, within 30 days from the Listing Date, to purchase from the Sponsor up to an aggregate of 34,000,000 Units at the Offering Price, solely to cover over-allotment of Units (if any). The total number of Units in issue immediately after the close of the Offering (including the issued Cornerstone Units and the Sponsor Units) will be 500,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units in issue. The total number of Units subject to the Over-allotment Option will constitute not more than 20% of the total number of Units under the Placement and the Public Offer.

Lock-ups

The Trustee-Manager has agreed with the Joint Bookrunners that FSL Trust will not issue any additional Units for a period of six months commencing from the Listing Date, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed).

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of its interest in any or all of the Sponsor Units (the "Lock-up Units") during the period commencing from the Listing Date until 30 June 2009, save for any transfers of Units in connection with the grant and exercise of the Over-allotment Option.

Notwithstanding the foregoing, the Sponsor may pledge, and consequently transfer pursuant to the pledge its interests in, (i) up to 50% of the Lock-Up Units after the date falling six months from the Listing Date; and (ii) up to 100% of the Lock-up Units after the date falling 12 months from the Listing Date. In addition, the Trustee-Manager's CEO, Philip Clausius, and three of the substantial shareholders of the Sponsor, HSH, HVB and Schoeller have each given an undertaking to the Joint Bookrunners that they will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of their shares in the Sponsor for a period of 12 months commencing from the Listing Date.

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), until 30 June 2009 directly or indirectly offer, sell or contract to sell or otherwise dispose of its interests in any shares of the Trustee-Manager if such sale or other disposition would cause the Sponsor to own less than

80% of the outstanding shares of the Trustee-Manager. The Trustee-Manager has also agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), until 30 June 2009 issue any shares of the Trustee-Manager if such issuance would cause the Sponsor to own less than 80% of the outstanding shares of the Trustee-Manager.

(See "Ownership of the Units – Moratorium" and "Plan of Distribution – Lock-up Arrangements").

The Cornerstone Investors are not subject to any lock-up restrictions in respect of their Unitholdings.

Distributions

FSL Trust's distribution policy is to make quarterly distributions of 100% of the Net Distributable Amount (as defined in "Distributions and Subordination") for the period from the Listing Date until 31 December 2007, and at least 90% of the Net Distributable Amount for each quarter thereafter. (See "Distributions and Subordination").

The Trustee-Manager is forecasting an annualised DPU of 8.52 US Cents for 2007.

To provide support for a targeted minimum DAU growth of 5% in the first half of 2008, 10% in the second half of 2008 and 15% in the first half of 2009, in excess of the annualized quarterly forecast DPU of 2.13 US Cents for 2007, the Sponsor has agreed to subordinate its entitlement to dividend distributions in respect of 50% of its Units (the "Subordinated Units"), and the Trustee-Manager has agreed to subordinate its Management Fees, during the period commencing from the Listing Date to 30 June 2009 (the "Subordination Period"). (See "Distributions and Subordination").

(See "Risk Factors" and "Distributions and Subordination" for a discussion of factors that may adversely affect the ability of FSL Trust to make distributions to Unitholders).

Capitalisation

US$490.0 million (based on the Offering Price). (See "Capitalisation").

Use of Proceeds

See "Use of Proceeds" and "Certain Agreements Relating to FSL Trust and the Vessels".

Listing and Trading

Prior to the Offering, there has been no market for the Units. Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all the Units comprised in the Offering, the Sponsor Units, the Cornerstone Units as well as all the Units which may be issued to the Trustee-Manager from time to time in full or part payment of the Trustee-Manager's fees. (See "The Trustee-Manager" and "Corporate Governance"). Such permission will be granted when FSL Trust is admitted to the Official List of the SGX-ST.

The Units will, upon their issue, listing and quotation on the SGX-ST, be traded in US dollars under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited ("CDP"). The Units will be traded in board lot sizes of 1,000 Units.

Stabilisation	In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, at its discretion, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading in the Units on SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earlier of (i) the date falling 30 days from the Listing Date, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the Initial Purchasers or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units. (See "Plan of Distribution – Over-allotment and Stabilisation").
Distribution Currency	Distributions will be declared in US dollars. All Units will be held directly through CDP and Unitholders will receive their distributions in the Singapore dollar equivalent of the US dollar distribution declared, unless the relevant Unitholder elects to receive his/its distributions in US dollars by submitting to the CDP a "Distribution Election Notice" by the closing date for election which will be specified in the "Distribution Election Notice". For distributions to be paid in Singapore dollars, the Trustee-Manager will make the necessary arrangements to convert the distributions declared in US dollars into Singapore dollars (taking into account the cost of exchange) at the prevailing market exchange rate. Neither the CDP, the Trustee-Manager nor FSL Trust will be liable for any loss howsoever arising from the conversion of the distributions payable to Unitholders from US dollars into Singapore dollars. Save for approved depository agents (acting as nominees of their customers), each Unitholder may elect to receive distributions in either Singapore dollars or US dollars and shall not be able to elect to receive distributions partly in US dollars and partly in Singapore dollars. (See "Risk Factors" and "Distributions and Subordination" for a discussion of factors that may adversely affect the ability of FSL Trust to make distributions to Unitholders).
Commission payable by FSL Trust to the Initial Purchasers and Singapore Underwriters	The Trustee-Manager, on behalf of FSL Trust, has agreed to pay the Initial Purchasers and the Singapore Underwriters for their respective services in connection with the offering of Units under the Public Offer, the Placement and the issue of the Cornerstone Units, an aggregate underwriting and selling commission (the "Underwriting and Selling Commission") of approximately US$10.0 million (assuming that the Over-allotment Option is not exercised), excluding goods and services tax ("GST") on the Underwriting and Selling Commission. (See "Plan of Distribution" and "Use of Proceeds").
Risk Factors	**Prospective investors should carefully consider certain risks connected with an investment in the Units, as discussed under "Risk Factors".**

Valuations

The Trustee-Manager has obtained "charter-free" valuations for the initial fleet of 13 vessels to reflect the value that would be obtained from selling these vessels in the market on a "willing buyer, willing seller" basis without the charter agreements in place. The valuations could be materially affected should any of the vessels be tendered for sale with a pre-existing charter attached.

The appraised value of each of the Vessels is set out in the following table:

FSL	Vessel	Valuation (US$)	Note
FSL-1	Cumbrian Fisher	25,000,000	1
FSL-2	Clyde Fisher	25,000,000	1
FSL-3	Shannon Fisher	20,000,000	1
FSL-4	Solway Fisher	20,000,000	1
FSL-5	YM Subic	23,000,000	2,3
FSL-6	Cape Falcon	23,000,000	2
FSL-7	Ever Renown	42,000,000	2
FSL-8	Ever Repute	44,000,000	2
FSL-9	Pertiwi	45,000,000	1
FSL-10	Pujawati	45,000,000	1
FSL-11	Prita Dewi	45,000,000	1
FSL-12	Fomalhaut	35,000,000	1
FSL-13	Eltanin	35,000,000	1
Total based on valuation performed		427,000,000	

Note:

1) Valuations of these vessels were performed by Compass Maritime Services, LLC.
2) Valuations of these vessels were performed by Howe Robinson Marine Evaluation Limited.
3) Previously named Cape Ferro.

(See "Appendix E – Independent Valuation Reports").

Indicative Timetable

An indicative timetable for the Offering is set out below for the reference of applicants for the Units:

Date and time	Event
19 March 2007, 7.00 p.m.	Opening date and time for the Offering.
22 March 2007, 12.00 p.m.	Closing date and time for the Offering.
23 March 2007	Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants.
27 March 2007, at or before 2.00 p.m.	Completion of the acquisition of the SPCs and the Vessels
27 March 2007, 2.00 p.m.	Commence trading on a "ready" basis.
30 March 2007	Settlement date for all trades done on a "ready" basis on 27 March 2007.

The above timetable is indicative only and is subject to change. It assumes (i) that the closing of the application list for the Public Offer (the "Application List") is 22 March 2007, (ii) that the Listing Date is 27 March 2007, (iii) compliance with the SGX-ST's unitholding spread requirement and (iv) that the Units will be issued and fully paid up prior to 2.00 p.m. on 27 March 2007. All dates and times referred to above are Singapore dates and times.

Trading in the Units through the SGX-ST on a "ready" basis is expected to commence at 2.00 p.m. on 27 March 2007 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units through the SGX-ST on a "ready" basis have been fulfilled), as the completion of the acquisition of the Vessels by FSL Trust is expected to take place at or before 2.00 p.m. on 27 March 2007. If FSL Trust is terminated by the Trustee-Manager under the circumstances specified in the Trust Deed prior to, or the acquisition of the Vessels is not completed by, 2.00 p.m. on 27 March 2007 (being the time and date of commencement of trading in the Units through the SGX-ST), the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant's own risk and without any right or claim against FSL Trust, the Trustee-Manager, the Sponsor, the Co-Lead Managers or the Singapore Underwriters).

In the event of any early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, the Trustee-Manager will publicly announce the same:

- via SGXNET, with the announcement to be posted on the internet at the SGX-ST website: http://www.sgx.com; and
- in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

Investors should consult the SGX-ST announcement on the "ready" listing date on the internet (at the SGX-ST website), INtv or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

The Trustee-Manager will provide details and results of the Public Offer via SGXNET and in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Trustee-Manager reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason therefore, and no enquiry and/or correspondence on the decision of the Trustee-Manager will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is accepted or rejected in part only or if the Offering does not proceed for any reason, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, and without any right or claim against FSL Trust, the Trustee-Manager, the Sponsor, the Co-Lead Managers or the Singapore Underwriters.

Where an application is not successful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk within 24 hours of the balloting (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in the instructions booklet entitled "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

Where an application is accepted in full or in part only, any balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, within 14 Market Days after the close of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in the instructions booklet entitled "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

Where the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will, within three Market Days after the Offering is discontinued, be returned to the applicants at their own risk (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in the instructions booklet entitled "Terms, Conditions and Procedures for Application and Acceptance of the Units in Singapore").

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

The Trustee-Manager is unable to prepare pro forma consolidated profit and loss account, statement of cash flows and balance sheet to show the pro forma historical financial performance of FSL Trust as:

- the provision of pro forma financial information based on historical results is impracticable since seven of the Vessels were acquired and delivered in 2006 and two of the Vessels were acquired and delivered in January 2007 and therefore their period of operations is too short to practicably construct pro forma financial information;
- the inclusion of pro forma financial information in the Prospectus is of little value to investors, especially since a separate forecast has been prepared for inclusion in the Prospectus; and
- the basis for comparison would have changed substantially as the capital structure of the holding entity will have changed substantially from the Sponsor to FSL Trust. The operating and financing expenses to be incurred by FSL Trust may differ substantially from those incurred by the Sponsor historically. Accordingly, the pro forma financial information may not be reflective of the historical total return and cash flows of FSL Trust.

For the reasons stated above, FSL Trust applied to the MAS for a waiver from the requirement to prepare pro forma profit and loss account, statement of cash flows and balance sheet. The MAS has granted FSL Trust the waiver, conditional upon the following information being included in the Prospectus:

- the unaudited pro forma balance sheet of FSL Trust as at the Listing Date;
- the forecast consolidated profit and loss accounts for FSL Trust for the period from 1 February 2007 to 31 December 2007;
- the annualized forecast consolidated profit and loss accounts for FSL Trust for the period from 1 January 2007 to 31 December 2007; and
- a statement disclosing why pro forma financial information for FSL Trust based on historical financial results of FSL Trust, as required under paragraphs 23 to 34 of Part X of the Fourth Schedule to the Securities and Futures (Offer of Investments) (Business Trusts) (No. 2) Regulations 2005, is not provided in the Prospectus.

In lieu of such pro forma historical financial information, the Trustee-Manager has prepared the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date, assuming the completion of the Offering and the acquisition of the Vessels.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of assumptions and the accounting policies set out in Appendix C "The Unaudited Pro Forma Consolidated Balance Sheet at the Listing Date". The Unaudited Pro Forma Consolidated Balance Sheet should be read together with these assumptions and accounting policies.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust is to show what the financial position might have been at the Listing Date, had FSL Trust, on the Listing Date, acquired the Vessels pursuant to the terms set out in the Prospectus. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of the actual financial position that would have been attained by FSL Trust on the Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of FSL Trust's financial position and there can be no assurance that the Vessels will be able to generate sufficient revenue for FSL Trust to make distributions to Unitholders or that such distributions will be in line with those set out in "Distributions and Subordination" and "Profit Forecast".

The Unaudited Pro Forma Consolidated Balance Sheet has not been prepared or presented in compliance with the published guidelines of Article 11 of Regulation S-X of the United States Securities and Exchange Commission for the preparation and presentation of pro forma financial information.

FSL Trust's financial statements will be prepared in accordance with IFRS, which differs in certain significant aspects from generally accepted accounting principles in certain other countries. The significant differences between IFRS and U.S. GAAP as they relate to FSL Trust are described under "Summary of Significant Differences between IFRS and U.S. GAAP".

	Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date[1] (US$ million)
Non-current assets	
Vessels, at cost	471.4
Prepayments	1.4
Total non-current assets	472.8
Current assets	
Cash and cash equivalents	3.0
Other receivables and prepayments	0.9
Total current assets	3.9
Total assets	476.7
Net assets attributable to Unitholders	476.7
Unitholders' funds	
Units in issue	490.0
Unit issue costs	(13.3)
Total Unitholders' funds	476.7
Number of Units in issue (million)	500.0
Net asset value per Unit (US$)	0.95

Notes:

(1) Based on the Offering Price of US$0.98 per Unit.

PROFIT FORECAST

The following is an extract from "Profit Forecast". Statements in this extract that are not historical facts are forward-looking statements. Such statements are based on the assumptions set out on pages 46 to 49 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or any other person guarantees the performance of FSL Trust, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and annualised forecast distribution yields stated in the following table are calculated based on (i) the Offering Price and (ii) the assumption that the Listing Date is 1 February 2007. Such forecast distribution yield will vary accordingly if the Listing Date is after 1 February 2007 or in relation to investors who purchase Units at a price that differs from the Offering Price or to investors who do not hold the Units for the whole of the Forecast Period 2007. In addition, investors should not assume that the forecast distribution yield stated in the following table may be extrapolated to any other period.

The following table sets forth FSL Trust's forecast consolidated profit and loss accounts for the Forecast Period 2007 and the Annualised Forecast for 2007 respectively. The financial year end of FSL Trust is 31 December. FSL Trust's first accounting period is for the period from 19 March 2007, being the date of its establishment, to 31 December 2007 and its next accounting period will be for the period from 1 January 2008 to 31 December 2008.

The distribution per Unit for the Forecast Period 2007 is calculated on the assumption that the Units are issued on 1 February 2007 and are eligible for distributions arising from operations from 1 February to 31 December 2007. Notwithstanding that the Forecast Period 2007 commenced prior to the Listing Date, the Profit Forecast for the period from 1 February 2007 to 31 December 2007 would still be valid based on the assumptions set out on pages 46 to 49 of this Prospectus. However, if the Units are issued at a later date, the actual distribution per Unit will differ as investors will only be entitled to distributions arising from operations from the date of issue of the Units to 31 December 2007.

The profit forecast is based on the assumptions set out in the section entitled "Profit Forecast" in this Prospectus. The Independent Accountants have issued a report on the Profit Forecast as set out in Appendix A. Investors in the Units should read the whole of the "Profit Forecast" together with the report to this Prospectus, "Independent Accountants' Report on the Profit Forecast".

However, the Independent Accountants have neither examined nor compiled the profit forecast for purposes of its inclusion in the offering document provided to U.S. investors and, accordingly, the Independent Accountants do not express an opinion or any other form of assurance with respect thereto.

FSL Trust's financial statements will be prepared in accordance with IFRS, which differs in certain significant aspects from generally accepted accounting principles in certain other countries. The significant differences between IFRS and U.S. GAAP as they relate to FSL Trust are described under "Summary of Significant Differences between IFRS and U.S. GAAP".

The profit forecast was not prepared as a forecast in compliance with the published guidelines of the American Institute of Certified Public Accountants regarding forecasts.

FORECAST CONSOLIDATED PROFIT AND LOSS ACCOUNTS (Unaudited)

	Forecast Period 2007 (1 February 2007 to 31 December 2007)	Annualised Forecast for 2007
	US$ million* Based on Offering Price	
Net lease income	42.5	46.4
Interest income	0.2	0.2
Depreciation	(30.8)	(33.6)
Management fees	(1.7)	(1.9)
Other trust expenses[1]	(1.2)	(1.3)
Financing costs	(0.9)	(1.0)
Profit before tax	8.1	8.8
Income tax expense[2]	-	-
Profit after tax	8.1	8.8
Add:-		
Depreciation	30.8	33.6
Amortization of debt upfront fees	0.2	0.2
Distributable amount	39.1	42.6
Issue price	US$0.9800	US$0.9800
Number of Units (million)	500.0	500.0
Distribution per Unit	US$0.0781	US$0.0852
Annualised distribution yield (%)	8.69%	8.69%

* Except for the issue price and distribution per unit.

Notes:

(1) Comprise recurring annual trust expenses including trustee fee, annual listing fee, registration fees, audit and tax advisory fee, independent directors' fees and directors' and officers' insurance for the Trustee-Manager's directors, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs and other miscellaneous expenses.

(2) Amount is negligible.

RISK FACTORS

An investment in the Units involves risks. Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described below before deciding to invest in the Units, as these may, inter alia, adversely affect the trading price of the Units and the ability of FSL Trust to make distributions to Unitholders. The risks set forth below are not an exhaustive list of the challenges currently facing FSL Trust or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on FSL Trust or the Units.

This Prospectus also contains forward-looking statements (including a profit forecast) that involve risks, uncertainties and assumptions. The actual results of FSL Trust could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by FSL Trust as described below and elsewhere in this Prospectus.

As an investment in a business trust is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of units in a business trust, and the income from them, may fall or rise. Investors should note that they could lose all or part of their original investment.

Before deciding to invest in the Units, prospective investors should seek professional advice from the relevant advisers about their particular circumstances.

RISKS RELATING TO THE BUSINESS OF FSL TRUST

FSL Trust is exposed to concentration risks and lessee credit risks and is dependent on the due performance of the lessees under the bareboat charters

FSL Trust's initial portfolio comprises long-term bareboat charters over the 13 vessels held through the SPCs. These Vessels are leased out to five lessees and FSL Trust's income is derived from the lease income on these Vessels. On the basis of such initial portfolio, the two largest lessees (in terms of total contribution to the revenue of FSL Trust) would account for 55.8% of the lease revenue of FSL Trust. Accordingly, FSL Trust is dependent on the due performance by the lessees of their respective obligations under the bareboat charters, and a default or delay by a lessee in the payment of the lease income, or other failure by a lessee to perform its obligations under a bareboat charter, including re-delivery of the Vessels in the conditions specified under the bareboat charter, could result in a loss of income or additional costs incurred by FSL Trust. In the event that FSL Trust is unable to expand its lease portfolio and FSL Trust ultimately derives its income solely from these five lessees, any loss of income from any of such lessees could have a material adverse effect on the financial performance of FSL Trust.

Political, economic and other risks in the markets where FSL Trust or its lessees has operations may cause serious disruptions to its business, which may result in a decline in the value of the Units

The Vessels ply ports, and their lessees are located, in various countries around the world, including emerging markets. As such, FSL Trust's business is subject to political, economic and social conditions of the countries where these ports are located. For example, FSL Trust will be exposed to risks of political unrest, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond its control which may adversely affect local economies, infrastructures and livelihoods. These events could result in disruption to FSL Trust's customers' business and seizure of, or damage to, FSL Trust's customers' assets, or could give rise to difficulties to FSL Trust in protecting its assets, including by enforcing its rights, in these jurisdictions. These events could also cause the partial or complete closure of particular ports and sea passages, such as the Suez or Panama canals, potentially resulting in higher costs, vessel delays and cancellations on some lines. Furthermore, these events could lead to reductions in, or in the growth rate of, world trade, which could reduce demand for vessels and/or services. The political, economic or social conditions in any of these countries may have an effect on FSL Trust's customers' business and financial condition which may affect the creditworthiness of FSL Trust's customers, and increase the risk of default on the lessee, which would adversely impact on the ability of FSL Trust's customers to pay lease income under the lease agreements for the Vessels and consequently, affect the stability of income flow to FSL Trust and its ability to expand its business.

FSL Trust may face constraints in respect of the contractual arrangements with lessees

The lease agreements entered into with respect to the Vessels are for an initial term of between nine to 12 years and have fixed lease rates for that term which are based in part on prevailing lease rates and expectations for future lease rates at the time of entry into of the lease agreements. Accordingly, the Trustee-Manager will be bound by the terms of these agreements (including the lease rates) and will not be free to deploy the Vessels to take advantage of any future increase in lease rates in the market during the tenure of the agreements.

Furthermore, all of the lease agreements provide purchase options over the asset which allow the lessees or certain other third parties to purchase the lease asset on the expiry of the base lease period. Some of the initial lease agreements also provide early buyout options which allow the purchase of an asset on a pre-agreed date prior to the expiry of the base lease period. If such purchase options or early buyout options (in the absence of default) are exercised, there can be no assurance that the Trustee-Manager will be able to redeploy the proceeds on vessels with similar or better lease terms, which could result in a reduction of income to FSL Trust.

FSL Trust's ability to lease out vessels either at the expiration or upon default of the initial lease and its ability to dispose of the vessels profitably are subject to availability of lessees, lease rates and vessel market values at that time

With respect to vessels acquired or leased out by the Trustee-Manager on behalf of FSL Trust, it is not uncommon for lessees to have sole discretion as to whether or not they wish to extend the leases after expiration of the initial lease term. In these circumstances, the Trustee-Manager will not be able to predict whether such lessees would exercise such an option. If lessees decide not to extend, the Trustee-Manager may not be able to re-lease the vessels on similar terms. The Trustee-Manager's ability to lease out vessels and re-lease vessels on the expiration or termination of the initial leases, the lease hire payable under any renewal or replacement lease and the Trustee-Manager's ability to dispose of vessels profitably will depend upon, among other things, the then prevailing availability of lessees and economic conditions in the relevant market at that time. If the Trustee-Manager is unable to lease out a vessel, FSL Trust may be required to bear substantial costs and expenses for insurance, maintenance and compliance with government regulations. If FSL Trust receives less income as a result of lower lease hire under replacement leases or is unable to lease out the vessels on expiry of their initial leases, this may have an adverse impact on the level of distributions to Unitholders.

The Trustee-Manager may not be able to implement its investment strategy

The Trustee-Manager's investment strategy includes the investment, primarily, in vessels with long-term bareboat charters in the shipping industry. There can be no assurance that the Trustee-Manager will be able to implement its investment strategy successfully or that it will be able to expand FSL Trust's portfolio at all, or at any specified rate or specified size. The Trustee-Manager may not be able to make acquisitions or investments on favourable terms or within a desired time frame. FSL Trust may be relying on external sources of funding to expand its portfolio, which may not be available on favourable terms, or at all. Further, the Trustee-Manager may not be able to make disposals of its investments on favourable terms or within a desired time frame. The selling price of any investment would depend on market conditions at the time of the intended sale of the investment.

FSL Trust's acquisition strategy is dependent on the availability of credit facilities and new equity from capital markets

In order to grow and maintain the business and portfolio of FSL Trust, the Trustee-Manager will first acquire vessels with drawings under its Credit Facility. (See "The Credit Facility"). When the Credit Facility has been fully drawn, FSL Trust will need to procure additional debt and equity financing in order to continue to grow its portfolio. To a certain extent, the business of FSL Trust is dependent on the availability of credit facilities on favourable terms. Failure to obtain or maintain adequate levels of credit facilities at favourable terms and conditions (including rate and amortisation requirements) could adversely impact the distribution yields and returns on the lease assets owned by FSL Trust. Such an impact will be magnified when it coincides with a fall in lease rates and vessel values, which may adversely affect the distributions to Unitholders. Furthermore, there is no assurance that future credit facilities may not be subject to conditions that may restrict the expansion of the portfolio of FSL Trust.

In addition, FSL Trust may need to obtain additional debt or equity financing to re-finance or fund its capital expenditure. Additional equity financing may result in dilution of existing Unitholders' interests and rights. Additional debt financing may:

- limit FSL Trust's ability to pay distributions;

- increase FSL Trust's vulnerability to general adverse economic and industry conditions;
- require FSL Trust to dedicate a substantial portion of its cash flows from operations to payments on its debt, thereby reducing the availability of its cash flows to fund capital expenditure, working capital and other requirements; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry.

FSL Trust is not able to assure investors that it will be able to obtain the additional debt and/or equity financing or re-financing on terms that are acceptable to it, or at all. An inability to secure additional debt and/or equity financing or re-financing may adversely affect FSL Trust's business, implementation of its business strategy and future plans and results of operations.

(For more information on FSL Trust's capital expenditure and future plans, see "Capitalisation", "Management's Discussion and Analysis of Pro Forma Financial Condition" and "Business – Strategy" respectively).

FSL Trust cannot assure investors that it has sufficient insurance to cover losses that may occur to the Vessels or result from its operations due to the inherent operational risks of the shipping industry

The operation of any vessel includes risks such as mechanical failure, collision, property loss, sinking, piracy, terrorism, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labour strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The United States Oil Pollution Act of 1990 ("OPA"), which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market.

All the vessels are chartered on a bareboat basis, and the lessees remain liable for the operations of the vessel. Under the lease agreements, the lessees are required to obtain primary insurance coverage, where the relevant SPC remains as a co-insured beneficiary. FSL Trust has also arranged for contingency "passive investor's interest" type policy to cover situations where the relevant lessee's primary policy has declined a claim or fails to respond within the designated time allowed. However, there can be no assurance that all risks are adequately insured against, that any particular claim will be paid or that adequate insurance coverage can be procured at commercially reasonable rates in the future. Even if the insurance coverage is adequate to cover its potential losses, the Trustee-Manager may not be able to obtain a replacement vessel with a lease on favourable terms in the event of a loss. Accordingly, any loss of a vessel hire, due to an accident or otherwise, could have a material adverse effect on FSL Trust's business, financial condition and results of operations relating to the vessels, and distributions to Unitholders.

In recent years, insurance companies have increased premiums for most participants in the shipping industry. The insurance contains certain standard deductibles, limitations and exclusions, including limitations and exclusions with respect to certain losses arising from acts of war, terrorism, malicious acts, nuclear forces, wilful misconduct, fraud or widespread communicable or infectious diseases. In addition, in the event that claims are asserted against the lessees or FSL Trust, the vessels could be subject to attachment or other judicial processes.

The lessees are members of several protection and indemnity associations ("P&I Associations"). P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of the members' vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although (subject to the rules of the relevant P&I Association which may prescribe an overall limit to members' contributions) members remain subject to additional premium, or calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other P&I Associations where the association has entered into interclub agreements. Currently, all premiums payable are borne by the lessee. However, upon the expiry of the lease agreements, if the vessel is redelivered to the SPC, FSL Trust may be subject to calls, or premiums, in amounts based not only on FSL Trust's own claim records but also the claim records of all other members of P&I Associations through which FSL Trust obtains insurance coverage. FSL Trust's payment of these calls could result in significant expenses which would reduce its profits or cause losses. FSL Trust's protection against P&I

risks and liabilities depends on FSL Trust's ability to be indemnified by the relevant P&I Association subject to the relevant association's rules. In the event a P&I Association is unable to meet its payment obligations, for example, due to a gross mismatch between the premiums it collects and the claims it is exposed to at any one time, subject to arrangements with the lessee concerned, FSL Trust may be exposed to P&I risks and liabilities in respect of the vessel(s) insured by such P&I Association. (See "Business – Insurance").

Older vessels may be less desirable to lessees, and command lower lease rates

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to lessees. Government regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations, or the addition of new equipment, to vessels and may restrict the type of activities in which the vessels may engage. As a result of a combination of the foregoing, the lease rates for older vessels are generally lower than that for newer vessels. The Vessels currently have an average age of approximately five years as at the Latest Practicable Date. However, as the vessels are redeployed upon the expiry or termination of their leases, there can be no assurance that the replacement leases will not be at lower lease rates.

FSL Trust depends on certain key personnel, and the loss of any key personnel may adversely affect its operations

FSL Trust's performance depends, in part, upon the continued service and performance of the Executive Officers of the Trustee-Manager. There is no assurance that these Executive Officers will not leave the Trustee-Manager in the future or compete with the Trustee-Manager and FSL Trust. The Trustee-Manager has not purchased any "key-man" insurance in respect of these Executive Officers. The loss of any of these individuals, or of one or more of the Trustee-Manager's other key employees, could have a material adverse effect on FSL Trust's business, financial condition and results of operations relating to the vessels, and distributions to Unitholders.

The Sponsor will be a controlling Unitholder of FSL Trust and may be able to influence the activities of FSL Trust

The Sponsor, its subsidiaries, related corporations and associates are engaged in, among other things, ship management and operation. The Sponsor will, immediately after the completion of the Offering, hold 160,000,000 Units (constituting approximately 32% of the total number of Units expected to be in issue then) assuming that the Over-allotment Option is not exercised. The Sponsor will hold at least 25% of the total Units in issue immediately after the close of the Offering even assuming the exercise of the Over-allotment Option in full and be a controlling Unitholder of FSL Trust. The Sponsor will be in a position to influence matters which require Unitholders' approval by way of Extraordinary Resolution, for example, the modification, alteration or addition to the provisions of the Trust Deed or the removal of the Trustee-Manager. The Sponsor may also exercise influence over the activities of FSL Trust through the Trustee-Manager, which is itself a wholly-owned subsidiary of the Sponsor. Of the five members of the board of Directors of the Trustee-Manager, one of them is also a member of the board of directors of the Sponsor. Mr Philip Clausius is a Non-Independent Director and Chief Executive Officer of the Trustee-Manager and is also a director and Chief Executive Officer of the Sponsor. Mr Cheong Chee Tham is Non-Independent Director and Chief Financial Officer of the Trustee-Manager and is also Chief Financial Officer of the Sponsor. Besides the Units which will be subscribed for by the Sponsor, the Trustee-Manager, a wholly-owned subsidiary of the Sponsor, may at its own discretion, also take up Units as payment of its Incentive Fees.

As a result, the strategy and activities of FSL Trust may be influenced by the overall interests of the Sponsor. There can be also no assurance that the interests of FSL Trust will not conflict with or be subordinated to those of the Sponsor, its subsidiaries, related corporations and associates.

Neither FSL Trust nor the Trustee-Manager, as new entities, has an established operating history

FSL Trust was established on 19 March 2007 and the Trustee-Manager was incorporated on 8 February 2007. Accordingly, neither FSL Trust (as a business trust) nor the Trustee-Manager (as the trustee-manager of a business trust) has sufficiently long operating histories by which their past performance as such may be judged. This will make it more difficult for investors to assess their likely future performance. There can be no assurance that FSL Trust will be able to generate sufficient revenue from operations to make distributions to Unitholders or that such distributions will be in line with those set out in the section "Profit Forecast".

Historical and pro forma financial information in relation to the Vessels is not available

Historical and pro forma consolidated profit and loss account, statement of cash flows and balance sheet information are not included in this Prospectus. In this regard, the MAS has granted FSL Trust a waiver from the requirement to prepare pro forma consolidated profit and loss account, statement of cash flows and balance sheet information subject to the conditions outlined in the section on "Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date". In the absence of such pro forma consolidated financial statements, it may be more difficult for prospective investors to assess the potential results of operations, financial condition and cash flows of FSL Trust.

In lieu of such pro forma historical financial information, the Trustee-Manager has prepared the pro forma consolidated balance sheet setting out the assets and liabilities of FSL Trust as at the Listing Date (the "Unaudited Pro Forma Consolidated Balance Sheet"), upon the completion of the Offering, and the acquisition of the Vessels.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of assumptions and the accounting policies set out in Appendix C "The Unaudited Pro Forma Consolidated Balance Sheet at the Listing Date". The Unaudited Pro Forma Consolidated Balance Sheet should be read together with these assumptions and accounting policies.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust is to show what the financial position might have been at the Listing Date, had FSL Trust, on the Listing Date, acquired the Vessels, pursuant to the terms set out in this Prospectus. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of FSL Trust's actual financial position on the Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of FSL Trust's financial position.

Valuations of the Vessels may not be indicative of the true value of the Vessels

The Vessels were valued by the Independent Valuers as at 7 February 2007. Among other factors, the Independent Valuers considered recent comparable sales (i.e. vessels of similar age and type) which they were aware of through their own practice or derived from open market reports as well as current market interest and activity at the date of the valuation.

The valuation of each vessel acquired or to be acquired by FSL Trust was not performed after physical inspection or examination of the Vessels' classification records, instead, the valuations were based on various assumptions including, but not limited to, that a sale is on a "willing buyer, willing seller" basis with the relevant Vessel being in good and seaworthy condition with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation was made on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time, there is no guarantee that the valuation would be applicable. The above valuation methodology is based on customary methods used in the shipping industry which is different from methodology commonly used in valuing other asset classes, for example, real estate property. As the net book values of vessels are not taken into account when valuing vessels, the valuation of the vessels will be different from their net book values. For the full terms and methodology of each of the Independent Valuers, please see their Valuation Certificates which are reproduced in full on pages E-3 to E-75 of this document. The terms and methodology in the Valuation Certificates are material to the valuations and should be fully understood.

Further there can be no assurance that the valuations prepared by the Independent Valuers reflect the true value of the vessels, or that other independent valuers will arrive at the same valuation.

The independent valuation reports have been commissioned from the Independent Valuers on a 'charter free' basis. This valuation method (explained in full in the relevant reports in Appendix E) does not take into account any effect or constraint which flows from the leases which attach to the vessels. Valuations assessed on a 'charter attached' basis can vary materially from valuations based on 'charter free' methodology. As the revenues of FSL

Trust comprise largely the lease income derived from the vessels, the basis on which the independent valuation reports have been prepared may not be a true indication of the vessel's value to FSL Trust.

Valuations of the Vessels may not be indicative of the business of FSL Trust

The Independent Valuation Reports have been prepared by the Independent Valuers on a "charter-free" basis, that is, such valuation reports were based on the market value of the Vessels and did not take into account the value of the leases under which the Vessels have been leased. As the revenue of FSL Trust comprises largely the lease income derived from the Vessels, the basis on which the Independent Valuation Reports has been prepared may not provide a true indication of the business of FSL Trust.

Government requisitions during periods of emergency or war could have a material adverse effect on FSL Trust's business, financial condition and results of operations

A government could requisition for title or seize vessels in FSL Trust's portfolio. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition one or more of FSL Trust's vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the lessee at dictated lease rates. Generally, such requisitions occur during a period of war or emergency and would result in the loss of war risk insurance cover for the relevant vessels. While the lessees will be liable to continue to pay lease hire in the event of a requisition of vessels for hire, in the event that they fail to do so or in the event that the vessels are lost due to war, FSL Trust could be adversely affected in terms of its business, financial position and results of operations. (See "Business – The Portfolio" on "Charters and Lessees" and "Business – Insurance").

Maritime claimants could arrest FSL Trust's vessels, which could interrupt its cash flow and cause a material adverse effect on its business, financial condition and results of operations

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to maritime liens against that vessel (and, in some jurisdictions, any associated vessel owned or controlled by the same owner) for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel and commencing foreclosure proceedings. This would apply even if vessels in FSL Trust's portfolio are chartered out (whether on a bareboat charter basis or otherwise). The arrest or attachment of one or more of FSL Trust's vessels could result in FSL Trust paying a substantial sum of money to have the arrest lifted if the lessee of the relevant vessel does not do so. In this respect, FSL Trust's business and financial condition may be adversely affected.

FSL Trust's vessels may be exposed to attacks by pirates or terrorist attacks

In the event that FSL Trust's vessels are attacked, destroyed, hijacked or seized by pirates, or subject to terrorist attacks, resulting in damage and/or loss to the vessels which exceeds existing insurance coverage or which is not covered by the existing insurance policies, FSL Trust's business and financial condition may be adversely affected.

RISKS RELATING TO THE SHIP FINANCING INDUSTRY

FSL Trust operates in an industry that is subject to cyclical fluctuations, which may have a material adverse effect on its financial condition and results of operations

FSL Trust's portfolio comprises long-term bareboat charters of vessels. Since its lessees would be affected by cyclical fluctuations in the ship financing industry, FSL Trust would be indirectly affected. The shipping industry is subject to cyclical fluctuations primarily due to changes in the supply of and demand for different shipping capacities which result in the volatility of sales, profitability and vessel values. The demand for vessels and lease rates is influenced by global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather patterns, crop yields, armed conflicts, canal closures, fuel prices, foreign exchange fluctuations, embargoes and strikes, among other factors. Furthermore, there can be no assurance that there will not be an unexpected increase in the delivery of newbuildings. Many of the factors influencing the supply of and demand for shipping capacity are outside FSL Trust's control, and the nature, timing and degree of changes in industry conditions are unpredictable. Decreases in the demand for shipping services or increases in the supply of capacity could lead to significantly lower lease rates, reduced volume or a combination of the two, which could have a material adverse effect on FSL Trust's business, financial condition and results of operations.

FSL Trust operates in a highly competitive industry, which may have a material adverse effect on its business

The shipping industry is highly fragmented among many global and regional shippers, owners and operators of vessels and is characterised by intense competition and affected by developments in the major world economies that influence trade patterns.

FSL Trust competes with other ship finance providers, shipowners and other ship investment vehicles. (See "Business – Competition"). These competitors may have vessels on order and pending delivery. Upon delivery, such vessels may enter the ship leasing market. Furthermore, existing vessels may be at the end of their lease and this will result in an increase in the number of vessels available in the ship leasing market. More newbuildings may in the future be ordered at the shipyards by the competitors of FSL Trust if the prospects for the ship leasing market remain strong.

The above may result in increased competition which may have a material adverse effect on FSL Trust's financial condition and results of operations, including higher pressure on lease rates.

FSL Trust is exposed to fluctuations in vessel values

FSL Trust is exposed to trends inherent in the shipping industry. In general, vessel values have experienced a certain degree of volatility. The fair market value of the vessels owned by FSL Trust can be expected to fluctuate, depending upon general economic and market conditions affecting the shipping industry and competition from other shipping companies, types and sizes of vessels, and other modes of transportation. In addition, as vessels become older, they may be expected to decline in value. These factors will affect the value of FSL Trust's portfolio at the termination of the leases or earlier at the time of sale of a vessel. (See "Industry").

FSL Trust operates in an extensively regulated industry that may require it to incur additional costs in meeting evolving regulations or limit its ability to do business that may have a material adverse effect on its business, financial condition and results of operations

The shipping industry is extensively regulated. If vessels are re-delivered and the Trustee-Manager is not able to lease out the vessels, FSL Trust's operations could be affected by the substantial and evolving environmental protection laws and other regulations in the form of numerous international conventions, national, state and local laws and national and international regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries in which such vessels are registered. Compliance with such laws and regulations may entail significant expenses, including expenses for ship modifications and changes in operating procedures.

The Trustee-Manager may also incur, on behalf of FSL Trust, substantial costs in order to comply with existing and future environmental and health and human safety requirements, including, among others, obligations relating to air emissions, maintenance and inspection, development and implementation of emergency procedures and insurance coverage. These costs could have a material adverse effect on FSL Trust's financial condition and results of operations.

The operating certificates and licenses for the vessels are renewed periodically during each vessel's required annual survey. However, government regulation of vessels, particularly in the areas of safety and environmental impact may change in the future and require the Trustee-Manager to incur, on behalf of FSL Trust, significant capital expenditure on the vessels in its portfolio to keep them in compliance if the vessels are not subject to leases. In addition, FSL Trust is required by various governmental bodies to obtain permits and licenses required for the operation of its vessels. These permits may become costly or impossible to obtain or renew.

Vessels in FSL Trust's portfolio have to operate within the rules, international conventions and regulations adopted by the International Maritime Organisation ("IMO"), an agency of the United Nations, as well as the environmental protection laws, health and safety regulations and other marine protection laws in each of the jurisdictions in which FSL Trust's vessels operate. Since the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention ("ISM Code") became effective in 1998, shipping companies and individual vessels are required to establish safety systems and have them certified by standardisation bodies. (See "Business – Government Regulations and Policy"). In complying with IMO regulations and other regulations that may be adopted, the Trustee-Manager may be required to incur, on behalf of FSL Trust, additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential contamination by vessels and in obtaining insurance coverage. Because such conventions, laws and regulations are often revised, FSL Trust is unable to predict the long-term costs of compliance. Additional laws and regulations may be adopted which could limit the Trustee-Manager's ability to do business and which could have a material adverse effect on the business, financial position and results and business operations of FSL Trust, and distributions to Unitholders.

RISKS RELATING TO AN INVESTMENT IN THE UNITS

The sale or possible sale of a substantial number of Units by the Sponsor following the lapse of its lock-up arrangements or by the Cornerstone Investors in the public market could affect the price of the Units

In conjunction with the Offering, 160,000,000 Units (constituting approximately 32% of the total number of Units expected to be in issue after the completion of the Offering) will be held by the Sponsor immediately after the completion of the Offering assuming that the Over-allotment Option is not exercised. In addition, 120,000,000 Units (constituting approximately 24% of the total number of Units expected to be in issue after the completion of the Offering) will be held by the Cornerstone Investors immediately after the completion of the Offering assuming that the Over-allotment Option is not exercised.

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of its interest in any or all of its Units (the "Lock-up Units") during the period commencing from the Listing Date until 30 June 2009, save for any transfers of Units in connection with the grant and exercise of the Over-allotment Option. Notwithstanding the foregoing, the Sponsor may pledge its interests in, and consequently transfer its interests pursuant to the pledge, (i) up to 50% of the Lock-Up Units after the date falling six months from the Listing Date; and (ii) up to 100% of the Lock-up Units after the date falling 12 months from the Listing Date. If any of such pledges are enforced, the Sponsor may be required to transfer the Lock-up Units that are subject to the pledge. In such event, there would be additional Units that may be traded in the market, which may have an impact on the prevailing trading price of the Units.

Units will be tradable on the Main Board of the SGX-ST. If the Sponsor (following the lapse of its lock-up arrangements, the enforcement of any pledges of Units or pursuant to any applicable waivers) directly or indirectly sells or is perceived as intending to sell a substantial amount of its Units, or if a secondary offering of the Units is undertaken, the market price for the Units could be affected. (See "Plan of Distribution – Lock-up Arrangements" and "Ownership of the Units").

The Cornerstone Investors are not subject to any lock-up. Therefore, if the Cornerstone Investors directly or indirectly sell or are perceived as intending to sell a substantial amount of Units, the market price for the Units could be adversely affected.

The net asset value per Unit may be diluted if further issues are priced below the current net asset value per Unit

The Trust Deed contemplates that new issues of Units may occur and the subscription price for which may be above, at or below the then prevailing net asset value per Unit. Where new Units, including Units which may be issued to the Trustee-Manager in payment of the Trustee-Manager's Incentive Fees, are issued at less than the then prevailing net asset value per Unit, the net asset value of each existing Unit may be diluted. Such additional issues of Units in the future would also dilute the percentage holding of Unitholders.

Unitholders who are not resident in Singapore may not be permitted to participate in future rights issues by FSL Trust

The Trust Deed provides that in relation to any rights issue, the Trustee-Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore and who have not provided CDP with addresses in Singapore for the service of notices and documents. The rights or entitlements to the Units to which such Unitholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions as the Trustee-Manager may determine. The proceeds of any such sale, if successful, will be paid to Unitholders whose rights or entitlements have been thus sold, provided that where such proceeds payable to the relevant

Unitholder are less than US$10.00, the Trustee-Manager is entitled to retain such proceeds as part of the Trust Property. The unitholding of the relevant Unitholder may be diluted as a result of such sale.

FSL Trust expects to be a "passive foreign investment company", which will have adverse U.S. federal income tax consequences to U.S. holders

A foreign corporation will be treated as a "passive foreign investment company", or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. Based on its proposed method of operation, FSL Trust expects to be a PFIC. Therefore, U.S. holders of the Units will face adverse U.S. tax consequences. Under the PFIC rules, unless those holders make an election available under the United States Internal Revenue Code of 1986, as amended, or the "Code" (which election could itself have adverse consequences for such Unitholders, as discussed below under "Tax Considerations – U.S. Federal Income Taxation of U.S. Holders"), such Unitholders will be liable to pay U.S. federal income tax at the highest income tax rates on ordinary income, for each year during this holding period, plus interest upon excess distributions and upon any gain from the disposition of the Units, as if the excess distribution or gain had been recognized ratably over the U.S. holder's holding period of the Units. (See "Tax Considerations – U.S. Federal Income Taxation of U.S. Holders" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. holders arising from FSL Trust's status as a PFIC).

FSL Trust may have to pay tax on its United States source income, which would reduce FSL Trust's earnings

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as FSL Trust and its subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

After the Offering, it is uncertain whether FSL Trust and each of its subsidiaries will qualify for this statutory tax exemption. There are factual circumstances beyond the control of FSL Trust that could cause it to fail to qualify for this tax exemption after the Offering and thereby become subject to United States federal income tax on its United States source income. For example, after this Offering, the Sponsor will own at least 25% of the outstanding Units, assuming the Over-allotment Option is exercised in full. If other Unitholders with a 5% or greater interest in the Units were, in combination with the Sponsor, to own 50% or more of the outstanding Units on more than half the days during the taxable year, FSL Trust might not be able to qualify for exemption under Code Section 883. Due to the factual nature of the issues involved, FSL Trust can give no assurances on its tax-exempt status or that of any of its subsidiaries.

If FSL Trust or its subsidiaries were not entitled to exemption under Section 883 for any taxable year, they would be subject for those years to an effective 2% (i.e. 4% of 50%) United States federal income tax on the shipping income these companies derive during the year that are attributable to the transport or cargoes to or from the United States. The imposition of this taxation would have a negative effect on the business of FSL Trust and would result in decreased earnings available for distribution to Unitholders.

The actual performance of FSL Trust is subject to significant business, economic, financial, regulatory, and competitive risks, uncertainties and contingencies that could cause actual results to differ materially from the forward-looking statements in this Prospectus

This Prospectus contains forward-looking statements regarding, among other things, forecast profit and distribution levels for the period from 1 February 2007 to 31 December 2007. These forward-looking statements are based on a number of assumptions and many of which are outside of FSL Trust's control. (See "Profit Forecast – Assumptions"). The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, regulatory, and competitive risks, uncertainties and contingencies that could cause actual results to differ materially from the forecast results. In addition, FSL Trust's revenue is dependent on a number of factors, including the SPCs' receipt of lease income from the lessees, which may decrease for a number of reasons, such as insolvency of the lessee or delay in payment of lease income by the lessee. This may adversely affect FSL Trust's ability to achieve the forecast profit and distributions as some or all of the events and circumstances assumed may not occur as expected, or events and circumstances, which are not currently anticipated, may arise. While the Trustee-Manager currently expects to meet the forecast profit and distribution levels, no assurance can be given that the assumptions will be realised and the actual profit and distributions will be as forecast.

The forecast profit and distribution levels should be reviewed in conjunction with the description of FSL Trust's business, our management's discussion and analysis of pro forma financial condition and results of operations, and other information contained in this Prospectus, including the information set forth in "Risk Factors".

The profit forecast was not prepared with a view to complying with U.S. GAAP, the published guidelines of the United States Securities and Exchange Commission or the American Institute of Certified Public Accountants ("AICPA") regarding projections or estimations and has not been examined or otherwise reported by FSL Trust's independent auditors under the AICPA guidelines regarding estimates and projections.

The profit forecast assumes that the Listing Date is 1 February 2007 and are based on other assumptions that are inherently uncertain and are subject to significant business, economic, financial, regulatory and other competitive risks that could cause actual profits to differ. The Trustee-Manager does not intend to provide any updated or otherwise revised profit forecast in the event that these or other assumptions differ from actual results.

The laws, regulations and accounting standards to which FSL Trust is subject may change

FSL Trust may be affected by the introduction of new or revised legislation, regulations or accounting standards. There can be no assurance that any such changes will not have an adverse effect on the ability of the Trustee-Manager to carry out FSL Trust's investment strategy or on the operations and financial condition of FSL Trust.

FSL Trust has adopted IFRS, which differs from U.S. GAAP

FSL Trust intends to follow IFRS and does not intend to supply Unitholders with a reconciliation of its financial statements to U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). IFRS differs in significant aspects from U.S. GAAP. (See "Summary of Significant Differences between IFRS and U.S. GAAP"). The effects of the aforementioned differences between IFRS and U.S. GAAP have not been identified nor quantified in the Prospectus. Potential investors should consult their own professional advisers if they want to understand the differences between IFRS and U.S. GAAP and how they might affect the information contained herein.

Market and economic conditions may affect the market price and demand for the Units

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual distribution yield on the price paid for the Units gives investors a lower return as compared to other investments.

The Units have never been publicly traded and the listing of the Units on the Main Board of the SGX-ST may not result in an active or liquid market for the Units

Prior to the Offering, there is no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. While the Trustee-Manager has received a letter of eligibility from the SGX-ST to have the Units listed and quoted on the Main Board of the SGX-ST, listing and quotation do not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. There is no assurance that FSL Trust will continue to satisfy the listing requirements for business trusts. Further, it may be difficult to assess FSL Trust's performance against either domestic or international benchmarks.

The price of the Units may decline after the Offering and the Units are not principal protected

The Offering Price of the Units is determined by agreement between the Trustee-Manager and the Joint Bookrunners and may not be indicative of the market price for the Units after the completion of the Offering. The

Units may trade at prices significantly below the Offering Price after the Offering. The trading price of the Units will depend on many factors, including:

- the perceived prospects of FSL Trust's business and investments and the shipping market;
- differences between FSL Trust's actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, Units may trade at prices that are higher or lower than the net asset value per Unit. To the extent that FSL Trust retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on FSL Trust's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not principal protected products and there is no guarantee that Unitholders can regain the amount invested. If FSL Trust is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

The Units are not redeemable at the option of Unitholders

It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST. Unitholders will not have the right to redeem Units or require the redemption of Units by the Trustee-Manager, though it is provided in the Trust Deed that the Trustee-Manager may repurchase and/or redeem Units in accordance with relevant laws, regulations and guidelines imposed by authorities in Singapore.

The business trust regime is relatively new and its application has not been thoroughly tested

The BTA came into operation on 12 October 2004 while the Business Trusts Regulations 2005 only came into operation on 6 January 2005. The first set of guidelines on business trusts (*i.e.* "Guidelines on Disclosure of Financial Information in Prospectus") was issued on 15 October 2005. As such, the legislation and regulations in the business trust regime has not been applied frequently and some degree of uncertainty exists.

The Trustee-Manager may change FSL Trust's investment strategy

FSL Trust's policies with respect to certain activities including investments and acquisitions will be determined by the Trustee-Manager. While the Trustee-Manager has stated its intention to invest primarily in assets with a view to provide leasing on a long-term fixed rate basis, and such strategy may not be changed for a period of three years commencing from the Listing Date (as the Listing Manual prohibits a departure from the Trustee-Manager's stated investment objective and policies for FSL Trust for the said period unless otherwise approved by an Extraordinary Resolution), the Trust Deed gives the Trustee-Manager wide powers of management and the Trustee-Manager may depart from the investment objectives and policies after the three-year period. Any change to the investment objectives and policies after the three-year period will be subject to the approval of Unitholders by way of a special resolution. There are also inherent risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

Exchange rate fluctuations may adversely affect the value of the Units and any distribution for Singapore investors

The Units will be listed and quoted on the SGX-ST in US dollars and distributions of FSL Trust will be made in US dollars. Therefore, fluctuations in the exchange rate between the US dollar and the Singapore dollar will affect, among other things, the Singapore dollar value of the US dollar price of the Units and the Singapore dollar value of FSL Trust's distributions for Singapore investors. (See "Exchange Rates" for information on the exchange rate between the US dollar and the Singapore dollar).

Unitholders have no vote in the election or removal of Directors of the Trustee-Manager and it is more difficult to remove the Trustee-Manager as compared to the removal of a director of a public company

The Trustee-Manager, composed of five Directors, has the responsibility of managing the business conducted by FSL Trust. Unlike public companies, Unitholders have no vote in the election or removal of Directors. Unitholders' recourse is the removal of a trustee-manager by way of a resolution approved by not less than three-fourths of the voting rights of all the Unitholders of the registered business trust present and voting. In comparison, the Companies Act requires the removal of a director of a public company to be by way of an ordinary resolution approved by more than 50% of the voting rights of all the shareholders of the company present and voting. As the Sponsor will hold 32% of the Units upon completion of the Offering (assuming the Over-allotment Option is not exercised), it will have the ability to block any Unitholder resolutions to remove the Trustee-Manager. Since the Trustee-Manager is a wholly-owned subsidiary of the Sponsor, it may be more difficult to remove the Trustee-Manager as compared to removing a director of a public company.

Certain provisions of the Singapore Code on Take-overs and Mergers could have the effect of discouraging, delaying or preventing a merger or acquisition, or restricting the Underwriter's ability to undertake stabilization, which could adversely affect the market price of the Units

Pursuant to the Singapore Code on Take-overs and Mergers, the Sponsor is required to make a mandatory offer for all the Units not already held by it and/or parties acting in concert with it (as defined by the Singapore Code on Take-overs and Mergers) in the event that an increase in the aggregate unitholdings of it and/or parties acting in concert with it results in the aggregate unitholdings crossing certain thresholds as specified in the Singapore Code on Take-overs and Mergers. While the Singapore Code on Takeovers and Mergers seeks to ensure an equality of treatment among Unitholders, its provisions could substantially impede the ability of Unitholders to benefit from a change in control and, as a result, may adversely affect the market price of the Units and the ability to realize any potential change of control premium. In addition, in order not to trigger the mandatory offer requirement of the Singapore Code on Take-overs and Mergers which may otherwise occur in connection with the lending and return of Units pursuant to a unit lending agreement between the Sponsor and the Stabilising Manager, such unit lending agreement includes a right for the Sponsor to recall such number of Units which are equivalent to the Units (if any) lent under such agreement by giving seven days prior written notice to the Stabilising Manager. In the event this right to recall is exercised by the Sponsor, it is possible that the Stabilising Manager may not be able to stabilize the market price of the Units. (See "Plan of Distribution – Over-allotment and Stabilisation").

USE OF PROCEEDS

Based on the Offering Price, the Trustee-Manager expects to raise an aggregate of US$490.0 million from the Offering, the issue of the Cornerstone Units and Sponsor Units.

The Trustee-Manager intends to apply the total proceeds from the Offering, and from the issue of the Cornerstone Units and Sponsor Units towards:

(i) payment to the Sponsor of the acquisition price of the SPCs which hold the Vessels;

(ii) costs related to its formation, issue of the Cornerstone Units, Sponsor Units and the Offering;

(iii) costs related to the Credit Facility; and

(iv) working capital.

The Sponsor, which wholly owns the Trustee-Manager, is an "interested person" of FSL Trust under the Securities and Futures (Offer of Investments) (Business Trusts) (No. 2) Regulations 2005 and the Listing Manual.

The following tables, included for the purpose of illustration, sets out the intended source and application of the total proceeds from the Offering, the issue of the Cornerstone Units and Sponsor Units.

Source	**(US$ million)**	**Application**	**(US$ million)**
Units in issue	215.6	Acquisition of the SPCs[(1)]	471.4
Units issued to the Cornerstone Investors	117.6	Costs related to its formation, issue of the Cornerstone Units, Sponsor Units and the Offering	13.9
Units subscribed by Sponsor	156.8	Costs related to the Credit Facility	1.7
		Working capital	3.0
Total	**490.0**	**Total**	**490.0**

Note:
(1) These figures are based on the Offering Price.

Pending the deployment of the net proceeds, as described below, the Trustee-Manager may place the funds in fixed deposits with banks or financial institutions or use the funds for investment in short-term money market instruments, as the Directors may deem appropriate in their absolute discretion. In the reasonable opinion of the Directors, there is no minimum amount that must be raised in the Offering.

The Trustee-Manager believes that FSL Trust's working capital of US$3.0 million will be sufficient for FSL Trust's working capital requirements over the next 12 months following the close of the Offering.

For each U.S. dollar of the proceeds from the Offering, the issue of the Cornerstone Units and Sponsor Units:

(i) approximately 96.20 cents will be used to fund a portion of the purchase price of the Vessels;

(ii) approximately 2.84 cents will be used to pay for expenses incurred in connection with its formation, issue of the Cornerstone Units, Sponsor Units and the Offering;

(iii) approximately 0.35 cents will be used to pay for expenses incurred in connection with the Credit Facility; and

(iv) approximately 0.61 cents will be used to pay for working capital.

Issue Expenses

The estimated amount of the expenses in relation to the Offering of US$13.9 million includes the Underwriting and Selling Commission, professional and other fees and all other incidental expenses in relation to the Offering and subscription of the Cornerstone Units, which will be borne by FSL Trust. A breakdown of these estimated expenses is as follows:

		As a percentage of the Offering based on the Offering Price	As a percentage of the Offering, together with the issue of the Cornerstone Units, based on the Offering Price
	(US$'000)[(1)]	**(%)**	**(%)**
Professional and other fees[(2)]	2,400	1.11	0.72
Underwriting and Selling Commission[(3)]	10,496	4.87	3.15
SGX Listing Fees	65	0.03	0.02
Miscellaneous Offering expenses[(4)]	967	0.45	0.29
Total estimated expenses of the Offering	13,928	6.46	4.18

Notes:

(1) Amounts include GST, where applicable.

(2) Includes financial advisory fees, solicitors' fees and fees for the Independent Accountants, the Independent Tax Adviser, the Independent Valuers and other professionals' fees.

(3) On a per Unit basis, such commissions represent approximately 2.14% of the Offering Price and includes arrangement fees relating to the subscription of Units by the Cornerstone Investors. The commission payable to the Stabilising Manager in connection with the exercise of the Over-allotment Option will be paid by the Sponsor.

(4) Includes cost of prospectus production, roadshow expenses and certain other expenses incurred or to be incurred in connection with the Offering and the subscription of the Cornerstone Units.

In addition to the Offering Price, subscribers of the Units may be required to pay brokerage (and if there is any such requirement, such brokerage will be up to 1.0% of the Offering Price) and applicable stamp duties, taxes and other similar charges (if any) in accordance with the laws and practices of the country of subscription.

OWNERSHIP OF UNITS

As at the date of this Prospectus, no Units have been issued.

Subscription of Units by the Sponsor

At the same time as but separate from the Offering, the Sponsor will, pursuant to a subscription agreement, subscribe for Units at the Offering Price and will, immediately after the completion of the Offering hold 160,000,000 Units (constituting approximately 32% of the total number of Units expected to be in issue then) subject to an Over-allotment Option exercisable by the Stabilising Manager to borrow from the Sponsor Units amounting to not more than 20% of the Units under the Offering, conditional upon the Trustee-Manager, the Sponsor and the Singapore Underwriters entering into the Offer Agreement (as referred to herein) and the Trustee-Manager, the Sponsor and the Initial Purchasers entering into the Purchase Agreement and that the Offer Agreement and the Purchase Agreement are not terminated pursuant to their terms on or prior to the Settlement Date (as referred to herein).

Subscription by the Directors and the Executive Officers

The Directors and the Executive Officers may subscribe for Units under the placement tranche of the Offering and in such cases, the Trustee-Manager will make announcements via SGXNET as soon as practicable. Save for the Trustee-Manager's internal policy which prohibits the Directors and the Executive Officers from dealing in the Units at certain times, there is no restriction on the Directors and the Executive Officers disposing of or transferring all or any part of their unitholdings. (See "The Trustee-Manager" and "Corporate Governance" for further details).

Mr Philip Clausius, a Director and the Chief Executive Officer of the Trustee-Manager, intends to subscribe for 500,000 Units, representing 0.23% of the total Units under the Offering, at the Offering Price under the Placement.

Mr Cheong Chee Tham, a Director and the Chief Financial Officer of the Trustee-Manager, intends to subscribe for 45,000 Units, representing 0.02% of the total Units under the Offering, at the Offering Price under the Placement.

Mr Michael John Montesano III, an Independent Director of the Trustee-Manager, intends to subscribe for 12,000 Units, representing 0.01% of the total Units under the Offering, at the Offering Price under the Placement.

Ms Kwa Lay San, the Chief Risk Officer of the Trustee-Manager, intends to subscribe for 35,000 Units, representing 0.02% of the total Units under the Offering, at the Offering Price under the Placement.

Subscription by Cornerstone Investors

Separately from the Offering, each of Penta Investment Advisers, Ltd, DWS Investment GmbH and AIG Global Investment Corporation (Singapore) Ltd (collectively, the "Cornerstone Investors") has entered into the Cornerstone Subscription Agreements with the Trustee-Manager to subscribe for an aggregate of 120,000,000 Cornerstone Units at the Offering Price, conditional upon the Trustee-Manager, the Sponsor and the Singapore Underwriters entering into the Offer Agreement (as referred to herein) and the Trustee-Manager, the Sponsor and the Initial Purchasers entering into the Purchase Agreement and that the Offer Agreement and the Purchase Agreement are not terminated pursuant to their terms on or prior to the Settlement Date (as referred to herein).

Options on Units

No option to subscribe for Units has been granted to any of the Directors or to the Chief Executive Officer.

Principal Unitholders and their Unitholdings

The following table sets out the principal Unitholders and their unitholdings after the Offering and issue of the Cornerstone Units and Sponsor Units:

	Units owned after the Offering (assuming that the Over-allotment Option is not exercised)		Units owned after the Offering (assuming that the Over-allotment Option is exercised in full)	
	('000)	**(%)**	**('000)**	**(%)**
The Sponsor[(1)(2)]	160,000	32	126,000	25
Cornerstone investors				
Penta Investment Advisers, Ltd	40,000	8	40,000	8
DWS Investment GmbH	40,000	8	40,000	8
AIG Global Investment Corporation (Singapore) Ltd	40,000	8	40,000	8
Public and institutional investors	220,000	44	254,000	51
Total	**500,000**	**100**	**500,000**	**100**

Notes:

(1) Schoeller Holdings Ltd., HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG are the beneficial holders of 43.97%, 20.00% and 20.00% of the issued share capital of the Sponsor respectively. Accordingly, each of Schoeller Holdings Ltd., HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore to be interested in all of the Units held by the Sponsor.

(2) Mr Heinrich Leopold Felix Schoeller is a director of the Sponsor and intends to subscribe for 1,000,000 Units, representing 0.45% of the total Units under the Offering, at the Offering Price under the Placement.

INFORMATION ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has entered into a subscription agreement dated 14 February 2007 with the Trustee-Manager to subscribe for an aggregate of 120,000,000 Units, at the Offering Price, conditional upon the Trustee-Manager, the Sponsor and the Singapore Underwriters entering into the Offer Agreement (as referred to herein) and the Trustee-Manager, the Sponsor and the Initial Purchasers entering into the Purchase Agreement and the Offer Agreement and the Purchase Agreement not having been terminated pursuant to their terms on or prior to the Settlement Date (as referred to herein). The Cornerstone Investors are Penta Investment Advisers, Ltd, DWS Investment GmbH, and AIG Global Investment Corporation (Singapore) Ltd.

Penta Investment Advisers, Ltd., a British Virgin Islands company, was formed in 1998. Penta Investment Advisers, Ltd. manages several investment funds and managed accounts with the aggregate fund size of over US$1 billion as of February 2007.

DWS Investment GmbH was incorporated in Germany in 1956 and is the mutual fund arm of Deutsche Asset Management, a member of the Deutsche Bank Group. With more than €120 billion assets under its management, it is the largest mutual fund company in Germany and a leading retail mutual fund company in Europe. DWS Investment GmbH also ranks among the top 10 mutual fund companies globally with its management of approximately €250 billion of assets worldwide.

AIG Global Investment Corporation (Singapore) Ltd. ("AIGGIC(S)") was incorporated in Singapore in 1996, and is a member company of AIG Global Investment Group ("AIGGIG"). AIGGIC(S) has a team of experienced investment professionals covering South-East Asian equities and fixed income and manages a fund size of approximately S$6.94 billion. AIGGIG, as a group, manages a fund size of approximately US$638.1 billion, including approximately US$540 billion of AIG affiliated assets, as of 30 September 2006.

THE SPONSOR

As at the Latest Practicable Date, the Sponsor holds all the shares in the issued share capital of the Trustee-Manager. The Sponsor will hold at least 25% of the total Units issued after the Listing Date even assuming the exercise of the Over-allotment Option in full and will accordingly be a controlling Unitholder. (For more information on the Sponsor, see "The Sponsor").

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of its interests in the Lock-up Units during the period commencing from the Listing Date and ending on 30 June 2009, or enter into a transaction (including a derivative transaction) with a similar economic effect to the foregoing, or enter into a transaction which is designed or which may be reasonably be expected to result in any of the foregoing, subject to certain exceptions.

The restrictions described in the preceding paragraphs do not apply to any securities lending arrangement with the Stabilising Manager or any sale or transfer of its interests in the Loan Units by the Sponsor pursuant to the exercise of the Over-allotment Option. Furthermore, notwithstanding the above restriction, the Sponsor shall be free to pledge its interests in, and consequently transfer its interests pursuant to the pledge, (i) up to 50% of the Lock-up Units after the date falling six months from the Listing Date; and (ii) up to 100% of the Lock-up Units after the date falling 12 months from the Listing Date.

In addition to the above, the Sponsor has also agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), reduce its shareholding interest in the Trustee-Manager to below 80% for a period commencing on the Listing Date and ending on 30 June 2009.

The Shareholders of the Sponsor

The beneficial shareholders of the Sponsor consist of Schoeller Holdings Ltd., HSH Nordbank AG, Bayerische Hypo- und Vereinsbank AG, BH Ship Leasing Corp., Mr Philip Clausius and Mr Peter Michael Klopfer. BTMU Capital Corporation, a wholly-owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ Limited, HSH Nordbank AG, and Bayerische Hypo- und Vereinsbank AG each hold warrants in the Sponsor, that are convertible, upon completion of the Offering, into ordinary shares representing a shareholding interest of 5% (on an enlarged basis) in the Sponsor.

Schoeller Holdings Ltd is a Cyprus-based investment company with investments over a breadth of services covering ship owning, ship management and liner services, financial services and non-marine activities. (Source: http://www.schoeller-holdings.com). As at 31 December 2005, Schoeller Holdings Ltd had total assets of US$1.2 billion and the total revenue for the financial year ended 31 December 2005 was US$575 million. (Source: Schoeller Holdings Ltd).[1] In addition, the Trustee-Manager has preferential access to Columbia Shipmanagement providing it with key asset management capabilities. Columbia Shipmanagement is a subsidiary of Schoeller Holdings and is one of the world's largest ship management companies.

HSH Nordbank AG is a leading German bank with particular strength in the corporate sector in Northern Europe and is the world's largest ship financier with a broadly diversified portfolio across sectors and countries. (Source: http://www.hsh-nordbank.de/home/themen/investorrelations/kurz/index_en.jsp).[1]

Bayerische Hypo- und Vereinsbank AG is one of the leading financial institutions in Germany with core competencies including retail and corporate banking, real estate finance, capital markets and asset management. (Source: Bayerische Hypo- und Vereinsbank AG 2005 Annual Report).[1]

These banks are significant shipmortgage lenders. As at 1 May 2006, the outstanding shipmortgage portfolio of HSH Nordbank was approximately US$29 billion making them global market leader. Bayerische Hypo- und Vereinsbank had an outstanding shipping loan portfolio of approximately US$6 billion which puts them into the Top 15 of international shipfinancing banks. (Source: Marine Money, see "Industry").

Each of Schoeller Holdings Ltd., HSH Nordbank AG, Bayerische Hypo- und Vereinsbank AG and Mr Philip Clausius has agreed with the Joint Bookrunners that it or he, as the case may be, will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), offer, sell or contract to sell or otherwise dispose of any or all of its or his direct interests in the issued and paid-up ordinary shares in the Sponsor as at the Listing Date (the "Sponsor Shares") during the period commencing on the Listing Date until the date falling 12 months after the Listing Date.

The Trustee-Manager

In all cases where Management Fees, Acquisition Fees and Incentive Fees are, at the option of the Trustee-Manager, paid to the Trustee-Manager in the form of Units, such Units shall not be sold or transferred to any party within 12 months from the date of their issuance, save that the Trustee-Manager shall be free to transfer such Units to its related corporations provided that the Trustee-Manager procures that such transferee gives a similar undertaking for the remainder of the moratorium period. (See "Incentive Fees").

The Trustee-Manager has also agreed with the Joint Bookrunners that FSL Trust will not issue any additional Units for six months commencing from the Listing Date without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed).

1 None of Schoeller Holdings Ltd., HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG have provided its consent, for purposes of Section 282I of the Securities and Futures Act, to the inclusion of the information extracted from these websites. Accordingly, they are not liable for such information under Sections 282N and 282O of the Securities and Futures Act. While the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters have taken reasonable actions in an effort to ensure that the information from the relevant websites is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters nor any other party has conducted an independent review of the information contained in such website nor verified the accuracy of the contents of the relevant information.

DISTRIBUTIONS AND SUBORDINATION

FSL Trust's distribution policy is to apply at least 90% of the Net Distributable Amount towards payment of distributions and Incentive Fees. For this purpose, "Net Distributable Amount" is defined as the Distributable Amount after deduction of credit facility repayments and any other additional amount as the Trustee-Manager may determine to be reasonable to be set aside to meet any payment obligations of FSL Trust, but before deduction of any Incentive Fees payable to the Trustee-Manager. The balance of the Net Distributable Amount that is not used for payment of distributions and Incentive Fees (the "Retained Distributable Amount") will be retained and will form part of the Trust Property.

For the period from the Listing Date up to 31 December 2007, FSL Trust will not retain any part of the Net Distribution Amount and will apply the full Net Distribution Amount towards payment of distributions and Incentive Fees. Thereafter, FSL Trust will apply at least 90% of the Net Distributable Amount towards payment of distributions and Incentive Fees, with the actual level of distribution to be determined at the Trustee-Manager's discretion.

In the event that there are Net Taxable Income and/or proceeds arising from any sale of vessels, and only if such income and/or proceeds are surplus to the business requirements and needs of FSL Trust and its taxability or otherwise confirmed by the IRAS, the Trustee-Manager may, in its discretion, distribute such income and/or proceeds. Such income and/or proceeds, if not distributed, will form part of the Trust Property.

The Trustee-Manager is forecasting an annualised DPU of 8.52 US Cents for 2007, and targeting a minimum annualised DAU growth in excess of the annualised quarterly forecasted DPU of 2.13 US Cents in 2007 (based on the Net Distributable Amount but excluding non-recurring income and related costs) of 5% in the first half of 2008, 10% in the second half of 2008 and 15% in the first half of 2009. The foregoing forecasted DPU and targeted minimum DAU growth translate into the following DPUs and DAUs for the relevant quarters up to the end of the first half of 2009:

- For each of the second, third and fourth quarters of 2007, the forecasted DPU is 2.130 US Cents, which would translate into an annualised yield of 8.69% on the basis of the Offering Price.
- For each of the first and second quarters of 2008, the targeted minimum DAU is 2.237 US Cents, which would translate into an annualised yield of 9.13% on the basis of the Offering Price.
- For each of the third and fourth quarters of 2008, the targeted minimum DAU is 2.343 US Cents, which would translate into an annualised yield of 9.56% on the basis of the Offering Price.
- For each of the first and second quarters of 2009, the targeted minimum DAU is 2.450 US Cents, which would translate into an annualised yield of 10.00% on the basis of the Offering Price.

To provide support for the above forecasted and targeted minimum DAUs, the Sponsor has agreed to subordinate its entitlement to dividend distributions in respect of 50% of its Units (the "Subordinated Units"), and the Trustee-Manager has agreed to subordinate its Management Fees, during the period commencing from the Listing Date to 30 June 2009 ("the Subordination Period").

In the event that notwithstanding the subordination agreement, the forecasted or targeted minimum DAU is not achieved in any quarter during the Subordination Period, the shortfall between the actual DAU paid and the relevant forecasted or targeted minimum DAU shall be brought forward to the next quarter, and the subordination arrangements described above shall apply to the accumulated shortfall, up to the point where the relevant forecasted or targeted minimum DAU is achieved. In general, the quarterly distributions will be paid in the following manner:

- *First*, 100% to all holders of Units (except in respect of the Subordinated Units), *pro rata*, until they receive the relevant forecasted or targeted minimum DAU for that relevant quarter;
- *Second*, 100% to all holders of Units (except in respect of the Subordinated Units), *pro rata*, until they have received any unpaid arrearages in the relevant forecasted or targeted minimum DAU for prior quarters;
- *Third*, 100% to all holders of the Subordinated Units, *pro rata*, until they receive the relevant forecasted or targeted minimum DAU for that relevant quarter;
- *Fourth*, 100% to all holders of Units (including the Subordinated Units), *pro rata*, until each holder of Units has received 2.450 US Cents for that quarter;

- *Fifth,* 90% of incremental distributions (from 2.450 US Cents to 2.769 US Cents) to all holders of Units (including the Subordinated Units), *pro rata*, until each holder of Units has received 2.769 US Cents for that quarter; and 10% of incremental distributions (from 2.450 US Cents to 2.769 US Cents) towards paying Incentive Fees;

- *Sixth,* 80% of incremental distributions (from 2.769 US Cents to 3.408 US Cents) to all holders of Units (including the Subordinated Units), *pro rata*, until each holder of Units has received 3.408 US Cents for that quarter, and 20% of incremental distributions (from 2.769 US Cents to 3.408 US Cents) towards paying Incentive Fees; and

- *After that,* 75% of incremental distributions (above 3.408 US Cents) to all holders of Units (including the Subordinated Units), *pro rata*, and 25% of incremental distributions towards paying Incentive Fees.

Notwithstanding any accumulated shortfall in achieving the forecasted and targeted minimum DAUs, the above subordination agreement will cease upon the expiry of the Subordination Period.

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

The distributions will be made on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. However, FSL Trust’s first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2007. All distributions will be paid within 60 days after the end of each distribution period.

FSL Trust’s primary source of liquidity to fund distributions, servicing of debt, payment of expenses and other recurring capital expenditure will be from the receipts of gross profit and borrowings where appropriate.

Investors should note that all the foregoing statements are merely statements of the Trustee-Manager’s present intention and shall not constitute legally binding statements in respect of FSL Trust’s future distributions which are subject to modification in the Directors’ sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to FSL Trust’s actual future profitability or its ability to make distributions in the future. For a discussion of the risks relating to distribution, see “Risk Factors – Risks Relating to an Investment in the Units – The actual performance of FSL Trust is subject to significant business, economic, financial, regulatory and competitive risks, uncertainties and contingencies that could cause actual results to differ materially from the forward-looking statements in this Prospectus”.

See “Taxation” for further information on the income tax consequences of the purchase, ownership and disposition of Units.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The exchange rate between US$ and S$ as at the Latest Practicable Date is US$0.6516 to S$1.00.

The table below sets forth the high and low exchange rates between US$ and S$ for each month in the past five years and each of the past six months. The table indicates how many US$ can be bought with S$1.00.

	US$/S$ Rate[1]	
	High	**Low**
2002	0.5771	0.5400
2003	0.5880	0.5602
2004	0.6130	0.5787
2005	0.6176	0.5861
2006	0.6519	0.6019
August 2006	0.6364	0.6320
September 2006	0.6380	0.6282
October 2006	0.6426	0.6284
November 2006	0.6491	0.6389
December 2006	0.6517	0.6464
January 2007	0.6534	0.6472
February 2007 (up to the Latest Practicable Date)	0.6518	0.6516

Source: Bloomberg L.P.

1 Bloomberg L.P. has not provided its consent, for purposes of Section 282I of the Securities and Futures Act, to the inclusion of the information extracted from the relevant report issued by it and is thereby not liable for such information under Sections 282N and 282O of the Securities and Futures Act. While the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters have taken reasonable actions in an effort to ensure that the information from the relevant report issued by Bloomberg L.P. is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters nor any other party has conducted an independent review of the information contained in such report nor verified the accuracy of the contents of the relevant information.

The exchange rates as set out above have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the US$ amounts actually represent such S$ amounts or could be converted into S$ at the rate indicated or at any other rate or at all.

Exchange Controls

As at the date of this Prospectus, there is no governmental law, decree or regulatory requirement or any other requirement which may affect the repatriation of capital and the remittance of profits by or to the Trustee-Manager.

CAPITALISATION

The following table sets forth the pro forma capitalisation of FSL Trust as at the Listing Date and after application of the total proceeds from the Offering, as well as from the issuance of the Sponsor Units, and the issue of the Cornerstone Units based on the Offering Price. The information in the table below should be read in conjunction with "Use of Proceeds".

	Based on Offering Price
	(US$'000)
	Pro forma
Unitholders' funds[(1)]	476,704
Borrowings	-
Total Capitalisation	476,704

Note:

(1) Comprises Units in issue, including the Cornerstone Units and Sponsor Units, of US$490,000,000 net of costs related to the formation of the Trustee-Manager and FSL Trust and the Offering of US$13,296,000 (excluding GST of US$632,000), and based on the Offering Price. For illustrative purposes only, a one US cent increase/decrease in the actual Offering Price will result in a corresponding increase/decrease of US$5 million in the total capitalisation.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

Historical and pro forma consolidated profit and loss account, statement of cash flows and balance sheet information is not included in this Prospectus as the Trustee-Manager believes that:

- the provision of pro forma financial information based on historical results will be impracticable since seven of the Vessels were acquired and delivered in 2006 and two of the Vessels were acquired and delivered in 2007 and therefore their period of operations is too short to practicably construct pro forma financial information;

- the inclusion of pro forma financial information in the Prospectus will be of little value to investors, especially since a separate forecast will be prepared for inclusion in the Prospectus; and

- the basis for comparison would have changed substantially as the capital structure of the holding entity will have changed substantially from the Sponsor to FSL Trust. The operating and financing expenses to be incurred by FSL Trust may differ substantially from those incurred by the Sponsor historically. Accordingly, the pro forma financial information may not be reflective of the historical total return and cash flows of FSL Trust.

For the reasons stated above, FSL Trust applied to the MAS for a waiver from the requirement to prepare pro forma profit and loss account, statement of cash flows and balance sheet. The MAS has granted FSL Trust the waiver, conditional upon the following information being included in the Prospectus:

- the unaudited pro forma balance sheet of FSL Trust as at the Listing Date;

- the forecast consolidated profit and loss accounts for FSL Trust for the period from 1 February 2007 to 31 December 2007;

- the annualized forecast consolidated profit and loss accounts for FSL Trust for the period from 1 January 2007 to 31 December 2007; and

- a statement disclosing why pro forma financial information for FSL Trust based on historical financial results of FSL Trust, as required under paragraphs 23 to 34 of Part X of the Fourth Schedule to the Securities and Futures (Offer of Investments) (Business Trusts) (No. 2) Regulations 2005, is not provided in the Prospectus.

In lieu of such pro forma historical financial information, the Trustee-Manager has prepared the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date, assuming the completion of the Offering and the acquisition of the Vessels.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of assumptions and the accounting policies set out in Appendix C "The Unaudited Pro Forma Consolidated Balance Sheet at the Listing Date". The Unaudited Pro Forma Consolidated Balance Sheet should be read together with these assumptions and accounting policies.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust is to show what the financial position might have been at the Listing Date, had FSL Trust, on the Listing Date, acquired the Vessels pursuant to the terms set out in the Prospectus. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of the actual financial position that would have been attained by FSL Trust on the Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of FSL Trust's financial position and there can be no assurance that the Vessels will be able to generate sufficient revenue for FSL Trust to make distributions to Unitholders or that such distributions will be in line with those set out in "Profit Forecast".

The Unaudited Pro Forma Consolidated Balance Sheet has not been prepared or presented in compliance with the published guidelines of Article 11 of Regulation S-X of the United States Securities and Exchange Commission for the preparation and presentation of pro forma financial information.

FSL Trust's financial statements will be prepared in accordance with IFRS, which differs in certain significant aspects from generally accepted accounting principles in certain other countries. The significant differences between IFRS and U.S. GAAP as they relate to FSL Trust are described under "Summary of Significant Differences between IFRS and U.S. GAAP".

	Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date[1] (US$ million)
Non-current assets	
Vessels, at cost	471.4
Prepayments	1.4
Total non-current assets	472.8
Current assets	
Cash and cash equivalents	3.0
Other receivables and prepayments	0.9
Total current assets	3.9
Total assets	476.7
Net assets attributable to Unitholders	476.7
Unitholders' funds	
Units in issue	490.0
Unit issue costs	(13.3)
Total Unitholders' funds	476.7
Number of Units in issue (million)	500.0
Net asset value per Unit (US$)	0.95

Notes:

(1) Based on the Offering Price of US$0.98 per Unit.

PROFIT FORECAST

Statements contained in this Profit Forecast section that are not historical facts are forward-looking statements. Such statements are based on the assumptions set out on pages 46 to 49 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of FSL Trust, the Trustee-Manager, the Sponsor, the Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters or any other person guarantees the performance of FSL Trust, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and annualised distribution yields stated in the following table are calculated based on (i) the Offering Price and (ii) the assumption that the Listing Date is 1 February 2007. Such distribution yields will vary accordingly if the Listing Date is after 1 February 2007 or in relation to investors who purchase Units at a price that differs from the Offering Price or to investors who do not hold the Units for the whole of the Forecast Period 2007. In addition, investors should not assume that the forecast distribution yield stated in the following table may be extrapolated to any other period.

The following table sets forth FSL Trust's forecast consolidated profit and loss accounts for the Forecast Period 2007 and the Annualised Year, respectively. The financial year end of FSL Trust is 31 December. FSL Trust's first accounting period is for the period from 19 March 2007, being the date of its establishment, to 31 December 2007 and its next accounting period will be for the period from 1 January 2008 to 31 December 2008.

The distribution per Unit for the Forecast Period 2007 is calculated on the assumption that the Listed Units are issued on 1 February 2007 and are eligible for distributions arising from operations from 1 February 2007 to 31 December 2007. Notwithstanding that the Forecast Period 2007 commenced prior to the Listing Date, the Profit Forecast for the period from 1 February 2007 to 31 December 2007 would still be valid based on the assumptions set out on pages 46 to 49 of this Prospectus. However, since the Units will be issued at a later date, the actual distribution per Unit will differ as investors will only be entitled to distributions arising from operations from the date of issue of the Units to 31 December 2007.

The profit forecast is based on the assumptions set out in this section of the Prospectus. The Independent Accountants have issued a report on the Profit Forecast included in Appendix A to this Prospectus. Investors in the Units should read the whole of this "Profit Forecast" section together with the report set out in Appendix A to this Prospectus "Independent Accountants' Report on the Profit Forecast".

However, the Independent Accountants have neither examined nor compiled the profit forecast for purposes of its inclusion in the offering document provided to U.S. investors and, accordingly, the Independent Accountants do not express an opinion or any other form of assurance with respect thereto.

FSL Trust's financial statements will be prepared in accordance with IFRS, which differs in certain significant aspects from generally accepted accounting principles in certain other countries. The significant differences between IFRS and U.S. GAAP as they relate to FSL Trust are described under "Summary of Significant Differences between IFRS and U.S. GAAP".

The profit forecast was not prepared as a forecast in compliance with the published guidelines of the American Institute of Certified Public Accountants regarding forecasts.

FORECAST CONSOLIDATED PROFIT AND LOSS ACCOUNTS (Unaudited)

	Forecast Period 2007 (1 February 2007 to 31 December 2007)	Annualised Forecast for 2007
	US$ million* Based on Offering Price	
Net lease income	42.5	46.4
Interest income	0.2	0.2
Depreciation	(30.8)	(33.6)
Management fees	(1.7)	(1.9)
Other trust expenses[1]	(1.2)	(1.3)
Financing costs	(0.9)	(1.0)
Profit before tax	8.1	8.8
Income tax expense[2]	-	-
Profit after tax	8.1	8.8
Add:-		
Depreciation	30.8	33.6
Amortization of debt upfront fees	0.2	0.2
Distributable amount	39.1	42.6
Issue price	US$0.9800	US$0.9800
Number of Units (million)	500.0	500.0
Distribution per Unit	US$0.0781	US$0.0852
Annualised distribution yield (%)	8.69%	8.69%

* Except for the issue price and distribution per unit.

Notes:

(1) Comprise recurring annual trust expenses including trustee fee, annual listing fee, registration fees, audit and tax advisory fee, independent directors' fees and directors' and officers' insurance for the Trustee-Manager's directors, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs and other miscellaneous expenses.

(2) Amount is negligible.

Assumptions

The Trustee-Manager has prepared the consolidated profit forecasts for the Forecast Period 2007 (1 February 2007 – 31 December 2007 and the Annualized Forecast for 2007) based on the Offering Price and the following assumptions. The Trustee-Manager considers these assumptions to be appropriate as at the date of this Prospectus. However, investors should consider these assumptions as well as the profit forecasts and make their own assessment of the future performance of FSL Trust.

1. Lease income contribution by Vessels

Lease income comprises bareboat lease income derived from the leasing of the Vessels under the Lease Agreements, which is fixed during the base lease term. The forecast lease income of the Vessels based on the Lease Agreements is as follows:

Vessels	Daily bareboat charter rate	Contribution to Lease Income for the Forecast Period 2007		Contribution to Lease Income for the Annualised Forecast Period 2007	
		US$ million	(%)	US$ million	(%)
Cumbrian Fisher	US$5,277	1.8	4.2	1.9	4.2
Clyde Fisher	US$5,318	1.8	4.2	1.9	4.2
Shannon Fisher	EUR 3,420	1.5	3.5	1.6	3.5
Solway Fisher	EUR 3,539	1.5	3.5	1.7	3.5
YM Subic	EUR 6,422	2.8	6.6	3.1	6.6
Cape Falcon	EUR 6,422	2.8	6.6	3.1	6.6
Ever Renown	US$16,021	5.4	12.6	5.9	12.6
Ever Repute	US$16,021	5.4	12.6	5.9	12.6
Pertiwi	US$13,036	4.3	10.3	4.7	10.3
Pujawati	US$12,692	4.2	10.0	4.6	10.0
Prita Dewi	US$13,048	4.4	10.3	4.8	10.3
Fomalhaut	US$9,900	3.3	7.8	3.6	7.8
Eltanin	US$9,900	3.3	7.8	3.6	7.8
Total		42.5	100.0	46.4	100.0

Under the terms of the Lease Agreements, all operating costs will be borne by the respective lessees. (See "Certain Agreements relating to FSL Trust and the Vessels – Lease Agreements").

2. Depreciation

Vessels are recorded at cost. Depreciation of the cost of a vessel less its residual value is recognized in the profit and loss account on a straight-line basis over the remaining useful life to FSL Trust.

The estimated residual values of the Vessels range from US$5.0 million to US$22.5 million.

3. Management Fees

Pursuant to the Trust Deed, the Trustee-Manager is entitled to Management Fees comprising 4.0% of the cash lease rentals, net of any other commissions or deductions by third parties. Management Fees are payable in the form of cash and/or units (as the Trustee-Manager may elect). Where Management Fees is paid in cash, the amount is paid monthly, in arrears. Where Management Fees is paid in the form of units, the amount is paid quarterly, in arrears.

(See "The Trustee-Manager – Fees and Charges Payable to the Trustee-Manager" for further details).

4. Other trust expenses

Other trust expenses comprise annual recurring trust expenses, including trustee fee, independent directors' fees and directors' and officers' liability insurance for the Trustee-Manager's directors, contingent passive vessel insurance, annual listing fees, registration fees, audit and tax advisory fees, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs and other miscellaneous costs.

Pursuant to the Trust Deed, the Trustee-Manager is entitled to a trustee fee comprising 0.02% per annum of the value of the Trust Property to be paid in cash. The trustee fees for the Forecast Period 2007 and annualized Forecast Period for 2007 are expected to be US$0.08 million and US$0.09 million, respectively.

(See "The Trustee-Manager – Fees and Charges Payable to the Trustee-Manager" for further details).

Included in other trust expenses are forecast independent directors' fees payable to the independent directors of the Trustee-Manager amounting to US$0.15 million per annum, subject to annual review.

5. Financing costs

Financing costs comprise the amortization of the credit facility upfront fee to be paid on the US$250 million term credit facility, the commitment fee and other related charges on the term credit facility.

The Trustee-Manager has assumed the financing costs as described above to be approximately 0.41% per annum of the term credit facility of US$250 million. Such financing costs will apply to the extent and for so long as the facility is not utilized and comprise (i) commitment fee of 0.30% per annum; (ii) amortization of the upfront fee at 0.09% per annum; and (iii) annual fees payable to the facility agent and collateral agent at 0.02% per annum. The Trustee-Manager has also assumed that there will not be any draw-down of the term credit facility during the Forecast Period 2007.

6. Unit issue costs

The costs associated with the issue of the Units will be paid for by FSL Trust. These costs are charged against Unitholders' funds in the balance sheet and have no impact on the pro forma consolidated profit and loss accounts or distributions.

7. Vessels

Based on the Offering Price of US$0.98, the total vessels' fair value at the time of acquisition is US$471.4 million. For the purposes of the Forecast Period 2007, no capital expenditure is forecasted. Any subsequent impairment of the Vessels will not affect the forecast distributions per Unit for the Forecast Period 2007 and the Annualised Forecast Period for 2007 because impairment losses recognised on the Vessels are non-cash items and are added back in arriving at FSL Trust's cash available for distribution.

8. Taxation

FSL Trust, by virtue of its Approved Ship Investment Enterprise status under the Maritime Finance Incentive (MFI), would be able to enjoy tax exemption on dividend income received from the Marshall Islands SPCs, which are Approved Special Purpose Vehicles (ASPVs) under the MFI. The dividend income received from the Singapore ASPVs would be tax exempt under the one-tier corporate tax system. Local and foreign interest income remitted into Singapore would not be tax exempt and are subject to tax at the prevailing corporate tax rate of 18%.

Please refer to the "The Trustee-Manager – Maritime Finance Incentive" and "Taxation" sections for detailed discussions on these tax issues.

9. Derivatives

Four of the leases have rentals that are denominated in Euro ("€"). These lease rentals are assumed to be converted into US$ under cross currency swaps at the rate of €0.77 per US$.

10. Accounting standards

The Trustee-Manager has assumed that there will be no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast profit.

Significant accounting policies adopted by the Trustee-Manager in the preparation of the Profit Forecast 2007 and the Annualized Profit Forecast for 2007 are set out in Appendix C, "The Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date".

11. Other Assumptions

The Trustee-Manager has made the following additional assumptions in preparing the profit forecast for the Forecast Period 2007 and the Annualised Forecast Period 2007:

- that the vessel portfolio remains unchanged throughout the periods;
- that no further capital will be raised during the periods;
- that no allowance for doubtful debts receivables is required;
- that no incentive fees are payable to the Trustee-Manager;
- where derivative financial instruments are undertaken by FSL Trust, there is no change in fair values of the derivative instruments during the Forecast Period 2007 and the Annualised Forecast for 2007;
- that the exchange rates are assumed to be at US$1.00: S$1.56 and US$1.00: €0.77;
- surplus cash is assumed to be invested in short-term deposits ranging from one to three months, generating interest income at 2.5% p.a.;
- that there will be no change in taxation legislation or other applicable legislation;
- that all bareboat lease agreements are enforceable and will be performed in accordance with their terms; and
- that 100.0% of the Distributable Amount will be distributed on a quarterly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO FORMA FINANCIAL CONDITION

You should read the following discussion and analysis together with the unaudited pro forma consolidated balance sheet and related notes included elsewhere in this offering memorandum. This discussion includes forward-looking statements which, although based on assumptions that the Trustee-Manager considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward-looking statements. For a discussion of some of those risks and uncertainties, see the sections entitled "Forward-Looking Statements" and "Risk Factors".

FSL Trust's unaudited pro forma consolidated balance sheet is prepared in accordance with IFRS, which differs in certain significant aspects from generally accepted accounting principles in certain other countries. The significant differences between IFRS and U.S. GAAP as they relate to FSL Trust are described under "Summary of Significant Differences between IFRS and U.S. GAAP".

Overview

First Ship Lease Trust ("FSL Trust") is a Singapore business trust registered by the MAS on 22 February 2007. Its primary objective is to invest in diverse ocean-going vessels via SPCs, that are leased to international lessees pursuant to long-term bareboat charters. The lessees are expected to include international shipping companies and end-users. FSL Trust has no history of operations as it will acquire its initial portfolio of vessels upon the completion of this Offering.

FSL Trust intends to use the net proceeds of this Offering to purchase from the Sponsor 13 SPCs, each owning a vessel with an existing bareboat charter meeting FSL Trust's required criteria. This initial portfolio will comprise four product tankers, three chemical tankers, four containerships and two dry bulk carriers (collectively the "initial portfolio"). FSL Trust has entered into agreement(s) to purchase these 13 SPCs, subject to the completion of this Offering.

The strategy of FSL Trust and its SPCs is to generate a stable stream of revenues through fixed long-term lease arrangements with third-party international lessees. Every lease agreement will commence with the delivery of the respective vessel. Cash income arising from the lease rental streams distributed by the SPCs to FSL Trust will in turn be distributed quarterly to Unitholders after deducting operating expenditures and loan repayments.

As a business trust, FSL Trust is able to declare and pay distributions to Unitholders out of its cash flows. FSL Trust is not required to limit its distributions to its accounting profits as required of Singapore limited companies in respect of dividend payments.

As FSL Trust and its SPCs will be managed by the Trustee-Manager, FSL Trust will pay the Trustee-Manager various fees and expenses which will affect its results of operations from period to period. In particular, the Trustee-Manager will receive a management fee of 4.0% of cash lease rental, net of any other commissions or deductions by third parties. In addition, the Trustee-Manager will receive an incentive fee based on the DAU growth of FSL Trust as well as certain other fees. (See "The Trustee-Manager – Fees Payable to the Trustee-Manager" for further details of all fees payable to the Trustee-Manager).

On 15 February 2007, the Trustee-Manager on behalf of FSL Trust has entered into a US$250 million non-amortising Credit Facility with a group of lenders through their Singapore branches. (See "The Credit Facility"). The Trustee-Manager believes it is important to have a credit facility in place so as to enable FSL Trust to acquire vessels in order to grow the portfolio in a manner that is accretive to its DPU. The Credit Facility would provide the Trustee-Manager with the necessary financing and allow the Trustee-Manager to focus on sourcing for potential lease transactions. In addition, the Credit Facility would provide an efficient avenue in order for FSL Trust to fully finance future acquisitions as the Credit Facility is collaterised by the initial portfolio of 13 vessels and future vessels acquired through this facility.

Factors Affecting FSL Trust's Results

Payment by Lessees

FSL Trust's leases are structured on a "hell and high water" basis. (See "Business – Leases" for description of "hell and high water"). Once the lease is entered into, FSL Trust will generally be assured of receiving the monthly lease income throughout the lease term regardless of the prevailing economic or market conditions, or shipping cycle in which the lessee is in. However, poor economic and market conditions and other factors may give rise to a payment default by the lessee. Such defaults will reduce the cash income received by FSL Trust and consequently reduce cash available for distribution to Unitholders.

Payment default under the lease, if not cured, may lead to repossession of the vessel. (See "Redeployment of vessels at expiry of lease term or default" below).

For further details on payments by lessees under lease agreements, please see "Business – The Portfolio – Charters and Lessees".

Number of vessels in the portfolio

The level of revenues generated by FSL Trust is determined primarily by the number of vessels with bareboat charters in its portfolio. Lease revenues increase as the portfolio increases. Similarly, when the vessels are sold or purchased by the lessees under purchase options or early buyouts, lease revenues will fall.

With the committed Credit Facility in place, FSL Trust will have the capacity to finance the initial growth in the portfolio by up to US$250 million worth of vessels without raising further equity or additional debt. The enlarged portfolio will enable FSL Trust to grow the lease revenues. In the event the Credit Facility is fully drawn, FSL Trust will seek to acquire more vessels by raising capital from the private or public debt and equity markets depending on economic conditions at that time.

Lease Rates

In addition to the number of vessels in its portfolio, the lease rental rates that FSL Trust is able to derive from the lease of the vessels directly contribute to the revenue growth.

The lease rates are dependent on, among other things, the cost of the vessels. Factors that affect vessel costs include the age, the size and the type of the vessels. Although lease rates are negotiated on a case-by-case basis and various factors may affect individual leases to different extents, generally speaking, a higher vessel cost will generally result in higher lease rates. In addition, lease rates may generally be higher where (i) interest rates are higher (as this would result in increased financing costs), (ii) residual values are lower (as the lessor would take into consideration the amount needed to recover their overall investment in the vessel), (iii) lease tenures are shorter (as this would result in a shorter time frame for the lessor to recover their overall investment in the vessel); and (iv) creditworthiness of the lessee is poorer (as the lessor would take into consideration an acceptable compensation value given the risk of default by the lessee).

Once the rate for a particular lease transaction is fixed, it will in most cases remain fixed for the entire base lease term.

Redeployment of vessels at expiry of lease term or default

When a lease matures after its base lease term or, in certain leases, at the expiry of the extension period, the vessel will either be purchased by the lessee exercising its purchase option or returned to FSL Trust. A vessel may also be repossessed in the event of a lessee default. When a vessel is returned upon the maturity of the lease or repossessed, the Trustee-Manager will seek to redeploy the vessel in the most profitable manner depending on the market condition for the particular vessel type. Its objective would be finding re-employment for the vessel so as to generate similar or better cash flows in order to maintain or increase the cash lease income to Unitholders. The Trustee-Manager's ability to redeploy the vessel will depend on, among other factors, the then prevailing economic conditions in the relevant market at that time. If the lease rental under the new lease is lower, or the Trustee-Manager is unable to find suitable employment for the vessel, FSL Trust's income from its leases would be adversely affected and consequently would impact the cash available for distribution to Unitholders.

If the lessee chooses to exercise its purchase option, the Trustee-Manager will seek to apply the proceeds from the sale of the vessel to procure other vessels subject to long-term leases. Similarly, if the new lease agreements result in lower lease rentals or the Trustee-Manager fails to procure suitable vessels subject to long-term leases that meet FSL Trust's criteria, then FSL Trust's income from its leases would be adversely affected and consequently the cash available for distribution to Unitholders will be reduced. If the Trustee-Manager is unable to procure another vessel within an appropriate timeframe, it will either distribute the cash to Unitholders or repay its indebtedness.

Cyclical nature of the Shipping industry

The shipping industry is cyclical and may vary even within the different sub-sectors of the industry. In a rising market where ship owners and operators have greater financial resources, the demand for FSL Trust's long-term structured lease products may be reduced. This is because the ship owners and operators would have the financial capacity to acquire vessels and entering into a long dated lease agreement may not be an attractive alternative to them. However, FSL Trust may still find opportunities with lessees who would prefer to book their vessels off-balance sheet and those who wish to allay the residual risk of vessels to a third party.

Interest rate environment

The interest rate market, in particular the US$ interest rates, may have a direct and indirect impact on FSL Trust's financials. A rising interest rate market will lead to higher interest expense on the loans drawn under the Credit Facility or additional loans that FSL Trust may undertake through the Trustee-Manager. FSL Trust will seek to hedge its interest rate risk exposure once a loan is drawn using a floating to fixed interest rate swap. In a rising interest rate environment where the expectation is for interest rates to rise further, FSL Trust may enter into a fixed rate swap where the swap premium is high. This will lead to higher interest expense.

In a low interest rate market, potential lessees may have cheaper financing options vis-à-vis a lease financing offered by FSL Trust to fund the acquisition of their vessels. This may have an indirect impact on the demand for FSL Trust's long-term lease products.

Taxation & Maritime Finance Incentive

The Marshall Islands SPCs are not subject to tax on their income in their jurisdiction. For the Singapore-incorporated SPCs and FSL Trust, tax exemption is granted on their qualifying income under the MFI scheme. If a change in taxation laws of the Marshall Islands and/or Singapore occurs, the cash available for distribution to Unitholders may be reduced. (See "The Trustee-Manager – Maritime Finance Incentive" for further details).

Liquidity and Capital Resources

FSL Trust's primary source of funds for distributions to Unitholders and payment of expenses will be derived from net cash generated from operations, primarily rental streams from the fixed long-term lease arrangements. In addition, a working capital of US$3 million will be provided as part of the application of the proceeds from this Offering. This amount is forecasted to be sufficient for FSL Trust's requirements for the near term.

In terms of acquisition of future vessels subject to long-term leases, a wholly-owned special purpose subsidiary of FSL Trust will be created to own each vessel and to lease that vessel to an international lessee. The subsidiary will be funded by FSL Trust to acquire the vessel. Future vessel acquisitions will be financed with drawdowns under the Credit Facility. Please refer to "The Credit Facility" for a description of terms under the Credit Facility and the related financial covenants.

FSL Trust's distribution policy will impact its liquidity needs. (See "Distributions and Subordination" for further information on the distribution policy).

Gain/Loss on disposal of vessels

In the event that the lessee does not exercise its purchase option and the Trustee-Manager considers that it is in the best interest of FSL Trust to sell the vessel, FSL Trust may account for a gain or loss on the sale of the vessel in its profit and loss account. If the proceeds from the sale of the vessel are higher than the book value of the vessel at the time of the sale, a gain will be recorded and if the proceeds are lower than the book value of the vessel at the time of the sale, a loss will be recognised.

Quantitative and Qualitative Disclosure of Market Risk

Credit Risk

FSL Trust's income is derived from the lease income on its vessels. Accordingly, FSL Trust is dependent on the due performance by the lessees of their respective obligations under the bareboat charters, and a default or delay by a lessee in the payment of the lease income, or other failure by a lessee to perform its obligations under a bareboat charter, could result in a loss of income by FSL Trust. (See "Business – Risk Management").

Interest Rate Risk

Amounts drawn under the Credit Facility are predicated on a floating interest rate that fluctuates with the London Inter-Bank Offered Rate, or LIBOR. (See "The Credit Facility"). This facility, which allows multiple draw-downs, will be used to acquire additional vessel(s) with lease(s) attached. Changes in interest rates could impact future earnings. To mitigate this volatility, FSL Trust will seek to hedge and swap the floating interest rates to fixed rates using an interest rate swap.

Based on a loan of US$250 million, a ±1% change in interest rate will result in ±US$2.5 million in interest expense per annum.

Foreign Exchange Rate Risk

FSL Trust's functional currency is the US$. FSL Trust's policy is to hedge all non-US$ denominated leases into US$ in an effort to achieve a stable US$ denominated income stream. Based on the initial portfolio, nine out of 13 leases are denominated in US$, whilst the remaining four leases are denominated in EUR. In order to mitigate the foreign exchange rate risk upon conversion of the EUR lease rentals to US$ throughout the lease term, FSL Trust will enter into cross currency swaps at the time of the Offering to convert the EUR lease rentals into US$. In the event that any of these lessees default on their EUR lease rental payments, FSL Trust will be exposed to the US$/EUR foreign exchange rate risks as FSL Trust will need to fulfil its obligations under the respective cross-currency swaps.

In terms of cash operating expenditure, most of FSL Trust's expenditure items are US$ based. There may be a small proportion of SGD expenditure on which the foreign exchange risk impact will be immaterial.

Inflation

As FSL Trust's vessels will be subject to bareboat charters, FSL Trust does not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment as direct expenses would be borne by the lessee of the vessels rather than FSL Trust.

Off-Balance Sheet Arrangements

As of the date of this Prospectus, FSL Trust does not have any off-balance sheet arrangements.

Contractual Obligations

At the time of the Offering, a contractual obligation to which FSL Trust will be subject, through the Trustee-Manager, is the obligation under the Credit Facility. Other than that, the only contractual obligations to which FSL Trust will be subject are various payment obligations under the Trust Deed and payment obligations under EUR/US$ cross-currency swap contracts which certain of the SPCs will be party to. (See "The Credit Facility" and "The Trustee-Manager – Fees Payable to the Trustee-Manager").

Critical Accounting Policies

FSL Trust's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS"), which require the use of estimates and judgements in the application of accounting policies. Set out below is a discussion of the accounting policies that involve a high degree of judgement and the methods of their application. For a further description of the significant accounting policies, please refer to Appendix C, "The Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date".

Lease and Revenue Accounting

FSL Trust accounts for leases in accordance with International Accounting Standards No. 17 which describes the accounting for both finance and operating leases. Generally a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Leases which exhibit one or more of the following situations are typically classified as finance leases:

(a) the lease transfers ownership of the vessel to the lessee by the end of the lease term;

(b) at the inception of the lease, the lessee has a bargain purchase option at which the lessee is reasonably expected to exercise;

(c) the lease term accounts for the major part of the economic life of the vessel even if title is not transferred;

(d) at the inception of the lease, the present value of the lease rentals amounts to at least or substantially all of the fair value of the vessel; and

(e) the vessels are of such a specialised nature that only the lessee can use them without major modifications.

An operating lease is a lease other than a finance lease.

If the lease is classified as an operating lease, the vessel cost is capitalized in the lessor's books. The lease rentals are recorded as income during the period they are earned.

Direct costs incurred in negotiating an operating lease are added to the carrying amount of the vessel and recognized over the lease term on the same bases as rental income.

If the lease is classified as a finance lease, the vessel cost is not capitalized in the lessor's books. Instead, the gross lease rentals plus the unguaranteed residual value ("gross investment") is recognized as a receivable in the balance sheet. The unearned interest (difference between the gross investment and the vessel cost) is capitalized and amortized as finance income over the lease term.

Direct costs incurred in negotiating a finance lease are reduced from the unearned interest and amortized over the lease term.

All 13 leases to be acquired by FSL Trust for this Offering are classified as operating leases. The base lease term of the vessels ranges from nine to 12 years.

Lease rentals are generated from the long-term bareboat charters for each vessel and commence as soon as the vessel is delivered. For each lease, the lease rentals are fixed throughout the base lease term.

Depreciation and Residual Values

Vessels are stated at cost less accumulated depreciation and impairment losses. Depreciation of the cost of a vessel less its residual value is recognized in the profit and loss account on a straight-line basis over the remaining useful life to FSL Trust.

Residual values are estimated based on the average historical values of similar vessels of the respective vintage.

For finance leases, the vessel is derecognized and accordingly, no depreciation will be recorded.

Impairment

The carrying amounts of FSL Trust's vessels will be assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the vessels will be estimated.

An impairment loss is recognized whenever the carrying amount of the vessel exceeds its recoverable amount. All impairment losses will be recognised in the profit and loss account.

FSL Trust will conduct an impairment review on a vessel by vessel basis.

BUSINESS

OVERVIEW

FSL Trust was established to provide long-term non-tax driven leasing services across major maritime segments. Specifically, FSL Trust engages in the business of providing leasing services on a bareboat charter basis to the international shipping industry, and owns and invests in a portfolio of lease assets across various sub-sectors of this industry. All of FSL Trust's assets are currently leased to international ship operators on operating leases. Under the terms of the leases over the vessels which are in the form of bareboat charters, the lessee has possession of the assets and pays rent to the lessor of the asset for the right to use the asset. FSL Trust may also lease its assets under finance leases in the future. FSL Trust's main objective is to derive a stable income stream from its portfolio of lease assets.

The lease assets in FSL Trust's portfolio will comprise long-term bareboat charters of a diverse range of commercial ocean-going transportation vessels to customers. Under a bareboat charter, the shipowner leases the vessel to another company (the lessee) for a pre-agreed period and at a daily hire rate. The lessee is responsible for the costs associated with operating the vessel and for payment of the lease hire.

Upon the completion of this Offering, FSL Trust will acquire 13 SPCs from the Sponsor, with each SPC owning one vessel which is subject to a long-term bareboat charter. The vessels to be acquired by FSL Trust through the SPCs will comprise four containerships, four product tankers, three chemical tankers and two dry bulk carriers with an average vessel age of approximately five years, and bareboat charters with an average remaining term of approximately nine years (excluding extensions and early buyout options).

In the future, FSL Trust intends to seek additional accretive leasing transactions, in order to grow its business and increase DPU.

FSL Trust is managed by the Trustee-Manager, which will provide management services to FSL Trust. The Trustee-Manager will be responsible for safeguarding the interests of Unitholders and for investment and financing strategies, asset acquisition and disposal policies, and the overall management of the business of FSL Trust.

KEY INVESTMENT HIGHLIGHTS

The Trustee-Manager believes that an investment in FSL Trust will offer the following highlights for Unitholders:

Attractive and stable distribution yield from initial portfolio

FSL Trust's initial portfolio of lease assets will comprise long-term bareboat charters of vessels held by special purpose holding companies to be acquired from the Sponsor following the completion of the Offering (the "Vessels"). This initial lease portfolio is forecasted to have an annualised distribution yield of 8.69% for the remainder of 2007 based on the Offering Price. (See "Profit Forecast"). As the leases are structured on what is commonly known as a "hell and high water" basis and provide for long-term fixed-rate charters, the distribution yield on FSL Trust's initial portfolio is expected to be protected against shipping cycle risk in the longer term. Please refer to "Business – The Portfolio" on "Charters and Lessees".

FSL Trust only intends to acquire vessels that have long-term bareboat charters in place at the time of acquisition. Under the terms of each lease, the lessee will have possession and control of the vessel for a fixed period of time and the lessee will be liable to pay a monthly fixed amount of lease hire to FSL Trust and to bear all operating costs and expenses incurred in the operation of the vessel during the tenure of the lease.

In an effort to achieve a long-term stable flow of income, the initial leases have base lease terms of between nine and 12 years, some of which provide an option for the lessee to extend the lease by an additional three to five years. All the leases commenced within the last 26 months and have remaining lease periods ranging from seven to 12 years, with the average remaining lease having a duration of approximately nine years (excluding lease extension and early buyout options). As of the Latest Practicable Date, the total contracted lease revenues for the remaining base lease periods are approximately US$446 million. Certain of such leases have early buyout options and even after factoring in such early buyout options, the remaining average duration of the leases would be approximately seven years.

Focus on DPU growth through accretive acquisitions

Led by a management team with a strong growth track record, the Trustee-Manager is focused on achieving accretive DPU growth by entering into additional long-term leases. This will be facilitated by a debt-free capital structure as at the Listing Date, together with a US$250 million seven-year bullet term credit facility available to finance future acquisitions. (See "The Credit Facility"). Furthermore, the Sponsor has agreed to subordinate its right to distributions in respect of 50% of its Units as at the Listing Date, and the Trustee-Manager has agreed to subordinate its Management Fees, during the subordination period (as further described in "Distributions and Subordination") so as to support an annualised DAU growth of 5% in the first half of 2008, 10% in the second half of 2008 and 15% in the first half of 2009, in excess of the annualized quarterly forecasted DPU of 2.13 US Cents in 2007. (See "Distributions and Subordination" for further details on such subordination).

Diversified lease portfolio

FSL Trust will have a modern high quality portfolio of vessels, which will, as at the Listing Date, be diversified across five customers and four shipping sub-sectors, i.e. product tankers, chemical tankers, dry bulk carriers and containerships. The Vessels are certified by Classification Societies which are members of IACS, in an effort to achieve quality in the design and build of the vessels. As of the Latest Practicable Date, the average age of vessels to be included in the initial portfolio will be approximately five years with no vessel older than 13 years, as compared to the average global fleet age of approximately 15 years. (See "Industry"). Vessels in general are expected to have useful commercial lives of approximately 25 to 30 years. As a result, FSL Trust will have a relatively young fleet of vessels in its portfolio which are expected to provide a long-term stable stream of lease income. Subsequent to the acquisition of the initial portfolio, the Trustee-Manager intends to continue to maintain a modern high quality portfolio of vessels for FSL Trust.

Based on the initial portfolio, no single shipping sub-sector is expected to account for more than 38% of the forecast revenues of FSL Trust for 2007 and no individual lessee is expected to account for more than 30% of the forecast revenues of FSL Trust for 2007. This diversification reduces the exposure of FSL Trust's initial portfolio to a particular sector of the market or individual lessee. Going forward, FSL Trust intends to continue to maintain, within its overall risk management policies, a portfolio of lease assets which are diversified across different lessees and sub-sectors of the shipping industry. (See "Business – Strategy").

Strong management and commitment of Sponsor

The management of the Trustee-Manager has demonstrated a strong growth track record, as evidenced by the creation, since 2004, of the portfolio comprising 13 lease assets with aggregate lease revenues of approximately US$486 million. The Executive Officers have an average of approximately 15 years of experience in structured finance, ship financing and the operational and commercial aspects of the shipping industry and have built up a wide network of contacts with both the customers and intermediaries in the finance and shipping industries. The structure of the fees payable to the Trustee-Manager, comprising a base fee structured as a percentage of lease revenue and an incentive fee based on DAU growth, serves to align the interests of the management with those of the Unitholders. (See "The Trustee-Manager – Fees Payable to the Trustee-Manager").

In addition, the main beneficial shareholders of the Sponsor, Schoeller Holdings Ltd., HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG, will be committed to FSL Trust through their active participation as members of FSL Trust's Investment Advisory Committee which leverages on the Sponsor's experience and contacts in the ship financing industry. (See "The Trustee – Manager – Investment Advisory Committee"). The Sponsor has also given an undertaking in favour of FSL Trust, not to compete in the business of FSL Trust, namely, the financing of lease or shipping assets through long-term bareboat charters. In connection with the Offering, the Sponsor will further demonstrate its commitment to FSL Trust by subscribing for Units at the Offering Price for a total post-IPO stake of 32% (assuming that the Over-allotment Option is not exercised), representing an investment of US$156.8 million. To provide support for FSL Trust's distributions on the Units during the period commencing from the Listing Date to 30 June 2009 ("the Subordination Period"), the Sponsor has agreed to subordinate its entitlement to dividend distributions in respect of 50% of its Units (the "Subordinated Units") during the Subordination Period as described. (See "Distributions and Subordination"). These Subordinated Units will be subject to a lock-up during the Subordination Period. (See "Plan of Distribution").

Robust risk management practices

The Trustee-Manager has developed a set of proprietary internal risk management protocols that it believes will enable it to manage the risk profile of the overall portfolio, as well as individual transactions. These include the identification, assessment and pricing of risks prior to a potential transaction, monitoring of on-going risks following the execution of a transaction and hedging of risks associated with a transaction. These protocols have been internally developed in line with what the Trustee-Manager believes to be good international market practice. The risk management function is independent of the sales function of the Trustee-Manager and is necessary for the approval of any acquisition or transaction. The Trustee-Manager's risk management criteria give priority to long-term cash flow security from the lease over capital gains considerations. These protocols were also used by the Sponsor for its portfolio and, since inception, the Sponsor has not experienced any default or delays in lease payments in its portfolio. (See "Business – Risk Management").

No Singapore tax on distributions to Unitholders

The distributions made by FSL Trust to Unitholders will be free of Singapore withholding tax or tax deduction at source, in view that FSL Trust, being a registered business trust, is treated like a company under the one-tier corporate tax system for Singapore income tax purposes. Such distributions made out of surplus cash flows of FSL Trust will also be exempt from Singapore income tax in the hands of all Unitholders regardless of whether they are corporate or individual Unitholders. (See "Taxation" and Appendix D, "Independent Taxation Report", for further information on the Singapore income tax consequences of the purchase, ownership and disposal of the Units).

COMPETITIVE STRENGTHS

The Trustee-Manager believes that FSL Trust benefits from the following competitive strengths:

Well positioned in the growing non-tax driven ship leasing market

According to Marine Money International, the non-tax driven ship leasing market has grown at a compound annual growth rate ("CAGR") of 24.6% during 2003 to 2006 and is estimated at a size of approximately US$4.72 billion in 2006. (See "Industry"). The Trustee-Manager believes that FSL Trust is well-positioned to take advantage of the growing market. Focused exclusively on the long-term bareboat charter market, the Sponsor believes that it has established credibility and a strong brand name as a specialist in this field. This is evidenced by its track record of having created, since 2004, the initial portfolio to be acquired by FSL Trust, comprising 13 lease assets with aggregate lease revenues of approximately US$486 million. Following the transfer of the initial portfolio to FSL Trust, the Trustee-Manager intends to continue to leverage on the relationships with and reputation of the Sponsor and its substantial shareholders to continue to grow its business.

FSL Trust's competitive position is further enhanced by the establishment of its operational headquarters in Singapore, which the Trustee-Manager believes is rapidly developing into one of the world's key ship finance centres, and enables FSL Trust to tap into the growing ship leasing demand in Asia. The Singapore headquarters is supported by a marketing office in Switzerland to exploit market opportunities outside of Asia.

Flexibility in structuring transactions

Besides lease pricing, the Sponsor believes that the other key success factor in writing ship leases is lease structuring flexibility. Given FSL Trust's targeted conservative capital structure (see "Business – Strategy"), the absence of any transaction restrictions arising from tax structuring requirements and the flexible bareboat charter model, the Trustee-Manager believes that FSL Trust can offer its lessees greater structuring flexibility, in the form of customised purchase options, early buyout options, extension options and vessel-flagging options, all of which are features in the leases in the initial portfolio.

Strong support from the Sponsor and its substantial shareholders

The substantial shareholders of the Sponsor include HSH Nordbank (through its subsidiary, Godan GmbH), which is the world's largest ship mortgage lender, Bayerische Hypo- und Vereinsbank (through its subsidiary Beteiligungs- und Handelgesellschaft in Hamburg mit beschrankter Haftung), which is one of the largest ship finance banks in the world and, Schoeller Holdings (through its subsidiary, Schoeller Investments Ltd), a large privately held company with its core activities in ship owning, ship management and liner services. Schoeller Holdings is also the holding company of Columbia Shipmanagement, which is one of the world's largest ship management companies. (See "Industry"). As a result of its relationship with the Sponsor, the Trustee-Manager is able to leverage on the network and industry contacts of, as well as cross-referrals and customer referrals from, the Sponsor and its substantial shareholders. The Sponsor, together with its substantial shareholders, will also be committed to FSL Trust through their participation as members of FSL Trust's Investment Advisory Committee which leverages on the Sponsor's experience and contacts in the ship financing industry. (See "The Trustee-Manager – Investment Advisory Committee"). In addition, FSL Trust will also benefit from preferential access to Columbia Shipmanagement, which provides the Trustee-Manager with technical support (principally relating to the physical inspection of vessels) in its vessel acquisition and ongoing inspection process as well as asset management capabilities for redelivered vessels that are not leased out on a bareboat charter basis. The fees charged to FSL Trust by Columbia Shipmanagement for their services are similar to the fees for similar services that the Trustee-Manager expects will be charged by independent third party service providers. Each of HSH, HVB, Schoeller and Philip Clausius CEO of the Trustee-Manager has given an undertaking not to dispose of their shares in the Sponsor for a period of 12 months commencing from the Listing Date.

Extensive shipping expertise and wide networking contacts of the Management

FSL Trust is able to benefit from the extensive experience of the management team of the Trustee-Manager. The team is growth-oriented but adopts a disciplined and prudent approach to investments, requiring each investment to be subject to its internal risk management protocols before execution. The Executive Officers have an average of approximately 15 years of experience in structured finance, ship financing and the operational and commercial aspects of the shipping industry. Through their years of experience, the Executive Officers have built up a wide network of contacts with both the customers and intermediaries in the finance and shipping industries. In particular, the CEO and the Executive Officer of the Trustee-Manager, Philip Clausius and Ronald Anthony Dal Bello respectively, have wide contacts within the ship financing industry and extensive experience in originating, structuring and executing ship leasing transactions and were primarily responsible for growing the portfolio of the Sponsor since inception.

No conflict of interests with potential lessees

The Trustee-Manager believes that following the completion of the Offering, the unitholder base of FSL Trust will be such that it is unlikely that FSL Trust will be majority-controlled by any ship operator. In addition, FSL Trust does not engage or intend to engage in any ship operating activities. On the basis of the foregoing, the Trustee-Manager expects that FSL Trust is likely to be perceived in the ship finance market as a ship leasing provider that is independent from any ship operator. The Trustee-Manager believes that this is advantageous to FSL Trust as potential lessees will not view FSL Trust as a competitor operating in the same market.

Competitive capital structure and cost of capital post-Offering

FSL Trust's competitive position is enhanced by a debt-free capital structure following the Offering which provides substantial financial flexibility and the ability to incur a substantial amount of debt to grow its vessel portfolio. To this end, the Trustee-Manager believes that the US$250 million Credit Facility will enable FSL Trust to pursue its acquisition strategy and grow the asset base of the initial portfolio by approximately 50% in value without raising further equity capital. (See "The Credit Facility"). In addition, as a publicly listed vehicle, the Trustee-Manager expects that FSL Trust will have access to a larger pool of competitively priced funding options.

STRATEGY

FSL Trust seeks to become the leading provider of leasing services on a bareboat charter basis to the international shipping industry. To achieve this, the Trustee-Manager will focus on rapidly growing the vessel portfolio of FSL Trust through accretive acquisitions with long-term bareboat charters. The key elements of its strategy are:

Drive rapid growth in the portfolio

The Trustee-Manager believes that there is substantial market potential for customers to enter into bareboat lease agreements with FSL Trust due to its ability to be flexible in meeting its customers' asset finance considerations and to offer customized solutions. Therefore, the Trustee-Manager intends to actively grow the portfolio of FSL Trust through acquisitions of vessels with long-term bareboat charters that it believes will be accretive to DPU and to maintain a balanced portfolio. The Trustee-Manager believes that it is well placed to drive rapid growth in the portfolio of FSL Trust and intends to do so through its strategically located sales offices in Singapore and Switzerland. It will leverage on the network of relationships of the Sponsor and its shareholders, and its strong relationships with shipping industry intermediaries to provide it with access to potential customers.

Focus on long-term bareboat charters

Shipping is a capital intensive industry. The world fleet is currently under a process of renewal and growth which requires the commitment of substantial funds. The ability of shipowners to access different forms of financing, including lease financing of the type offered by FSL Trust has grown significantly in recent years. (See "Industry"). The Trustee-Manager believes that long-term bareboat charters have the benefit of eliminating exposure to volatility in spot or short-term time charter rates during the charter period, whilst also protecting against escalation in voyage and vessel operating costs such as fuel, manpower, insurance and vessel maintenance costs as well as costs arising from technical downtime, as these costs will be borne by the lessee. The Trustee-Manager intends to continue focusing on entering into long-term bareboat charters with a minimum initial charter term of seven years, although the Trustee-Manager may consider entering into short-term time or voyage charter contracts if vessels are redelivered in weak market conditions.

Maintain a high quality and modern asset portfolio

The Trustee-Manager believes that a high quality and modern asset portfolio will preserve the long-term cash generating capability of the portfolio. The average age of the vessels in the initial portfolio of FSL Trust is approximately five years and FSL Trust intends to maintain a modern portfolio with an average age of no more than 10 years. In addition, FSL Trust intends to invest only in vessels which are constructed by reputable shipbuilders with a good track record and certified by Classification Societies which are members of IACS, in an effort to achieve quality in the design and build of the vessel, and it generally leases its assets to customers with good reputation for the maintenance and quality of their vessels. FSL Trust does not own any single-hull tankers, and in view of their gradual phase out by IMO, FSL Trust will not acquire single-hull tankers.

Maintain disciplined approach to portfolio and risk management

FSL Trust's portfolio is diversified across customers and sub-sectors of the shipping industry and its internal risk policy is intended to ensure that the risk profile of the portfolio is not concentrated on any particular lessee or sub-sector, having regard to FSL Trust's assessment of credit quality and risk profile of the lessee as well as the prevailing market conditions and industry cycle. Subject to periodic review by the Board, the long-term objective of FSL Trust is to limit the exposure to any single customer to no more than 25% of its revenues and any single shipping sub-sector to no more than 40% of its revenues, although there may be deviations from these limits in the short-term as FSL Trust grows its vessel portfolio.

The Trustee-Manager intends to continue to maintain a disciplined risk management approach for new transactions, and to give priority to certainty of cash flows over asset upside considerations. Currently, the Trustee-Manager has a dedicated risk management officer that evaluates the risks associated with a transaction by using a proprietary internal risk management process which assigns an internal credit rating to each customer and transaction. The methodology for these internal credit ratings is in line with what the Trustee-Manager believes to be good international market practice. The Trustee-Manager will not enter into transactions which it believes have a substantial risk of default over the life of the lease.

Maintain conservative financial structure

The Trustee-Manager's objectives in relation to capital management are to maintain a conservative financial leverage with a debt to equity ratio of no greater than 1:1, although there may be deviations from this in the short-term arising from timing differences in equity and debt capital raising for new acquisitions. The Trustee-Manager believes that this ratio is prudent given the inherently cyclical nature of the shipping industry. This also enables FSL Trust to enjoy amortization free/interest only debt facilities for long tenures on competitive terms that allow it to maximize distributable cash per Unit.

The Trustee-Manager aims to fund the growth of FSL Trust through a combination of debt and equity with the objective of minimizing the overall cost of capital of FSL Trust. The Trustee-Manager intends to diversify the sources of debt funding, and may supplement bank debt with debt from the international capital markets. The Trustee-Manager believes that this would enable FSL Trust to maintain its competitive position in the industry and long-term cash distributions for Unitholders.

Customize its asset redeployment strategy according to prevailing market conditions

The Trustee-Manager will customize its asset redeployment strategy according to prevailing market conditions. Therefore, where market conditions are positive, the Trustee-Manager will aim to maximize investment returns by selling the vessels upon redelivery or by re-chartering the vessels on a long-term basis. In weak market conditions, the Trustee-Manager, leveraging on its access to Columbia Shipmanagement's services, intends to charter the vessels on a short-term time or voyage charter basis until market recovery allows a profitable disposal or a long-term charter.

THE PORTFOLIO

Overview

FSL Trust's initial portfolio is diverse, comprising four product tankers, three chemical tankers, four containerships and two dry bulk carriers, in each case, owned by FSL Trust through the SPCs and leased to international lessees. The following table provides certain details relating to each of the initial vessels:

Vessel		Capacity	Year Built	Classification	Vessel Flag	Builder
Product Tanker						
1	Cumbrian Fisher	12,921 DWT	2004	Lloyd's Register	Bahamas	Samho, South Korea
2	Clyde Fisher	12,984 DWT	2005	Lloyd's Register	Bahamas	Samho, South Korea
3	Shannon Fisher	5,421 DWT	2006	Lloyd's Register	Bahamas	Damen Galati, Romania
4	Solway Fisher	5,421 DWT	2006	Lloyd's Register	Bahamas	Damen Galati, Romania
Chemical Tanker						
1	Pertiwi	19,970 DWT	2006	Nippon Kaiji Kyokai	Singapore	Usuki Shipyard, Japan
2	Pujawati	19,900 DWT	2006	Nippon Kaiji Kyokai	Singapore	Usuki Shipyard, Japan
3	Prita Dewi	19,998 DWT	2006	Nippon Kaiji Kyokai	Singapore	Shin Kurushima, Japan
Containership						
1	YM Subic	1,221 TEU	2003	Germanischer Lloyd	Marshall Islands	Peene Werft, Germany
2	Cape Falcon	1,221 TEU	2003	Germanischer Lloyd	Marshall Islands	Peene Werft, Germany
3	Ever Renown	4,229 TEU	1994	Nippon Kaiji Kyokai	Panama	Mitsubishi Heavy Industries, Japan
4	Ever Repute	4,229 TEU	1995	Nippon Kaiji Kyokai	Panama	Mitsubishi Heavy Industries, Japan
Dry Bulk Carrier						
1	Fomalhaut	46,685 DWT	1999	American Bureau of Shipping	Singapore	Sanoyas Hishino Meisho, Japan
2	Eltanin	46,693 DWT	1999	American Bureau of Shipping	Singapore	Sanoyas Hishino Meisho, Japan

- ***Product Tankers*[1] –** These are used to transport refined oil products, such as gasoline, jet fuel, and heating oil. The product tankers in FSL Trust's portfolio are generally engaged in regional trade.

- ***Chemical Tankers* –** These are specialized tankers designed to carry chemicals in bulk. They are also called parcel tankers as they can carry many different cargoes in a large number of small segregated stainless steel tanks.

- ***Containerships* –** These vessels carry their load in standard-size steel containers, which are 8 feet square and 20 or 40 feet in length. The two smaller containerships in FSL Trust's fleet (1,221 TEU) provide feeder services in regional trade, while the two larger ones (4,229 TEU) are engaged in intercontinental trade.

- ***Dry Bulk Carriers*** – These vessels are used to transport bulk dry cargo items such as coal, iron ore, grain, sulphur, scrap metal. The dry bulk carriers owned by FSL Trust fall within the range of 40,000 - 60,000 DWT (referred to as Handymax).

[1] FSL Trust differentiates product tankers from chemical tankers according to the type of tanks: epoxy-coated tanks are indicative of product tankers and stainless steel tanks are indicative of chemical tankers.

Charters and Lessees

As a general policy, the Trustee-Manager currently intends to only acquire vessels with long-term leases in the form of bareboat charters to quality international shipping companies and end-users.

Bareboat Charters

In a bareboat charter arrangement, the shipowner usually leases its vessel to the charterer for a pre-agreed period of time, which could range over several years, at a daily rate. During this period, the charterer is responsible for all expenses relating to the operating and maintaining of the vessel, including all voyage costs, (fuels, oil or bunker charges and port charges), crew-related expenses, insurance and repair and maintenance costs. The shipowner remains responsible for the payment of capital costs related to the vessel.

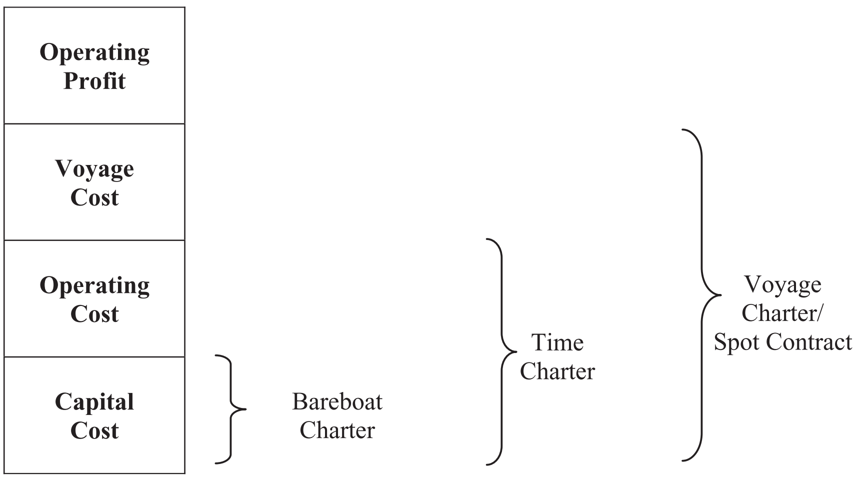
Time Charters

In comparison, time charters are contracts whereby a vessel is let to a charterer for a stipulated period of time. In such an arrangement, while the time charterer will be liable for voyage costs (fuel and port charges), the shipowner remains responsible for the operation and maintenance of its own vessel and bears all costs relating to operating the vessels. With time chartered vessels, the level of investment from the charterers is limited to the rental charges and voyage costs for the vessel. Conversely, the shipowner will be subject to various potential risks that may add to overall ship management costs.

Voyage Charters and Spot Contracts

A voyage charter involves the carriage of a specific amount and type of cargo on a load-port to discharge-port basis under which a shipowner hires out a ship for a specific voyage. In particular, spot contracts are voyage charters for a single voyage that are priced on a current or spot market rate. The shipowner receives one payment for the vessel or, if contracted to various customers, derived by multiplying the tons of cargo loaded on board by the agreed upon freight rate expressed on a per cargo ton basis. In addition, the shipowner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel. Typically, the charterer is responsible for any delay at the loading or discharging ports.

The following diagram sets out the various costs that are associated to a shipowner under the different types of charters:



Leases

Each of the vessels in the initial portfolio of vessels is currently under a long-term bareboat charter where the charterer has possession and control of the vessels for a fixed period of time and the charterer will be liable to pay a fixed amount of charter hire indirectly (via the SPCs) to FSL Trust on a monthly basis and to bear all operating costs and expenses incurred in the operation of the vessels during the tenure of the respective charter.

FSL Trust's leases are structured as "Hell and High Water" leases using its proprietary form of lease agreements or, alternatively, an adaptation of the "Barecon 2001 Standard Bareboat Charter". All of the vessels within the initial portfolio will be leased under FSL Trust's proprietary lease agreement. The term "Hell and High Water" commonly refers to a concept where the shipowner receives an income stream for every day of the lease period, and whether a lease agreement can be said to be truly "Hell and High Water" is a matter of construction. In general, the lease hire in a "Hell and High Water" lease agreement remains payable irrespective of the vessels undergoing repair, maintenance, off-hire, dry-docking, and generally, irrespective of any claims or rights the relevant lessee may have against the relevant shipowner. The lease agreements generally provide for these situations and contain a waiver clause to waive the relevant lessee's right to terminate the relevant lease agreement and/or to withhold any payment of lease hire.

The initial leases have base lease terms of between nine and 12 years, some of which provide an option for the lessee to extend the lease by an additional three to five years. In addition, all of the lease agreements include purchase options, which can be exercised at the end of the base lease terms, at prices which are either fixed, based on fair market value or incorporating a residual upside sharing mechanism.

All leases in the initial portfolio provide for purchase options at the end of the base term with nine leases containing fully or partially fair market value related purchase options; six leases provide for extensions; and six leases offer the lessees early buyout options. Purchase and early buyout options may be structured on a fixed or fair market value related basis, or a combination of both, always depending on the commercial considerations of the particular transaction.

(See "Certain Agreements relating to FSL Trust and the Vessels" for details on the Lease Agreements).

Lessees[1]

The initial vessels are chartered to five lessees: James Fisher, Schoeller Holdings, Evergreen Marine, PT Berlian Laju Tanker and Siba Ships.

- *James Fisher and Sons Public Limited Company (UK)* – James Fisher is a leading service provider in all sectors of the marine industry and a specialist supplier of engineering services to the nuclear industry in the UK and abroad. The company also provides the offshore construction and subsea industry with a cohesive range of equipment and services and specialist services to the defence sector drawing on the commercial and practical experience of operations in the marine environment from across the James Fisher group. The company is listed on the London Stock Exchange. (Source: http://www.james-fisher.co.uk/).

- *Schoeller Holdings Ltd (Cyprus)* – Schoeller Holdings Ltd, a privately owned company, conducts an array of marine-related activities, such as ship owning, providing ship management, liner and agency services. It is also involved in non-marine activities, such as the hotel and resorts business. (Source: http://www.schoeller-holdings.com/).

- *Evergreen Marine Corporation (Taiwan) Ltd (Taiwan)* – Evergreen boasts a fleet of over 100 container vessels. Both in terms of the magnitude of its fleet and its cargo loading capacity, Evergreen ranks among the world's leading international shipping companies. With more than 240 service locations, Evergreen covers more than 80 countries with its shipping network. The company is listed on the Taiwan Stock Exchange. (Source: http://www.evergreen-marine.com/).

- *PT Berlian Laju Tanker Tbk. (Indonesia)* – PT Berlian Laju Tanker Tbk. is an international liquid cargo shipping company with operations primarily throughout Asia, the Middle East and Europe. It is the largest provider of seaborne transportation of liquid cargoes in Indonesia and one of the largest in the intra-Asian chemical tanker segment. The company operates 57 vessels, comprising 35 chemical tankers, 17 oil tankers and five gas carriers. The company is listed on the Jakarta, Surabaya and Singapore Stock Exchanges. (Source: Prospectus of PT Berlian Laju Tanker Tbk for its public offering in Singapore, dated 18 October 2006).

[1] None of James Fisher, Schoeller Holdings, Evergreen Marine, PT Berlian Laju Tanker or Siba Ships has provided its consent, for purposes of Section 282I of the Securities and Futures Act, to the inclusion of the information extracted from these websites. Accordingly, they are not liable for such information under Sections 282N and 282O of the Securities and Futures Act. While the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters have taken reasonable actions in an effort to ensure that the information from the relevant websites is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager and the Joint Bookrunners nor any other party has conducted an independent review of the information contained in such website nor verified the accuracy of the contents of the relevant information.

- *Siba Ships S.p.A. (Italy)* – Siba Ships, a privately owned company, specialises in the transportation of live animals, and has also diversified into the dry bulk business. The latest delivery of their two bulk carriers, which will be owned by FSL Trust, brings the number of bulk carriers operated by Siba Ships to 11. (Source: http://www.sibaships.com/).

Breakdown of Forecasted Net Lease Income

The forecasted net lease income is prepared based on the assumptions set out in the section entitled "Profit Forecast" in this Prospectus. The following table sets out the breakdown of the forecasted net lease income of FSL Trust, by lessee and vessel type, as at the Latest Practicable Date:

Name of Lessee	**Percentage of Contribution to Forecasted Net Lease Income**
Berlian Laju Tanker	30%
Evergreen Marine	26%
Siba Ships	16%
James Fisher	15%
Schoeller Holdings	13%
Total	100%

Vessel Type	**Percentage of Contribution to Forecasted Net Lease Income**
Containership	38%
Chemical Tanker	31%
Dry Bulk Carrier	16%
Product Tanker	15%
Total	100%

The main charter terms for each vessel are summarized in the next table:

SPCs	Vessel	Lessee	Lease Commence-ment	Lease Term + Extension, if any (yrs)	Daily Bareboat Charter Rate (Net)^	Lease Extension Charter Rate (Net) ^	Early Buyout Option	Purchase Option
	Product Tanker							
FSL-1	Cumbrian Fisher	James Fisher	23 Dec 04	10 + 5	US$ 5,277	Note 1	Yr 6.5 : Higher of $12.4mm and FMV	Yr 10 : Higher of $10.375mm and FMV
FSL-2	Clyde Fisher	James Fisher	18 Feb 05	10 + 5	US$ 5,318	Note 1	Yr 6.5 : Higher of $12.4mm and FMV	Yr 10 : Higher of $10.375mm and FMV
FSL-3	Shannon Fisher	James Fisher	1 Feb 06	10 + 5	EUR 3,420*	Note 2	Yr 6.5 : Higher of EUR 7.54mm and FMV	Yr 10 : Higher of EUR 4.23mm and FMV
FSL-4	Solway Fisher	James Fisher	30 Jun 06	10 + 5	EUR 3,539*	Note 2	Yr 6.5 : Higher of EUR 7.62mm and FMV	Yr 10 : Higher of EUR 4.23mm and FMV
	Chemical Tanker							
FSL-9	Pertiwi	Berlian Laju Tanker	7 Jul 06	12	US$ 13,036	-	Nil	Yr 12 : $22.5mm + 50% of any excess of FMV over $22.5m
FSL-10	Pujawati	Berlian Laju Tanker	28 Sep 06	12	US$ 12,692	-	Nil	Yr 12 : $22.5mm + 50% of any excess of FMV over $22.5m
FSL-11	Prita Dewi	Berlian Laju Tanker	26 Jul 06	12	US$ 13,048	-	Nil	Yr 12 : $22.5mm + 50% of any excess of FMV over $22.5m
	Containership							
FSL-5	YM Subic	Schoeller Holdings	5 Jul 05	9	EUR 6,422	-	Nil	Yr 9 : EUR6.175mm
FSL-6	Cape Falcon	Schoeller Holdings	5 Jul 05	9	EUR 6,422	-	Nil	Yr 9 : EUR6.175mm
FSL-7	Ever Renown	Evergreen Marine	24 Jan 06	10 + 3	US$ 16,021	US$ 10,946	Nil	Yr 10 : $15.0mm or Yr 13 : $7.5mm
FSL-8	Ever Repute	Evergreen Marine	24 Jan 06	10 + 3	US$ 16,021	US$ 10,946	Nil	Yr 10 : $15.0mm or Yr 13 : $7.5mm
	Bulk Carrier							
FSL-12	Fomalhaut	Siba Ships	11 Jan 07	10	US$ 9,900	-	Yr 6 : $19mm + 40% of any excess of FMV over $19mm Yr 8 : $15mm + 40% of any excess of FMV over $15mm	Yr 10 : $8.0mm + 40% of any excess of FMV over $8.0mm
FSL-13	Eltanin	Siba Ships	11 Jan 07	10	US$ 9,900	-	Yr 6 : $19mm + 40% of any excess of FMV over $19mm Yr 8 : $15mm + 40% of any excess of FMV over $15mm	Yr 10 : $8.0mm + 40% of any excess of FMV over $8.0 mm

^ A commission of 0.5% on the bareboat charter rate is paid to an external broker for Ever Renown and Ever Repute. The daily bareboat charter rate and the lease extension charter rate shown in the above table are net of commission. No commission is payable for any of the other vessels in the initial vessel portfolio.

* The daily bareboat charter rate shown has been fixed for the first 5 years of the basic lease term based on the relevant amortising forward Euro interest rate swap and spot and forward. US$/EUR exchange rates at the time of lease commencement. The charter rate for the remaining 5 years will be reset on an annual basis or such other interest period in excess of one year at the choice of the lessee, based on the then prevailing interest rate swap and currency exchange rates.

Note 1: To be adjusted based on then prevailing 5-year US$ interest swap rate. For illustrative purpose, if the 5 year US$ interest rate swap is 4.73% at the time of fixing for the extension period, the resulting daily charter rate would increase to US$5,300. If the 5 year US$ interest rate swap is 2.73% at the time of fixing for the extension period, the resulting daily charter rate would decrease to US$5,043. These amounts will be adjusted pro rata depending on the actual achieved swapped interest rate.

Note 2: To be adjusted based on then prevailing amortising EUR interest swap rate and the spot and forward US$/EUR currency exchange rates. For illustrative purpose, on the basis of an amortising Euro interest swap rate of 4.45% at the time of fixing for the extension period and assuming that the currency exchange rates remained constant, the resulting daily charter rate would be €2,660. If the amortising Euro interest rate swap increased to 5.45% at the time of fixing for the extension period and the exchange rates remained constant, the resulting daily charter rate would increase to €2,717, and in case the amortising Euro interest rate swap decreased to 3.45% at the time of fixing for the extension period and the exchange rates remained constant, the resulting monthly hire payment would decrease to €2,610. These amounts will be adjusted pro rata depending on the actual achieved swapped interest and currency rates.

(See "Certain Agreements Relating to FSL Trust and the Vessels – Lease Agreements")

LEASE TRANSACTION CRITERIA

In order to grow the business of FSL Trust, the Trustee-Manager intends to expand FSL Trust's portfolio of lease assets either through primary transactions directly originated by the Trustee-Manager or secondary transactions acquired from third party lessors. The Trustee-Manager is able to offer lessees transaction structuring flexibility and continuously adapts the type of products it provides to the prevailing market circumstances in the various shipping sub-sectors.

However, the lease transaction criteria are underpinned by a prudent approach to risk, which gives priority to cash flow security over capital gains considerations. In other words, in considering a potential transaction, the Trustee-Manager is more likely, at the extremes, to opt for a lease structure with a combination of higher lease rate and a fixed price purchase option for the lessee, as opposed to a combination of lower lease rate and no purchase option for the lessee. This is in line with its general philosophy that fixed contracted cash returns carry a higher value than potential but uncertain future capital gains. In addition, whilst older vessels typically carry greater immediate DPU accretion potential, the Trustee-Manager is intent on maintaining a modern asset portfolio, ensuring better long-term cash generation potential.

Apart from acquiring existing vessels and leases, the Trustee-Manager will consider acquiring newbuildings to diversify FSL Trust's portfolio of lease assets. The Trustee-Manager aims to fund the growth of FSL Trust's portfolio by initially drawing on the Credit Facility (as defined below) and also through raising a combination of debt and equity. As a general policy, the Trustee-Manager does not intend to acquire any assets without having secured a lease with an initial term of at least seven years before delivery of the asset. In line with this structuring philosophy, the Trustee-Manager intends to principally consider the following four criteria when evaluating a new transaction:

- ***Accretion to distributable cash per unit –*** Any new lease transaction will be evaluated on the basis of its accretion potential to DPU, always measured against the targeted long-term capital structure.

- ***Accretion to risk-adjusted long-term returns to Unitholders –*** The assessment of any new lease transaction will not only focus on the asset's cash distribution potential, but also on the transaction credit risk as well as the residual asset value. The Trustee-Manager considers these considerations key to ensure the maintenance of a high quality leasing portfolio, which minimizes lessee default risk and avoids excessive residual exposure.

- ***Portfolio diversification –*** It is a stated objective of the Trustee-Manager to reduce the lessee concentration risk as the portfolio grows. Therefore, any new lessee by definition reduces the concentration and adds value from a portfolio diversification perspective. The Trustee-Manager is also aiming to build a balanced portfolio across the various shipping sub-sectors, thereby benefiting from the limited cycle correlation between the sub-sectors. (See "Business – Strategy").

- ***Strategic value of the transaction –*** Certain new leasing transactions that may contribute particular strategic value are assessed carefully by the Trustee-Manager and measured against the other transaction criteria. Examples could be the entry into a new geographical market, shipping sub-sector or an important target account, in each case offering the potential for more substantial business opportunities.

The Trustee-Manager intends to continuously monitor its criteria and specific transaction guidelines which will be agreed and adjusted periodically. These guidelines will focus on the following key metrics:

- *Average age of leasing assets*: maintaining an asset portfolio of no older than 10 years at any given point in time.

- *Customer and sub-sector concentration:* implementing a long-term objective to limit the exposure to any single customer to no more than 25% of its revenues and any single shipping sub-sector to no more than 40% of its revenues.

- *Portfolio credit quality:* based on a disciplined risk management approach for new transactions, and ongoing monitoring of lessee credit quality.

- *Average remaining portfolio lease term:* in an effort to achieve visibility of cash flows by maintaining an average remaining portfolio lease term of at least five years.

The Trustee-Manager intends to apply the above lease transaction criteria towards the following targeted objectives:

- *Target incremental lease volume*: the Trustee-Manager will target to achieve an average incremental lease volume (based on asset acquisition cost) of at least US$200 million per annum, subject to conducive prevailing market conditions and business environment.[1]
- *Target average asset yield*: the Trustee-Manager will target to achieve an average asset yield (that is, the ratio of annual lease income to the acquisition cost of the asset) of approximately 10.5% in the current interest rate environment. Such target is on an average basis and the actual asset yield of each independent acquisition may vary depending on the specific terms of the relevant lease.
- *Target average lease internal rate of return ("IRR")*: the Trustee Manager will target an average lease IRR (taking into account the asset acquisition cost, lease revenue and assumed residual value) of approximately 7.5% in the current interest rate environment. Such target is on an average basis and the actual IRR of each independent lease may vary depending on the specific conditions of the relevant lease.

LEASE TRANSACTION ORIGINATION AND APPROVAL PROCESS

The Trustee-Manager has established a structured process for the origination and approval of lease transactions.

- *Origination*. Carried out by the Chief Executive Officer and Head of Sales – West of Suez and guided by the lease transaction criteria (see "Lease Transaction Criteria"), this process entails the identification of potential lessees, determination of lease structure, as well as negotiation of terms and conditions. At this juncture, the Chief Risk Officer is involved to the extent of providing an initial transaction risk rating (based on preliminary risk assessment) (as explained under "Risk Management – Risk Assessment" below) for the purposes of deriving a risk-adjusted pricing. The origination process culminates in the execution of a conditional term sheet between the Trustee-Manager and the potential lessee.
- *Due Diligence*. This will be undertaken by the Chief Risk Officer. Activities are described under "Risk Management".
- *Approval.* Only upon the sign-off by the Chief Risk Officer will the approval package be submitted to the Board and a copy of the same circulated to the Investment Advisory Committee. Each member of the Investment Advisory Committee is to review the transaction proposal and provide advice, comments and/or recommendations to the Board. Notwithstanding the inputs provided by the Investment Advisory Committee, all investment decisions will remain ultimately subject to the majority approval of the Board. (See "Investment Advisory Committee" for further details).

RISK MANAGEMENT

The Trustee-Manager has developed a set of proprietary internal risk management protocols that it believes will enable it to identify and assess risk prior to a potential transaction, monitor risk following the execution of a transaction and hedge risks associated with a transaction. The Trustee-Manager believes that these internal risk management protocols help it to better manage its risk profile and maintain a stable cash flow stream.

Risk Assessment

Before a transaction is entered into, the Trustee-Manager intends to assess the risk profile using its proprietary risk evaluation process to assess credit risk, asset risk and concentration risk. This involves a thorough analysis of the credit strength of a potential lessee, asset quality, asset price, asset fungibility and residual value prospects as well as other transaction specific and risk relevant factors.

- *Credit Risk*. To assess credit risk, the Trustee-Manager intends to undertake the following due diligence activities:
  - (i) evaluate historical financial information and perform an analysis of financial ratios which are benchmarked against the median ratios reported by an internationally recognized rating agency;
  - (ii) identify lessee's strengths and weaknesses through assessment of factors including but not limited to, fleet profile, vessel employment, lessee reputation, market share, peer comparison, management strategy, market trends and regulatory changes;

[1] The "incremental lease volume" refers to the cost incurred by FSL Trust in acquiring additional vessels. For example, if the cost of a new vessel with lease attached is approximately US$40 million, then FSL Trust will be targeting to acquire five such vessels (with leases attached) per annum.

(iii) perform cash flow projections and sensitivity analysis;

(iv) assess impact of transaction-specific factors (if any); and

(v) obtain third party credit reports.

It intends to then incorporate the results from its due diligence activities into a risk-adjusted pricing model. In an effort to ensure that investment returns are commensurate with credit risk, this risk-adjusted pricing model incorporates a credit loss component which takes into account the likelihood of default, the level of recoverability following a default and the credit exposure at the time of default.

- *Asset Risk.* To analyse asset residual risk, the Trustee-Manager intends to obtain historical data (commencing 1980) for standard vessels from third party sources, and for non-standard vessels from specialised brokers to estimate the historical average. It will then perform regression analysis and determine the acceptable level of residual value based on asset price, quality and fungibility.

- *Concentration Risk.* There will be internal limits established by the Trustee-Manager for the purposes of ensuring that FSL Trust maintains a balanced portfolio whilst increasing diversification in terms of lessees and vessel mix. These internal limits will be reviewed periodically by the Board. The Trustee-Manager believes that the initial portfolio of assets is fairly diversified across five lessees and four vessel types / shipping sub-sectors (see "The Portfolio"), thereby reducing concentration risk. (See "Lease Transaction Criteria").

Risk Monitoring

Following the completion of a transaction, the Trustee-Manager will continuously monitor the ongoing risks associated with the transaction through the following means.

- *Ongoing Credit Reviews.* During the initial credit risk assessment, each lessee will be assigned an internal credit rating. For lessees with a weaker credit profile, financial covenants may be imposed, the non-compliance with which will constitute an event of default under the lease. Credit reviews will be conducted annually or semi-annually to monitor the lessee's financial performance and compliance with financial covenants (if any). In addition, the payment conduct of a lessee will be monitored on a monthly basis.

- *Vessel Insurances*. Under the terms of the bareboat lease agreement, lessees are obliged to obtain insurance coverage for hull & machinery, war risks and protection & indemnity (P&I). On an ongoing basis, the Trustee-Manager intends to facilitate the renewal of these insurance policies by sending early reminders to lessees, and ensure compliance with the relevant insurance covenants by making comparisons of renewed policies against previous policies. See "Insurance" section below.

- *Vessel Inspections.* Each lessee is responsible for the operation and maintenance of the vessels under the terms of its bareboat charters. See "Maintenance" section below. However, to monitor the condition of the vessels, the Trustee-Manager will appoint Columbia Shipmanagement or other third parties to carry out annual inspections on the vessels.

Risk Hedging

FSL Trust may be exposed to interest rate and foreign currency exchange risks arising from its operations and sources of financing for its transactions. To manage these risks, the Trustee-Manager may from time to time enter into derivative transactions, being principally interest rate swaps, foreign currency forward contracts and cross currency swaps. For example, if a lease is subject to floating interest rates, it will be swapped into fixed rates over the base lease term to fully hedge the interest rate risk. Also, the revenues and expenses of FSL Trust will be maintained in US dollars so to the extent that lease revenues are denominated in Euro, they will be swapped into US dollars for the full period of the lease.

As there is a rigorous risk assessment procedure in place, the Trustee-Manager does not currently intend to use credit swap instruments. However, the Trustee-Manager will explore the use of credit risk hedging instruments in the future if these are considered necessary. Also, as the leases approach their expiry, the relevance and effectiveness of residual value hedging instruments will be explored by the Trustee-Manager.

INSURANCE

The operation of any vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labour strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The United States Oil Pollution Act of 1990 ("OPA"), which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market.

Although all the vessels are chartered on a bareboat basis, and the lessees remain liable for the operations of the vessel, the terms of the bareboat lease agreements still require all lessees to obtain insurance coverage in respect of Hull & Machinery (H&M), War Risks and Protection & Indemnity (P&I), with the relevant SPC as a co-insured beneficiary.

As a contingency, the Trustee-Manager will also obtain for the relevant SPC's sole benefit, a "passive investor's interest" type policy to cover situations where the charterer's primary policy has declined a claim or fails to respond within the designated time allowed. This policy mirrors the vessel's primary insurance (H&M, War Risks and P&I) but is secondary to the primary coverage. Therefore, a claim is valid only when the appropriate primary policy has declined a claim or fails to respond within the designated time allowed. In respect of the initial portfolio, the respective insurance policies taken out will provide sufficient insurance coverage for the vessels based on the value paid for by FSL Trust. For vessels that are acquired by FSL Trust in the future, to the extent that the insurance policies taken up by the relevant lessees are insufficient, the Trustee-Manager will obtain additional insurance to top-up the insurance cover.

Hull & Machinery and War Risks Insurance

The lessees are required to maintain marine hull and machinery, and war risks insurance, which covers the risk of actual or constructive total loss, for all of the vessels. The vessels will each be covered up to at least fair market value with certain deductibles per vessel per incident. They will also be required to maintain increased value coverage for each of the vessels. Under this increased value coverage, in the event of total loss of a vessel, the relevant SPC as co-beneficiary will be entitled to recover amounts not recoverable under the hull and machinery policy due to under-insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I associations, which insure third-party and crew liabilities in connection with the lessee's shipping activities. This includes third-party liability, crew liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreckage removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations. Subject to the "capping" discussed below, coverage, except for pollution, will be unlimited.

The protection and indemnity insurance coverage for pollution will be US$1,000,000,000 per vessel per incident. The fourteen P&I associations that comprise the International Group insure approximately 90% of the world's commercial blue-water tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I association, which is a member of the International Group, the lessee will be subject to calls payable to the associations based on the International Group's claim records as well as the claim records of all other members of the individual associations. Currently, all premiums payable are borne by the lessee, where the relevant SPC remains as co-insured beneficiary under these P&I policies.

MAINTENANCE

The vessels will be operated by the lessees under long-term bareboat charters. In an effort to ensure that the quality and condition of the vessels is maintained, the Trustee-Manager will require the lessees to comply with certain vessel maintenance standards, which will be set out in the lease agreements. In particular, the vessels must be in full compliance with all applicable national and international statutes, conventions and safety regulations. The key conventions and regulations include The International Convention for the Safety of Life at Sea (SOLAS), The International Convention for the Prevention of Pollution from Ships (MARPOL), The

International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code) and The International Ship and Port Facility Security Code (ISPS Code).

Furthermore, vessels are also required to be "in class" at all times. Such a certification is provided by a Classification Society and signifies that a vessel has been built and maintained in accordance with the rules of the Classification Society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which the country is a member. As independent, self-regulating and externally audited bodies, Classification Societies will undertake surveys and checks required by regulations and requirements of the flag state. The initial portfolio of vessels are classed by major Classification Societies – Lloyd's Register (LR), Nippon Kaiji Kyokai (NKK), Germanischer Lloyd (GL) and American Bureau of Shipping (ABS) – which are members of the International Association of Classification Societies (IACS). See "The Portfolio" for detailed breakdown. It is the intention for all vessels added into FSL Trust to be classed by members of IACS[1]. (See "Government Regulations and Policy").

Vessel redelivery

Upon the expiry or early termination of a lease, a vessel may be redelivered to FSL Trust. The redelivery term under the lease agreements stipulates for the redelivery of the vessel in the same condition as when the vessel was delivered. It is a requirement that when vessels are redelivered to FSL Trust upon expiry of a lease, the vessels shall have passed their last special survey (i.e. the Special Survey scheduled before the expiry of a lease). Regular and special surveys of hull and machinery, including the electrical plant, safety equipment, communication equipment and any special equipment classed, are required to be performed by the lessee according to the following schedule:

- **Annual Surveys**. This is conducted at intervals of 12 months (from the commencement date of the class period) for the hull and machinery (including the electrical plant, safety equipment, communication equipment and any special equipment classed).

- **Intermediate Surveys**. Intermediate surveys, which are extended annual surveys, are normally conducted two and one-half years after each class renewal, and usually carried out on the second or third annual survey.

- **Special Surveys**. This is conducted at such intervals indicated by the type or classification for the hull of the vessel, and is usually carried out every four to five years. In a special survey, apart from the usual survey of hull and machinery, including the electrical plant, safety equipment, communication equipment and any special equipment classed, the vessel is thoroughly examined to determine the integrity of the structure, in particular the thickness of the steel structure. If there is excessive wear and tear suffered by the vessel, substantial cost may have to be incurred to reinforce the steel structure in order to allow the vessel to pass the survey. These costs will be borne by the relevant lessee.

See details in the "Government Regulations and Policy" section.

The above-described redelivery terms under the lease agreement, coupled with the long-term nature of the bareboat charters, will incentivize the lessees to better maintain the vessels during the lease term.

Vessel redeployment

Upon the redelivery of a vessel, and where FSL Trust is unable to re-lease the vessel, FSL Trust will endeavour to maintain the vessel to the same standard as the other vessels. At that time, the Trustee-Manager will have to analyse the options available to it, taking into consideration the returns to Unitholders. The Trustee-Manager can choose to sell the vessel or re-lease it on a long-term bareboat charter basis. It could also trade the vessel in the spot or short-to-medium term time charter market.

Although the primary objective of FSL Trust is to invest in long-term bareboat charters, if the market is weak at the time of redelivery of a vessel to FSL Trust, the Trustee-Manager is likely to go "short-term" on the asset redeployment. This would necessitate FSL Trust taking physical delivery of the vessel. The Trustee-Manager

[1] Apart from LR, NKK, GL and ABS, the other members of IACS are: Bureau Veritas (BV), China Classification Society (CCS), Det Norske Veritas (DNV), Korean Register of Shipping (KR), Registro Italiano Navale (RINA) and Russian Maritime Register of Shipping (RS).

will then contract Columbia Shipmanagement or another third party to assume full ship management responsibility of the vessel in an effort to ensure that the vessel is in all respects ready to trade in the short term spot or time charter market in which the relevant SPC will assume operational risk. Independently, the Trustee-Manager will appoint a commercial manager (specialized in the particular vessel sector) to assume the chartering and operations of the vessel. The vessel will then remain in the "short-term" market until the Trustee-Manager determines that it is more advantageous for Unitholders to re-lease the vessel on a long-term bareboat basis or to sell the asset.

SALES AND MARKETING

The Trustee-Manager employs three main sales channels to originate its transactions:

- *Direct Sales* – The management of the Trustee-Manager has established relationships with existing and potential lessees on a global basis. Direct sales efforts are undertaken by its CEO, Mr Philip Clausius and its Head of Sales, Mr Ronald Anthony Dal Bello. Mr Clausius is based in Singapore and responsible for all territories "East of Suez", while Mr Dal Bello is based in Switzerland and responsible for all territories "West of Suez". This geographical demarcation enables Mr Clausius and Mr Dal Bello to better service customers in their respective time zones.

- *Bank Referrals* – The Trustee-Manager may be referred customers by ship financing banks, including the shareholders of the Sponsor, such as HSH Nordbank AG and Bayerische Hypo- und Vereinsbank AG. These shareholders are active participants in the ship finance markets but tend to focus on senior secured lending. Hence, when their customers make inquiries about leasing transactions or off-balance sheet financing solutions, these shareholders may refer such inquiries to the Trustee-Manager in return for an upfront fee or a commission over the life of the lease or a combination of both.

- *Various Intermediaries* – The Trustee-Manager is in constant contact with a large number of intermediaries, such as shipbrokers, corporate finance advisers, and lease arrangers. These intermediaries are offered a fee or commission based compensation to motivate them to package and arrange lease transactions.

The management of the Trustee-Manager will also actively engage (as was previously done by the Sponsor) in marketing activities by regularly participating in, and sponsoring, ship finance conferences worldwide. The Trustee-Manager believes that this is an effective way of marketing FSL Trust as such conferences are typically attended by senior management of potential lessees, banks and intermediaries. FSL Trust also regularly updates the trade media on the new transactions that it enters into which results in wide press coverage and publicity for FSL Trust.

COMPETITION

FSL Trust competes in the global market for long-term leases of maritime assets. There are two fundamental types of leases: bareboat charters and time charters. FSL Trust intends to only structure transactions on a bareboat charter basis. The Trustee-Manager believes that most lessees are relatively focused on either bareboat or time charters when starting to seek leasing proposals for a particular transaction, hence there is only a small minority which is indifferent between the two lease types.

As such FSL Trust is primarily competing with other providers of long-term bareboat charters to the international maritime industry. This market is very fragmented but the Trustee-Manager believes the most notable competitors are[1]:

- NFC Funds – Navigation Finance Corp ("NFC") is an affiliate of German transport bank DVB. NFC focuses on investments in high yielding loans/bonds, mezzanine financings and equity participations in aviation and shipping projects. (Source: http://www.dvbbank.com/en/Content/143/index.html).

[1] None of NFC, RBS, Norwegian KS, SFL, Frontline or PST has provided its consent, for purposes of Section 282I of the Securities and Futures Act, to the inclusion of the information extracted from these websites. Accordingly, they are not liable for such information under Sections 282N and 282O of the Securities and Futures Act. While the Trustee-Manager, the Initial Purchasers, the Co-Lead Managers and the Singapore Underwriters have taken reasonable actions in an effort to ensure that the information from the relevant websites is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager and the Joint Bookrunners nor any other party has conducted an independent review of the information contained in such website nor verified the accuracy of the contents of the relevant information.

- Royal Bank of Scotland ("RBS") – RBS provides an extensive range of specialist financial products. Particularly, RBS provides structured trade finance services which include ship building finance and portfolio debt purchase. (Source: http://www.rbs.co.uk/).

- Norwegian KS – This is a long established Norwegian limited partnership market which tends to invest into older vessels, typically older than 10 years at time of acquisition. (Source: http://www.ks.no/templates/Start.aspx?id=30).

- Ship Finance International Limited ("SFL") – SFL was formed in October 2003 as a wholly-owned subsidiary of Frontline Ltd. ("Frontline"), which is one of the largest operators of crude oil tankers in the world. SFL is a company listed on the New York Stock Exchange ("NYSE"). (Source: http://www.shipfinance.bm/).

- Pacific Shipping Trust ("PST") – PST is the first publicly listed business trust on the SGX. Its sponsor Pacific International Lines is controlling the trustee-manager of PST and is so far also its only customer. Its focus is so far limited to the containership sector. (Source: http://www.pacificshippingtrust.com/gen/dsp.aspx).

- Korean shipping funds – South Korea has an emerging shipping fund market which originally was exclusively focused on leasing transaction with Korean content, but they have more recently internationalized their approach and are now occasionally bidding for non-Korean business.

- Japanese lessors – Various provincial Japanese shipping and leasing companies are providing leasing services, so far almost exclusively focused on newbuildings constructed in Japan.

FSL Trust is competing with other bareboat lease providers primarily on price, structuring flexibility and market reputation. Lessees evaluate lease rate, lease term, purchase options, early buyout options, vessel flagging options, extension options as well as transaction fees and expenses as the most important transaction criteria on which to base their leasing decision.

If one broadens the market definition for long-term maritime leases to also include providers of long-term time charters then the universe of competitors is significantly broadened. This field of competitors includes any shipping company which has a "long-term" time charter strategy. Two of the more notable ones are Seaspan Corporation and Danaos Corporation, both NYSE listed and focused exclusively on the containership market. Generally speaking the providers of long-term time charters tend to be specialized in a certain sub-sector, as different sub-sectors require different operating experience and expertise. The most dominant competitor in this field has historically been the German KG market, a limited partnership market. This market has historically provided a large proportion of the time charter based long-term leasing supply to the international container shipping industry. However, in recent years the tax benefits in Germany have been curtailed and the German KG market – in response to international competition – is increasingly going "short-term" as they find it more difficult to compete for the lease structures with longer tenor.

RELATIONSHIP WITH SPONSOR'S NETWORK

FSL Trust intends to capitalize on the expertise and network of relationships of the Sponsor and its shareholders within the shipping industry and other industries. The key beneficial shareholders of the Sponsor include HSH Nordbank (through its subsidiary, Godan GmbH), which is the world's largest ship mortgage lender, Bayerische Hypo- und Vereinsbank (through its subsidiary Beteiligungs- und Handelgesellschaft in Hamburg mit beschrankter Haftung), which is one of the largest ship finance banks in the world, and Schoeller Holdings (through its subsidiary, Schoeller Investments Ltd), a large privately held company with activities in ship owning and ship management.

Schoeller Holdings is controlled by Mr Heinrich Schoeller who has many years of experience in the shipping industry and has established sound business relationships with shipowners, ship managers, charterers, shipyards and shipbroking houses. Its subsidiary, Columbia Shipmanagement, is one of the world's largest ship management companies. Through this relationship, the Trustee-Manager is able to get preferential access to Columbia Shipmanagement thereby providing it with key asset management capabilities. These key asset management capabilities include assessment of technical specification, pre-purchase inspections, shipyard audits, routine portfolio inspections and vessel repossession.

Further, the Trustee-Manager can leverage on the network of key relationships of the Sponsor and its key beneficial shareholders in sourcing, negotiating and executing vessel acquisitions. In particular, HSH Nordbank and Bayerische Hypo- und Vereinsbank are very significant ship mortgage lenders and are active participants in the ship finance markets but tend to focus on senior secured lending. The Trustee-Manager may, from time to time, be referred customers by these shareholders when their customers make inquiries about leasing transactions or off-balance sheet financing solutions in return for an upfront fee or a commission over the life of the lease or a combination of both.

SUBSEQUENT EVENT

The Trustee-Manager is currently in the process of negotiating an acquisition of three additional vessels from third parties to expand the portfolio of FSL Trust. The total value of such acquisition is expected to be approximately US$45 million and will be funded through the US$250 million Credit Facility. As at the Latest Practicable Date, the proposed acquisition is still under negotiation, and no legally binding contract has been entered into by the Trustee-Manager in this regard.

BUSINESS PROSPECTS

The Trustee-Manager expects that for the current financial year, FSL Trust's revenue will be derived primarily from the lease income generated by the Vessels pursuant to the lease agreements. Save as disclosed in this Prospectus, the Trustee-Manager is not aware of any event which may materially affect the business prospects of FSL Trust in the current financial year. As at the date of this Prospectus, FSL Trust has not commenced any operations and as such there is no order book maintained by FSL Trust.

LEGAL PROCEEDINGS

None of FSL Trust and the Trustee-Manager is currently involved in any material litigation nor, to the best of the Trustee-Manager's knowledge, is any material litigation currently contemplated or threatened against FSL Trust or the Trustee-Manager.

GOVERNMENT REGULATIONS AND POLICY

The ownership, operation and/or management of ships is highly regulated, and is subject to international conventions, national, state, and local laws and regulations in force in the countries in which FSL Trust's vessels may operate or are registered, as well as other applicable codes, guidelines and standards recommended by the IMO, the flag state governments, classification societies and maritime industry organisations. Under FSL Trust's lease agreements in relation to the Vessels, the lessees of the Vessels would be responsible for complying with all applicable regulations and maintaining all requisite licences.

The IMO has adopted various international conventions, rules and regulations (collectively the "IMO Regulations") which are in turn adopted and implemented by member states who have ratified or acceded to the IMO.

Bahamas, Marshall Islands, Panama and Singapore, which are the flag states of the Vessels, are signatory members, as are most of the countries which the Vessels ply to.

Some of the relevant IMO Regulations which FSL Trust's vessels are subject to (together with any amendments and annexes thereto) are as follows:

- The International Convention for the Safety of Life at Sea, 1974 ("SOLAS");
- The International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto ("MARPOL");
- The International Convention on Load Lines, 1966 ("LL");
- The International Convention for Safe Containers, 1972 ("CSC");
- The International Management Code for the Safe Operation of Ships and for Pollution Prevention ("ISM Code");
- The International Ship and Port Facility Security Code ("ISPS Code");
- The International Convention on Tonnage Measurement Of Ships, 1969;
- The International Convention on Civil Liability for Oil Pollution Damage, 1969; and
- International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004.

International Conventions

MARPOL prescribes regulations which deal with or relate to pollution and environmental issues, including accidental or operational oil pollution, pollution caused by chemicals, cargoes or goods transported or sewage.

In April 2001, the IMO adopted regulations under MARPOL requiring new tankers of 5,000 dwt and over, contracted for construction since 6 July 1993, to have double hull, mid-deck or equivalent design. At that time the regulations also required the phase-out of non-double hull tankers by 2015, with tankers having double sides or double bottoms permitted to operate until the earlier of 2017 or when the vessel reaches 25 years of age. Existing single hull tankers were required to be phased out unless retrofitted with double hull, mid-deck or equivalent design no later than 30 years after delivery. These regulations were adopted by over 150 nations, including many of the jurisdictions in which FSL Trust's tankers operate. In December 2003, the IMO adopted amendments to the MARPOL regulations accelerating the phase out of single hull tankers to 2005 for Category I vessels and 2010 for Category II and III vessels delivered in 1984 or later. Category I vessels are crude oil tankers of 20,000 dwt and above and product tankers of 30,000 dwt and above that are pre-MARPOL Segregated Ballast Tanks (SBT) tankers. Category II tankers are crude oil tankers of 20,000 dwt and above and product tankers of 30,000 dwt and above that are post-MARPOL SBT tankers. Category III tankers are tankers above 5,000 dwt, but below the deadweight specified for Category I and II tankers above. The IMO may adopt additional regulations in the future that could further restrict the operation of single hull vessels.

The IMO has also negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Annex VI, which became effective in May 2005, sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions.

The IMO has also adopted the SOLAS and LL conventions, which impose a variety of standards to regulate design and operational features of ships and safety of the crew. SOLAS and LL conventions standards are revised periodically.

The IMO has also adopted the CSC convention, which prescribes safety regulations which deal with or relate to the safety of the transportation and handling of containers and their structural safety requirements, testing and maintenance.

ISM Code

The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention, which FSL Trust and its vessels must duly comply with.

The ISM Code requires the ship owner, or any other person who has assumed responsibility for the operation of the ship from the ship owner, such as the manager or the bareboat charterer, to develop, implement and maintain a Safety Management System ("SMS") in relation to the ISM Code. The SMS should include, inter alia, the following requirements:

- a safety and environmental protection policy, to be implemented and maintained both ship based as well as shore based;
- instructions and procedures in an effort to achieve the safe operation of the ships and protection of the environment in compliance with relevant international and flag state legislation;
- procedures for reporting accidents, or to prepare for and respond to emergency situations, and
- procedures for internal audits and reviews.

ISPS Code

In view of growing threats from terrorist activities, recent amendments were made to the SOLAS dealing specifically with maritime security, most of which are contained in the ISPS Code and imposes various detailed security obligations on vessels and port authorities, which came into effect on 1 July 2004.

Among the various requirements are onboard installation of automatic information system, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications, on-board installation of ship security alert systems, the development of vessel security plans, and compliance with flag state security certification requirements.

The International Convention on Tonnage Measurement of Ships 1969

The International Convention on Tonnage Measurement of Ships, 1969, adopted by IMO in 1969, establishes a universal tonnage measurement system. Ship tonnage often forms the basis for port and other dues, manning regulations, safety rules and registration fees. The convention provides for gross and net tonnages, both of which are calculated independently.

The International Convention on Civil Liability for Oil Pollution Damage, 1969

Many countries have ratified and currently follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, or the 1969 Convention. Under this convention, and depending on whether the country in which the damage results is a party to the 1992 Protocol to the 1969 Convention, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Under an amendment that became effective in November 2003 for vessels of 5,000 to 140,000 gross tons (a unit of measurement for the total enclosed spaces within a vessel), liability will be limited to approximately \$6.7 million plus approximately \$931 for each additional gross ton over 5,000. For vessels of over 140,000 gross tons, liability will be limited to approximately \$132.5 million. As the 1969 Convention calculates liability in terms of basket currencies, these figures are based on currency exchange rates published by the International Monetary Fund on September 29, 2006. Under the 1969 Convention, the right to limit liability is forfeited where the spill is caused by the owner's actual fault; under the 1992 Protocol, a shipowner cannot limit liability where the spill is caused by the owner's intentional or reckless conduct. Vessels trading in jurisdictions that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the 1969 Convention has not been adopted, including the United States, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. The Trustee-Manager believes that its protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004

The IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been ratified by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping.

Inspection By Classification Societies

Classification Societies are independent, self-regulating, externally audited bodies. A new vessel is classified by a technical review of its design plans and related documents to verify compliance with the applicable rules of the Classification Society as well as attendance at its construction in the shipyard by a Classification Society surveyor(s) to verify that the construction is in compliance with the applicable rules of the Classification Society. In view of the operational elements covered by classification of vessels, FSL Trust intends to only invest in vessels certified by major Classification Societies which are members of IACS such as American Bureau of Shipping, Bureau Veritas, China Classification Society, Det Norske Veritas, Germanischer Lloyd, Lloyd's Register and Nippon Kaiji Kyokai.

In this respect, all the Vessels are certified as being "in class" by Nippon Kaiji Kyokai, Lloyd's Register, Germanischer Lloyd and American Bureau of Shipping (as the case may be), each a Classification Society which is a member of IACS and recognised by Singapore.

Every seagoing vessel is required to be "classed" by a Classification Society, who will certify that the vessel is "in class" signifying that the vessel has been built and is being maintained in accordance with the rules of the Classification Society and complies with applicable rules and regulations of the vessel's country of registration and the international conventions of which that country is a signatory.

In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the Classification Society will also undertake them on application or by official order, acting on behalf of the authorities concerned.

The Classification Society may also undertake on request such other surveys that are required by regulations and requirements of the flag state. These surveys are subject to agreements made between the vessels' Classification Society and the flag state concerned and/or to the regulations of the flag state.

For maintenance of the class, regular and special surveys of hull and machinery, including the electrical plant, safety equipment, communication equipment and any special equipment classed, are required to be performed according to the following schedule:

- **Annual Surveys**: This is conducted at intervals of 12 months (from the commencement date of the class period) for the hull and machinery (including the electrical plant, safety equipment, communication equipment and any special equipment classed).

- **Intermediate Surveys**: Intermediate surveys, which are extended annual surveys, are normally conducted two and one-half years after each class renewal, and usually carried out on the second or third annual survey.

- **Class Renewal or Special Surveys**: This is conducted at such intervals indicated by the type or classification for the hull of the vessel, and is usually carried out every four to five years. In a special survey, apart from the usual survey of hull and machinery, including the electrical plant, safety equipment, communication equipment and any special equipment classed, the vessel is thoroughly examined to determine the integrity of the structure, in particular the thickness of the steel structure. If there is excessive wear and tear suffered by the vessel, substantial cost may have to be incurred to reinforce the steel structure in order to allow the vessel to pass the survey.

The Classification Society may grant a one-year grace period for the completion of the special survey. In addition, the Classification Society may agree with the ship owner on an arrangement whereby the vessel is subject to a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle (subject to any grace period granted) according to an agreed schedule on a staggered basis.

Vessels are required to be dry-docked, usually twice in five years, for survey of the underwater parts and for repairs related to the inspections.

If any defects are found by the classification surveyor during any survey of the ship, he may require an immediate repair to be carried out. If, however, the surveyor considers it safe for the vessel to continue in service without an immediate repair, the surveyor will issue a condition of class, which will require the defect to be rectified by the ship owner within prescribed time limits. Any conditions of class must be repaired at the due time set out by the surveyor(s).

All insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a Classification Society. In addition, charterers will impose as a condition of the charter contract, that the vessel under charter must be duly certified by a Classification Society.

Flag state

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. The "Shipping Industry Guidelines on Flag State Performance" evaluates flag states based on factors such as sufficiency of infrastructure, ratification of international maritime treaties, implementation and enforcement of international maritime regulations, supervision of surveys, casualty investigations and participation at IMO meetings. The flag states of the Vessels are Bahamas, Singapore, Marshall Islands and Panama. Vessels flagged in these four countries generally receive a good assessment in the shipping industry. FSL Trust recognizes the importance of a credible flag state and will not use flags of convenience or flag states with poor performance indicators.

The flag chosen for a vessel is primarily the choice of the lessee. Generally, the registration of a vessel affords the owner the protection of the flag state in which the vessel is registered but at the same time subjects the vessel and the owner to the regulatory requirements of that flag state and the operational consequences that arise from flying such flag. In structuring a transaction, lessee and lessor will agree on a flag which is acceptable to the lessee from an operational standpoint and acceptable to the lessor from a tax perspective.

The Trustee-Manager intends to structure all transactions on an income tax exempt basis. As such, the choice of flag state will drive the jurisdiction which the Trustee-Manager will use to establish the SPC to hold the vessel. In order to streamline the number of jurisdictions used for establishing SPCs, the Trustee-Manager intends to use Singapore SPCs for all future Singapore flag transactions and Marshall Islands SPCs for all future non-Singapore flag transactions. There might be exceptions when a certain flag state does not allow Marshall Islands ownership jurisdiction, in which case an alternative tax efficient ownership jurisdiction will have to be selected.

Currently, all the transactions in FSL Trust's portfolio were structured such that a subsidiary of the Sponsor acquired the ownership of the vessel from the lessee or its related company, and thereafter chartered this vessel back to the lessee. The transfer of ownership requires that the vessel be registered in the ownership of the Sponsor's subsidiary under a flag agreed between the owner and the lessee. However, for commercial reasons, there may be a possibility that the Trustee-Manager and the lessee cannot agree the choice of flag of the vessel. For example, the carriage of specific cargo or geographical trades may be limited to vessels flying certain flags; but the country of the lessee's chosen register may not have the regulatory requirements or standing considered adequate by the owner, or a system of mortgage registration acceptable to its financiers.

One alternative which may be considered by the Trustee-Manager in such situations is the system of "bareboat charter registration", also known as "parallel registration". This allows the registration of a vessel in the owner's register (the "primary register") to be suspended for the duration of the bareboat charter with the vessel being registered in the name of the lessee on a secondary register of its choice for the duration of the bareboat charter, during which time the vessel will fly the flag of that secondary register.

The process is not regulated by bilateral or multilateral conventions, and the availability of this alternative to the Trustee-Manager depends entirely on the compatibility of the legal systems of the primary register – also known as the flag-out state – and the secondary register – also known as the flag-in state. Both the flag-out state and flag-in state must allow the suspension of the vessel's flag in the primary register (the "flag-out") into the secondary register (the "flag-in"). The precise conditions on which different countries allow the process of flag-out and flag-in depend entirely on the rules in the respective jurisdictions.

Some of the salient features during the bareboat charter registration are as follows:

(a) the vessel will fly the flag of the country of the secondary register for the duration of the bareboat charter, subject to applicable rules relating to the maximum period of suspension, or rules relating to period extension of the suspension;

(b) throughout the period of the bareboat charter registration, the owner's title remains registered on the primary register – its title is suspended, not terminated; and

(c) mortgages by the owner will remain registered on the primary register.

United States Environmental Regulations

The United States Oil Pollution Act of 1990

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its two hundred nautical mile exclusive economic zone.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- natural resources damage and the costs of assessment thereof;
- real and personal property damage;
- net loss of taxes, royalties, rents, fees and other lost revenues;

- lost profits or impairment of earning capacity due to property or natural resources damage; and
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

Under recent amendments to OPA that became effective as of 9 October 2006 for tankers and as of 11 July 2006 for other vessels, the liability of responsible parties is limited to the greater of $1,900 per gross ton or $4.0 million per double hull tanker that is less than or equal to 3,000 gross tons, the greater of $1,900 per gross ton or $16.0 million per double hull tanker that is over 3,000 gross tons and the greater of $950 per gross ton or $0.8 million per drybulk vessel that is over 300 gross tons. These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or wilful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. Current United States Coast Guard regulations require evidence of financial responsibility in the amount of $1,500 per gross ton for tankers, which includes the OPA limitation on liability of $1,200 per gross ton and the United States Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA liability limit of $300 per gross ton and evidence of financial responsibility in the amount of $900 per gross ton for other vessels, which includes the OPA limitation on liability of $600 per gross ton and the CERCLA liability limit of $300 per gross ton. The Trustee-Manager expects the United States Coast Guard to increase the amounts of financial responsibility to reflect the increases in liability under the recent OPA amendments. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

The United States Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defence that it may have had against the responsible party and is limited to asserting those defences available to the responsible party and the defence that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or are required to waive insurance policy defences.

The United States Coast Guard's financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. The Trustee-Manager intends to comply with all applicable state regulations in the ports where its vessels call.

Owners or operators of tankers operating in the United States waters must file vessel response plans with the U.S. Coast Guard, and their tankers are required to operate in compliance with such plans. The vessel response plans must, among other things:

- address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge";
- describe crew training and drills; and
- identify a qualified individual with full authority to implement removal actions.

In addition, the United States Coast Guard has announced it intends to propose similar regulations requiring certain vessels to prepare response plans for the release of hazardous substances.

The United States Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in navigable waters and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

Currently, under U.S. Environmental Protection Agency, or EPA, regulations that have been in place since 1978, vessels are exempt from the requirement to obtain CWA permits for the discharge in U.S. ports of ballast water and other substances incidental to their normal operation. However, on March 30, 2005, the United States District Court for the Northern District of California ruled in Northwest Environmental Advocate v. EPA, 2005 U.S. Dist. LEXIS 5373, that EPA exceeded its authority in creating an exemption for ballast water. On September 18, 2006, the court issued an order invalidating the blanket exemption in EPA's regulations for all discharges incidental to the normal operation of a vessel as of September 30, 2008 and directed EPA to develop a system for regulating all discharges from vessels by that date. Under the court's ruling, owners and operators of vessels visiting U.S. ports would be required to comply with the CWA permitting program to be developed by EPA or face penalties. It is not clear whether EPA will appeal this decision. If the court's order is ultimately upheld, the Trustee-Manager will incur certain costs to obtain CWA permits for our vessels.

The United States Clean Air Act

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the U.S. Environmental Protection Agency, or EPA, to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The Vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The Vessels that operate in such port areas are equipped with vapor control systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, FSL Trust's vessels operating in covered port areas are already equipped with vapor control systems that satisfy these requirements. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase our costs, based on the regulations that have been proposed to date, the Trustee-Manager believes that no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required.

Other Environmental Initiatives

The European Union is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

The U.S. National Invasive Species Act, or NISA, was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. The United States Coast Guard adopted regulations under NISA in July 2004 that impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water on board the ship, or by using environmentally sound alternative ballast water management methods approved by the United States Coast Guard. (However, mid-ocean ballast exchange is mandatory for ships heading to the Great Lakes or Hudson Bay, or vessels engaged in the foreign export of Alaskan North Slope crude oil.) Mid-ocean ballast exchange is the primary method for compliance with the United States Coast Guard regulations, since holding ballast water can prevent ships from performing cargo operations upon arrival in the United States, and alternative methods are still under development. Vessels that are unable to conduct mid-ocean ballast exchange due to voyage or safety concerns may discharge minimum amounts of ballast water (in areas other than the Great Lakes and the Hudson River), provided that they comply with recordkeeping requirements and document the reasons they could not follow the required ballast water management requirements. The United States Coast Guard is developing a proposal to establish ballast water discharge standards, which could set maximum acceptable discharge limits for various invasive species, and/or lead to requirements for active treatment of ballast water.

THE CREDIT FACILITY

The Existing Credit Facility

On 15 February 2007, the Trustee-Manager, on behalf of FSL Trust, entered into a US$250 million secured revolving loan facility agreement with certain lenders, including The Bank of Tokyo-Mitsubishi UFJ Ltd., Singapore Branch and Bayerische Hypo- und Vereinsbank AG, Singapore Branch as co-underwriters (the "Credit Facility"). The Credit Facility agreement is governed by English law.

Amounts drawn down pursuant to the Credit Facility can be utilised to grow the portfolio of FSL Trust by financing the acquisition of additional vessels (the "Additional Vessels") other than certain specialized types of vessels. The terms of the Credit Facility require that each Additional Vessel to be purchased must be subject to a bareboat charter with at least seven years duration. The Credit Facility has a maturity date of seven years from the closing date of the Credit Facility. All amounts outstanding under the Credit Facility are due to be repaid in one instalment on the maturity date.

The total facility amount of US$250 million is available for multiple drawdowns on a revolving basis for a period of 48 months, commencing on the Listing Date, or until such date as the total facility amount is completely drawn. Assuming that the Credit Facility is fully drawn down on the Listing Date and on the basis of the Offering Price being US$0.98 per Unit, the gearing ratio (total debt expressed as a percentage of total assets) of FSL Trust will be 34%.

The Credit Facility requires payments of interest quarterly on the drawn amount of the facility, at a rate of 1.0% per annum above the three-month LIBOR. A commitment fee is also payable quarterly, at a rate of 0.30% per annum on the available but undrawn facility amount.

The Trustee-Manager may enter into hedging arrangements to manage its interest rate exposure on amounts drawn.

The Credit Facility is secured by the following:

- a first priority mortgage over each of the 13 vessels comprising the initial portfolio (to be completed no later than the first drawdown date under the facility);

- a first priority mortgage over each of the Additional Vessels (to be completed no later than three months after the acquisition of the respective vessel);

- a first priority assignment of the lease agreement and earnings thereunder (including all rights under any charter guarantees) of each of the vessels within the initial portfolio and the Additional Vessels (together, the "Collateral Vessels"), with the proviso that all earnings are paid to the Trustee-Manager or the owners prior to an event of default under the Credit Facility; and

- a first priority assignment of all insurances and requisition compensation of each of the Collateral Vessels.

The Credit Facility also contains financial covenants requiring the Trustee-Manager to ensure that:

- the fair market value of all the Collateral Vessels (excluding the fair market value of any Collateral Vessel for which the relevant lessee is in material default under the relevant lease agreement) during the term of the credit facility must at all times be not less than 145% of the outstanding amounts under the Credit Facility;

- the earnings (excluding the earnings from any Collateral Vessel for which the relevant lessee is in material default under the relevant lease agreement) before interest, tax, depreciation and amortization to interest expense ratio must be greater than 2:1 for the most recent quarter, tested quarterly;

- FSL Trust maintain unitholder equity greater than or equal to US$200 million at all times, tested quarterly; and

- the projected average age (weighted by the book value) of the Collateral Vessels at the maturity of the Credit Facility shall not exceed 15 years, tested quarterly.

For the purposes of the Credit Facility, the "fair market value" of the Collateral Vessels will be determined, on the basis of their charter-free value by an Appraisal and/or Certificate of Value completed by an independent appraiser and/or broker, mutually acceptable to all parties, and at the cost of the Trustee-Manager, at the closing date for the Credit Facility and updated quarterly thereafter, provided that there is no event of default under the Credit Facility. Each Additional Vessel shall be initially valued at its purchase price. If at the time of a lease or charter default, the most recent fair market value coverage ratio is 145% or less, then the Collateral Vessels will be reappraised at that time.

The Credit Facility also requires the Trustee-Manager to provide general covenants, including but not limited to, performance of its business, limitations on encumbrances, other indebtedness, and certain corporate actions, and compliance with applicable laws and regulations.

In addition, the Trustee-Manager is required to ensure that the lease agreements contain undertakings by the lessees, at its sole cost and expense, to insure and keep the Collateral Vessels insured with insurers and P&I associations or clubs acceptable to the lenders throughout the term of the facility, with the relevant SPC named as co-insured. Such insurance shall name the lenders as sole loss payees for any hull and machinery and war risks insurance, which insurance will be procured and maintained in an amount not less than the greater of the fair market value or stipulated loss value (as per such vessel's lease or charter) of each Collateral Vessel. Protection and indemnity insurance shall be procured and maintained in the highest amount then available for a vessel of the relevant class from the approved P&I association or club. The mortgagees' interest insurance and mortgagees' interest additional perils (pollution insurance) shall be procured by the Trustee-Manager on behalf of the lenders and shall be maintained in amounts acceptable to the lenders.

In addition, an event of default under the Credit Facility includes, but is not limited to, non-payment of interest, principal or other amounts when due, breach of covenants, cross-defaults, and failure to maintain required security or insurance.

Future Pre-Delivery Financings

FSL Trust may also enter into construction contracts with shipyards it considers reputable to build vessels which upon delivery will be placed on long-term bareboat charter on terms that have been agreed with the lessee prior to entering into the construction contract. Any vessel construction would be largely financed with debt arranged on a transactional basis. The borrowers for such purpose would be the SPCs set up to order the vessel. FSL Trust is likely to offer the pre-delivery financiers with, but not limited to, each of the following security in such a transaction:

- Assignment of guarantees which FSL Trust or the SPC will receive from an acceptable bank on behalf of the shipyard in return for construction progress payments;

- An assignment of the lease agreement; and

- A corporate guarantee by FSL Trust.

Upon delivery of the vessel from the shipyard and concurrent lease commencement, FSL Trust will endeavour to replace the construction financing by drawing under its Credit Facility or through a combination of debt and equity financing.

REPORT ON THE INTERNATIONAL SHIP FINANCE INDUSTRY

This section is prepared by Marine Money International (an "Independent Market Research Consultant") in respect of the international ship finance industry and for the purpose of inclusion in this Prospectus and for the Listing. Much of the available information is based on estimates and should therefore be regarded as indicative only and treated with appropriate caution.

The information and data in this section relating to the international ship finance industry are taken from Marine Money International's databases and other sources available in the public domain. Marine Money International has advised the Trustee-Manager that this section accurately describes the international ship finance industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. Marine Money International's methodologies for collecting information and data, and therefore the information discussed in this section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the ship finance and maritime industry. The source of all tables and charts is Marine Money International or otherwise derived from industry sources by Marine Money International.

Overview

The global maritime shipping industry is fundamental to international trade because it is the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods around the world. Commodities that are carried by ships include, among others: crude oil, refined petroleum products, liquid natural gas, iron ore, coal, grain, steel products and finished goods carried in containers. Driven in large part by increased demand related to industrial production in China, the value of ships rose to historical highs after the second half of 2003, which has dramatically increased the demand for capital to finance vessels. Although charter rates and vessel values have since declined, they remain at relatively high historical levels.

Due to the capital and asset intensive nature of shipowning, the financing of ships is a critical component of the international maritime industry. Assuming conventional financing terms, principal repayments and interest payments can constitute one of the single largest daily expenses in operating a vessel.

Traditionally shipowners have used a combination of secured borrowing from commercial banks together with their own equity to finance the purchase price or construction cost of a vessel. Since 2003, however, when the shipping markets began their rise in asset prices and charter rates, many shipowners have been more actively using alternative sources of equity capital, such as vessel leasing and public equity offerings.

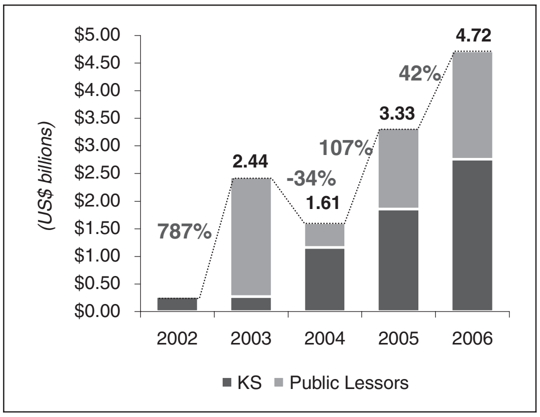
As a result of changing market dynamics, the long held notion that the ownership and control of assets need to rest with the same party has been challenged, with more and more owners using third parties to provide equity capital.

Ship Leasing Industry Overview: 2003-Present

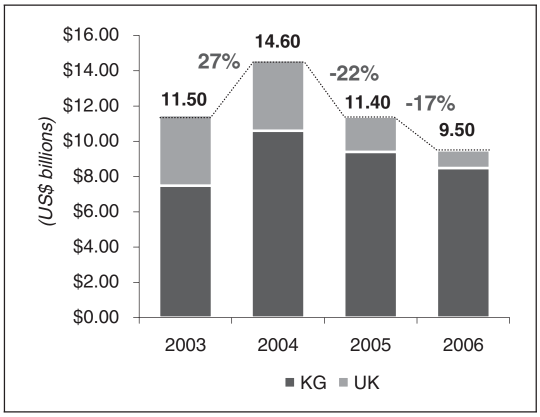
Although total ship leasing volume has remained relatively stable since 2003, Marine Money data indicates that tax-driven leasing transactions (eg, those for which investors receive tax benefits) have been declining since 2004 and that non-tax driven leasing has been increasing over the same period.

The two largest tax-driven leasing markets for shipping, the German KG and U.K. Tax Lease, reached their highest volumes in 2004 and since then declined by 22% in 2005 and by approximately 17% in 2006 according to our database. The decline in tax-driven structure is a combination of i) declining value of tax deferred in low interest rate environment and ii) adverse legislation affecting the German KG and U.K. Tax Lease. These figures do not reflect the activities of vessel tax leasing markets such as Holland, France and Korea where data is sparse and volumes are presumed to be comparatively small. The annual transaction volume of non-tax leasing, as represented by publicly listed vessel leasing companies and the Norwegian KS market, increased by 107% in 2005 and by another 42% in 2006. These figures do not reflect the activities of a number of non-tax lease providers that appear in Marine Money's Transaction Database including First Ship Lease, Navigation Finance Corporation and Icon Capital.

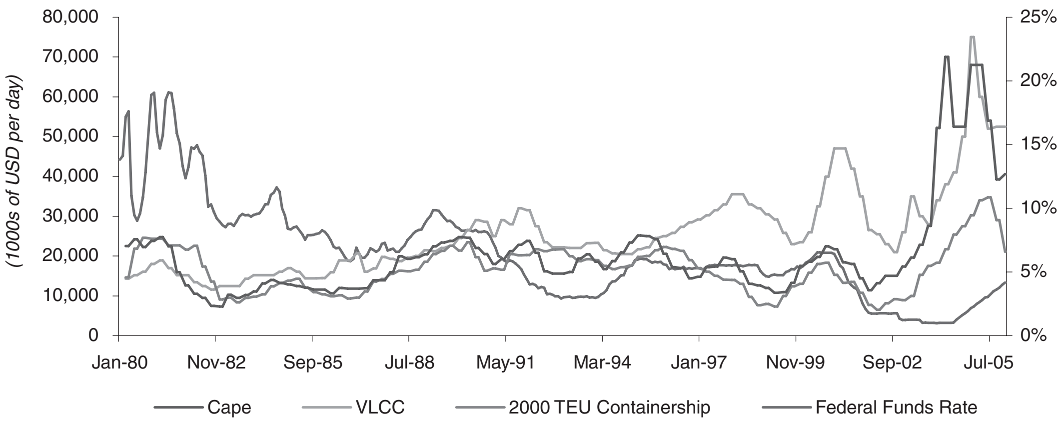
Non Tax Leasing



Tax Leasing



One of the drivers for the increase in non-tax leasing volume that began in 2003 was that interest rates declined to historical lows around the same time that a strong upturn began in most sectors of the global shipping market. Non-tax driven vessel leasing became more attractive to a broader range of lessors because the economic characteristics of the shipping industry allowed it to satisfy the strong demand for financial instruments that provided yield. Meanwhile historically high freight rates lead to historically high vessel values, spurring more owners to look for new equity sources.



In response to the market demand for financial instruments that provided current income, in 2003 oil tanker owner Frontline Ltd created an entity called Ship Finance International to acquire substantially all of Frontline's oil tankers and then lease them back to Frontline Ltd at charter rates that provided shareholders in Ship Finance with a current yield.

As the shipping markets strengthened and interest rates remained at historical low levels throughout 2004, demand for leasing products continued to be strong with tax leasing increasing 27% year-on-year. Non-tax leasing declined by 34% from 2003 to 2004, but this is principally attributable to the jump in 2003 volume that resulted from the $2 billion listing of vessel leasing company Ship Finance International Limited on the New York Stock Exchange. Companies completing initial public offerings in order to provide vessel leasing services continued in 2004 with the listing of Arlington Tankers, which concluded a $229 million IPO sponsored by Stena AB of Sweden.

In 2004, the number of private lessors also increased in response to strong demand from lessees in both the tax and non-tax sectors. New entrants on the private side include funds such as the Korean Maritime Fund (KOMARF), which was created when the South Korean Government enacted the Ship Investment Act to allow for tax benefits for investment in ships and Islamic ship-leasing fund, Alislami Oceanic Shipping Company Limited (AOSC) which announced the completion of its first Islamic ship leasing deal.

In 2005, non-tax leasing market transaction volume grew by 107% while tax advantaged leasing volumes declined 22% as compared to 2004. Volume declines in the UK Tax Lease market can be attributed to the effect of legislative changes that reduced the economic benefit of the market. Declining volumes in the German KG market is more complex to explain but may be attributable to raised asset values leading to fewer long term charters that are able to match the economic returns demanded by KG investors. In addition, rising interest rates and the cost of operating vessels from Germany when combined with the relatively high fees associated with the KG market caused shipping companies to consider the growing number of alternative sources of lease financing.

In 2005, there were two initial public offerings made by companies that offer vessel time charter leasing services, raising $1.5 billion of total capital. The first of these was Double Hull Tankers, sponsored by Overseas Shipholding Group, and the second was Seaspan, sponsored by the Washington Group. Both companies are listed on the New York Stock Exchange.

The tax related vessel leasing volume continues to decline by 17% in 2006 and the non-tax related vessel leasing volume continues to grow by 42% in the same period. In 2006, there were two initial public offerings raising an aggregate of $2.0 billion of total capital by Danaos Holdings and Pacific Shipping Trust, companies that offer time charter and bareboat vessel leasing services, respectively. Pacific Shipping Trust was listed on the Singapore Stock Exchange and sponsored by Pacific International Lines Pte Ltd (PIL), Singapore's second largest container shipping company and the 19th largest container shipping company in the world.

Types of Vessel Leases

Two types of vessel leases called time charters and bareboat charters are the principal structures with which vessels are hired for a period of time exceeding one year. While both time charters and bareboat charters are commonly used in straight commercial arrangements, they can also serve as financing tools when used in the vessel leasing industry.

Time Charter

A time charter, or "wet lease" as it is called in the aircraft industry, is a charter under which the shipowner hires out its vessel for a specified period of time. Under this arrangement, the shipowner is responsible for providing the crew and paying vessel operating expenses while the charterer is responsible for paying the voyage expenses and additional operating insurance. The shipowner is paid charter hire, which accrues on a daily basis, and the charterer has the right to direct the vessel's itinerary and load the vessel with its cargo.

Time charters are attractive to end-users that do not wish to maintain technical management over their vessels such that the operational risk of vessel performance remains with the lessor.

Bareboat Charter

A bareboat charter is an arrangement under which the shipowner is usually paid a fixed amount of charter hire for a certain period of time during which the charterer is responsible for voyage expenses and vessel operating expenses and for the management of the vessel, including crewing and insurance.

Leases in the form of bareboat charters can serve as a means of 100% financing that are attractive to shipping companies and end-users, including major oil companies, that seek to maintain and impose their internal technical management standards and cost management programs over the vessels that they control without having to commit capital. Bareboat leases are attractive to the Lessor because the lessee bears the operational risk and is responsible for all operating expenses including currency risk. Bareboat charter tends to be longer in duration than that of time charter and is more likely to constitute core fleet requirements for the shipping companies/operators.

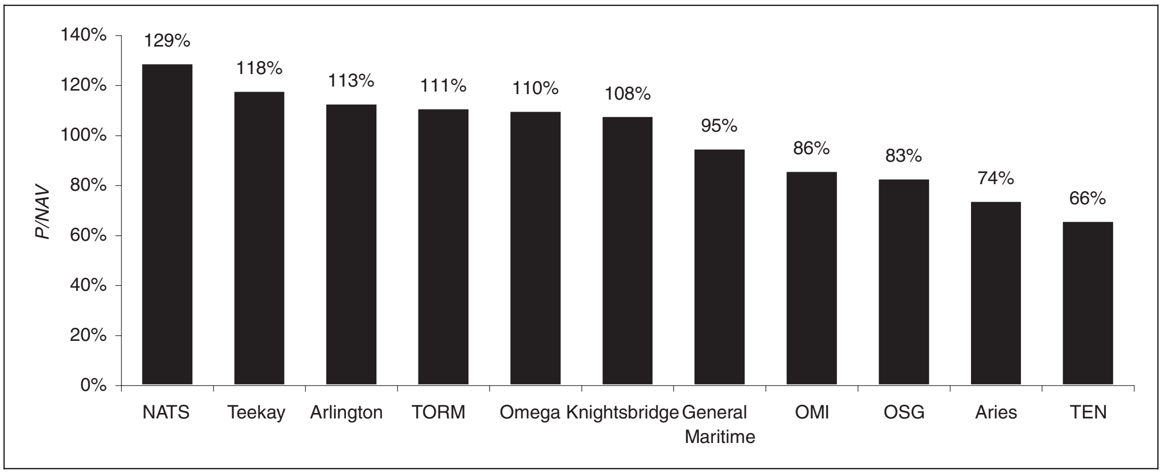
We believe that the following factors have driven increased ship leasing activity in recent years.

- With increasing corporatization and financial sophistication, shipowners are using alternative sources of capital, such as leasing financing and public equity.

- Leasing can offer financing tenors longer than those available in the bank market; Since 2003, the average tenor of shipping loans was 5.8 years while the average tenor of German KG transactions, the largest sector of vessel leasing, has historically been approximately 10 years.

- Leasing is a non-dilutive way for the growing number of public companies to raise capital when their shares are trading at a discount to net asset value. As illustrated by the chart below, due to conditions in the shipping and capital markets there are occasions when public traded shipping companies are valued at a discount to the value of their assets. During these times, shipping companies may find it more accretive to use vessel leasing structures as a source of equity rather than issue additional shares at a discount to the market value of the vessels they seek to acquire.

US-listed Tanker Companies Price to Net Asset Value



- Leasing is the most efficient market in which private companies can finance vessel acquistions. There is currently no formal market or process that provides private equity for shipping companies. Although shipping companies have, on occasion, been successful in raising private equity from third parties, the process is generally believed to be less efficient and more time consuming and expensive than leasing because it involves higher transaction costs and requires companies to draft offering documents and market their transactions on a unique basis. In the leasing market, especially those companies that focus on vessels, lessors generally have banking relationships to provide underlying leverage for leasing transactions, understand the assets, have a process for speedy and cost efficient closing and will generally have experience creating flexible structures that satisfy the needs of shipping companies.

- Lease payments are made with pre-tax income.

- Recent developments in the vessel leasing industry give lessees more structuring flexibility and more efficient execution. For example, in recent years, new entrants into the leasing market have begun offering leasing products with multiple Early Buyout Options (EBOs) and with relatively low structuring fees and expenses.

- Non-investment grade companies with creditworthy end-users can take advantage of leasing. For example, a smaller company that would otherwise not be able to access third party equity can secure 100% financing from the leasing market, provided that the end-user and its contractual relationship with the lessee satisfies the credit requirements of the lessor.

SUPPLY AND DEMAND

Supply

Private Leasing Providers

Partially as a result of the improved credit characteristics of ship owners due to the strength in the shipping market, loan spreads declined sharply over the period from 2003 to the present time. In an effort to increase profitability despite these falling loan markets, several leading shipping banks began offering leasing products either through the bank itself or through financial support of new leasing companies. Examples include DVB Bank's investment in Navigation Finance Corp., HSH's and HVB's investment in First Ship Lease Ltd. and Royal Bank of Scotland's increased activity in offering leasing products that are not tax oriented.

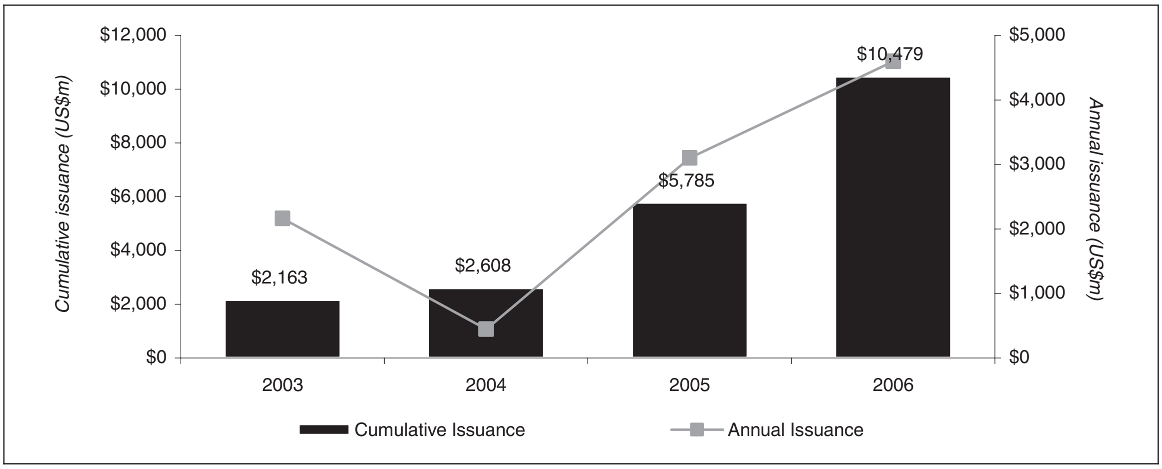
Public Leasing Providers

Due to the fact that shipping assets have been producing strong cash flows in a relatively low interest rate environment, the public equity markets have been receptive to the new listing of companies that generate dividends for investors by offering both finance and operating leasing structures to the shipping industry.

Examples of such companies on United States stock exchanges include Seaspan Corporation (NYSE: SSW), Danaos Corporation (NYSE: DAC), Teekay Offshore Partners (NYSE: TOO) and Teekay LNG Partners (NYSE: TGP) which offer long term operating leases; and Arlington Tankers (NYSE: ATB) and Double Hull Tankers (NYSE: DHT), which each offer operating leases to a single shipping company. Examples on the Singapore Stock Exchange include Omega Navigation (SGX: ONAV 50), also listed on the Nasdaq Global Market (NasdaqGM: ONAV), which provides medium-term operating leases of oil tankers and Pacific Shipping Trust (SGX: PST), which provides long-term charters to container lines. These companies are on the fringe of finance-provision. Each is a capital-provider for one or more end-users of their ships, but each also may operate its own vessels and thus can be considered a shipping company in the more traditional sense.

The one example of a public company that offers both bareboat charters and time charters and promotes itself as a financing mechanism for other shipping companies is Ship Finance International Limited (NYSE: SFL). SFL commenced operations with the leasing of crude oil tankers to Frontline Ltd. in 2003 and recently began to offer operating and finance leases to shipping companies operating in a wide range of sectors from oil tankers to drilling rigs and container ships.

Public Capital in Shipping Leasing

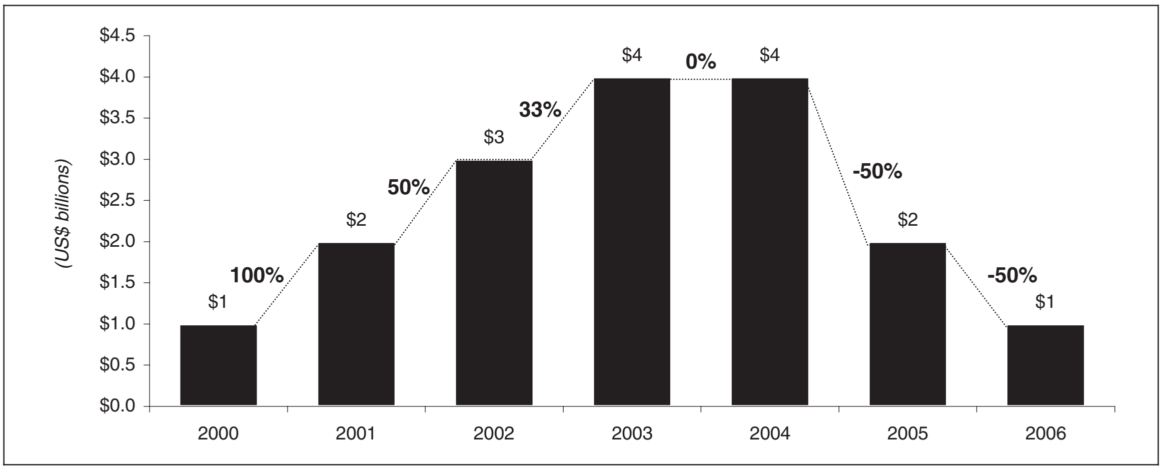


UK Tax Lease

The UK Tax Leasing scheme was traditionally a source of long-term bareboat lease financing. Lessees enjoy a net present value benefit while lessors, which are comprised a small group of UK financial institutions, use the "Writing Down Allowance" on vessels with a useful life of 25 years or more to offset UK Corporation Tax. This product is credit driven and sometimes requires an investment grade end-user. Until 2006 legislative changes took effect, the structure also required that the lessee maintain a genuine commercial operation in the United Kingdom and is most effective with a newly delivered asset that will remain in the UK tax lease for the majority of its useful life.

The UK tax lease is traditionally a finance lease market with the lessor taking no residual risk. With a recent change in tax legislation that now requires the lessor to write "true" operating leases to claim capital allowances for non-tonnage tax leases and restrictions on the structures available to tonnage tax lessees, there has been a sharp decline in activity, which is illustrated in the chart below.

UK Tax Lease Volume

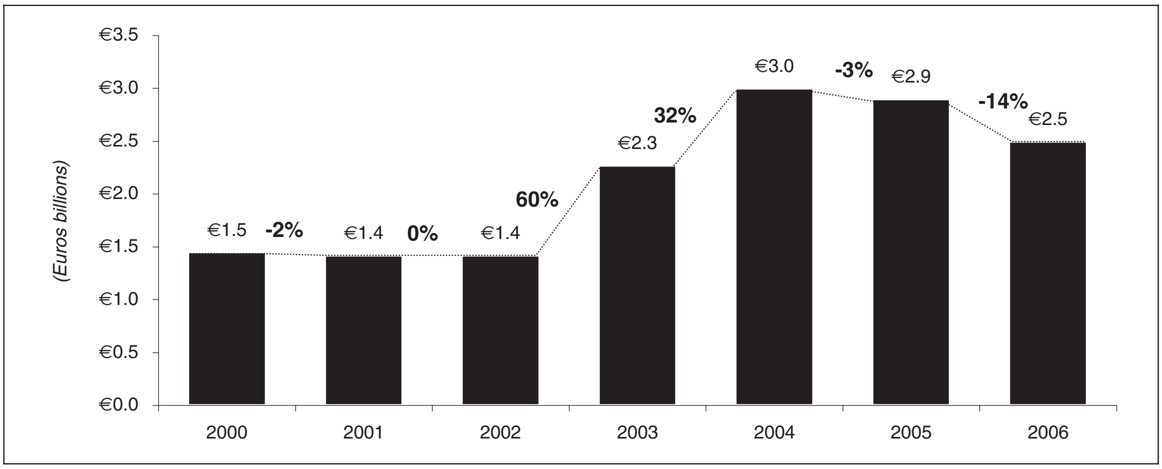


German KG

The German KG market is a credit/asset focused time charter leasing market that has been the single largest source of leasing capital to the global shipping industry since the early 1990s. Although demand from investors remains high, recent figures show declining volumes due to lack of attractively priced assets. To achieve German tonnage tax treatment, the market is strictly limited to offering time charters to shipping companies on vessels managed from Germany. The market is driven by historically favorable returns generated by KG investments (enhanced by the favorable tax treatment of shipping income for investors) when compared to other investments such as public equity and government bonds.

Although this market was initially focused almost exclusively on container vessels and required charters to container lines for 10 years, in recent years German KG funds have been actively buying vessels in many types of asset classes of various ages and with many employment profiles from the spot market to pools to long term charters.

Shipping Equity raised in the KG Market



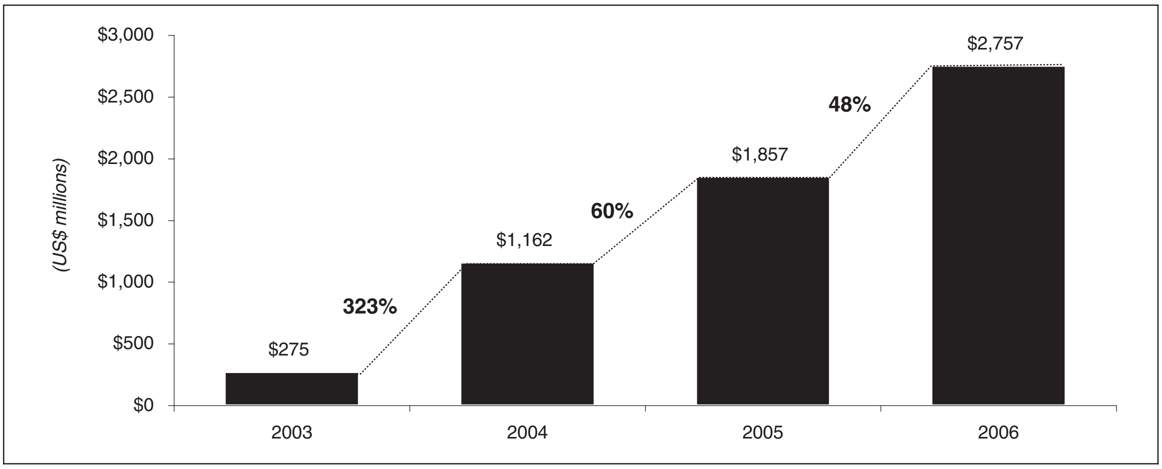
Norwegian KS

The Norwegian KS market is a project-focused primarily on bareboat leasing market that experienced a boom and bust cycle in the late 1990s and has been showing increasing volume in recent years. This increased transaction volume has been aided by the fact that Norway has a large universe of experienced shipping investors. Unlike the German KG and UK Tax Lease markets, the Norwegian KS market does not place any age restriction on vessels and as a result it has become the preferred leasing market for vessels more than 10 years old.

Moreover, this structure tends to have flexible put/call features and is concluded with relatively low arrangement fees. Typically, the Norwegian KS structure involves an experienced shipowner who contributes approximately 10% of the equity and acts as the General Partner with individual investors contributing capital on a limited partnership basis. Unlike other leasing products, the economics of the KS market typically require the use of high bank leverage (75-85%), which is achieved by requiring all investors to pledge "uncalled capital" of 10-15%. Internal Rates of Return of 15-25% on paid-in capital are targeted through a combination of cash-on-cash returns from bareboat charter hire and expected proceeds generated by the eventual sale of the asset.

Volume in the KS market was nominal in the early years of the millennium but, like that in the KG and public equity markets, has risen rapidly since then, as shown in the table below.

KS Project Volume

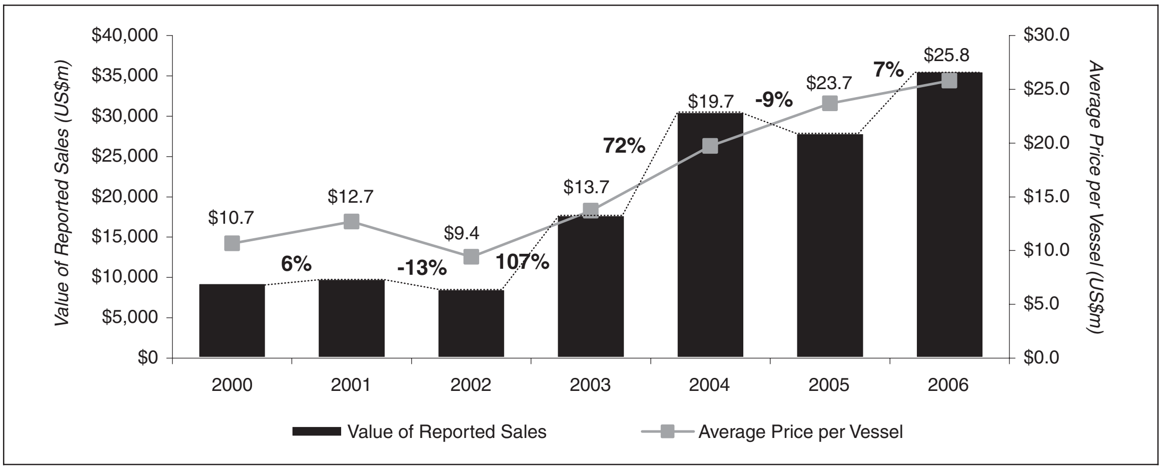


Demand

High Asset Prices

Starting in the fourth quarter of 2003, vessel values and charter rates rose to historically high levels due to an imbalance between supply and demand for vessels and have remained at relatively high levels. As illustrated in the chart below, which includes reported second hand vessels and newbuilding resales, the value of the average vessel sold more than doubled between 2003 and 2005, creating demand for more capital. This increase in vessel values has caused many shipowners to become capital constrained and to consider leasing structures for the first time. As many of these companies become more comfortable with using leasing products, we expect to see a further increase in transaction volume.

Rising Vessel Sales Values



Improved Leasing Products

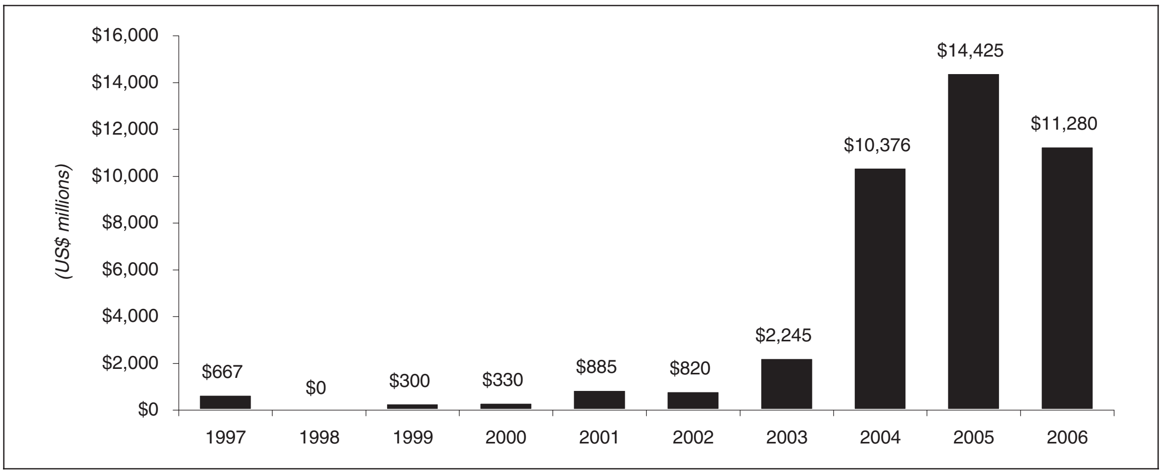
One of the reasons why shipowners have not historically been active users of leasing products is because leasing products did not offer the flexibility that many owners felt they needed with respect to early termination. This was particularly true among shipowners whose strategy was to generate profits by buying and selling vessels, rather than operating them over long periods of time, because leases traditionally had restrictions and penalties associated with early buyout.

As a result of the prolonged strong freight market, limited availability of new ships and firmness of vessel prices and charter rates, many shipowners have found that the long-term operation of ships is now a more profitable strategy than asset trading. This in turn has increased the demand for long term financing products. Moreover, lease products with multiple purchase options are sometimes offered, preserving the lessee's ability to opportunistically dispose of assets.

Maturing Capital Structures

As the Mergers and Acquisition ("M&A") volume table below shows, the shipping industry has entered a period of significant corporate consolidation. This has been driven by several factors including: the emergence of growth-oriented public companies that have access to competitively priced capital; increasingly strict regulations that are challenging for smaller owners to comply with; generational change within shipping companies. Many of these companies are using leasing products as one component of their capital structure.

Shipping M&A Transaction Volume



Equity Financing

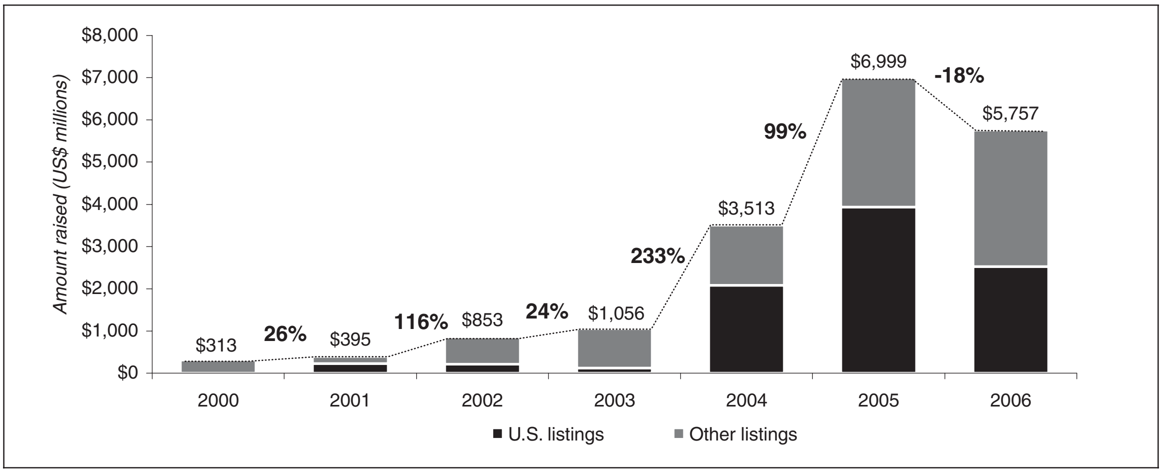
Public Equity

The fourth quarter of 2003 was the beginning of a robust period of global equity offerings by shipping companies. There were two main drivers for this increased equity issuance. First, the strong shipping market was able to produce high current income during a period of low interest rates. By structuring transactions to provide dividend yield, shipping companies and their private equity sponsors were able to achieve valuations based on cash flow multiples in the public market which were in excess of the value of their vessels thereby creating a valuation arbitrage opportunity.

In addition to providing income, some shipping companies also experienced capital appreciation during the fourth quarter of 2003. In particular, some investors viewed shipping as proxy for the robust growth of industrial production in China. Through shipping, some investors attempted to gain exposure to the Chinese economy while having hard assets and avoiding regulatory landscape.

The below graph demonstrates the magnitude of growth in shipping investment by public investors.

Shipping Equity & Equity-Linked Offerings (2000 – Present)



Private Equity

Due to a combination of the inefficiency of the process of raising this capital, the historically single digit financial returns generated by shipping and the scrutiny on valuation and corporate structure, institutional private equity has so far not been a meaningful source of capital for the shipping industry.

We estimate that around 2% of the approximately $1 trillion currently under management by private equity funds has been deployed into the transportation industry, with a small amount devoted to shipping. The transactions that have been completed involve one or more of the following categories:

- Management Buy-Out (MBO) – a form of acquisition where the company's existing managers bring in a financial partner/private equity fund to help them buy or acquire a large part of the company from its owners.

- Backing a Proven Management Team & Timing the Market – this structure typically involves an outside provider of equity making a commitment to finance transactions generated by a management team.

- Leveraged Buy-Out (LBO) – an outside investor essentially uses the assets of the target company as collateral for loans used to buy the company.

- Public / Private Arbitrage – private equity funds provide the capital necessary to create a shipping company of sufficient scale which that it can later be taken public.

Debt Financing

Overview

Traditionally, single tranche commercial bank loans comprise the largest portion of the ship financing arrangements globally. Due to its relatively inexpensive cost and flexible terms, commercial bank debt underlies most operating and finance leases and is used regularly by public and private shipping companies.

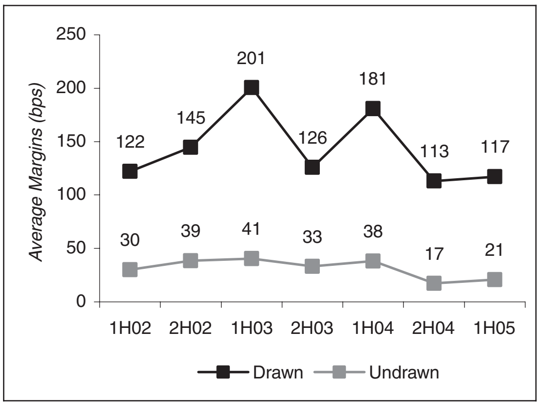
Commercial bank loans are executed both on a syndicated basis, whereby multiple lenders provide capital to a single borrower, and on a bilateral basis, whereby a single lender provides capital to a single borrower. Syndicated and bilateral shipping loans are both generally comprised of a base rate, generally the London Interbank Offering Rate (LIBOR), plus a margin. The interest rates for ship financing loans may be swapped and fixed for the duration of the loan, remain floating or involve other interest rate management products.

The commercial bank lending market for shipping deals is highly competitive with many lenders offering similar terms including loan pricing, leverage, amortization profile, repayment schedule and fees.

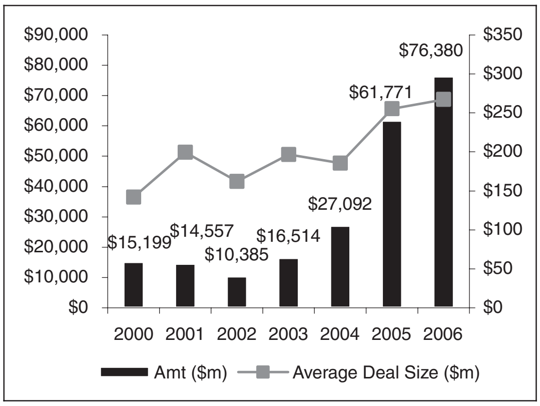
Ship finance loans vary according to, among other things, the credit quality of the borrower and the age and type of asset being financing. Average loan amortization profiles are approximately 15 years for a new vessel and loan tenors are typically 8-10 years for a new vessel, leaving borrowers with a balloon repayment that must be refinanced at the maturity of the initial loan. Commercial banks generally extend shorter terms and use shorter amortization profiles for vessels that have limited useful lives remaining.

The advance rate, or loan to value ratio, that banks provide borrowers is determined by the credit quality and reputation of the borrower, the nature of the guarantee offered by the borrower, the quality of the time charter or bareboat charter employment of the vessel, and the current value of the vessel relative to historical prices and relative to depreciated historical newbuilding costs. Traditional shipping loans consist of a single tranche of secured financing with a loan-to-value ratio ranging from 50-75%.

Average Spreads for Syndicated Shipping Loans

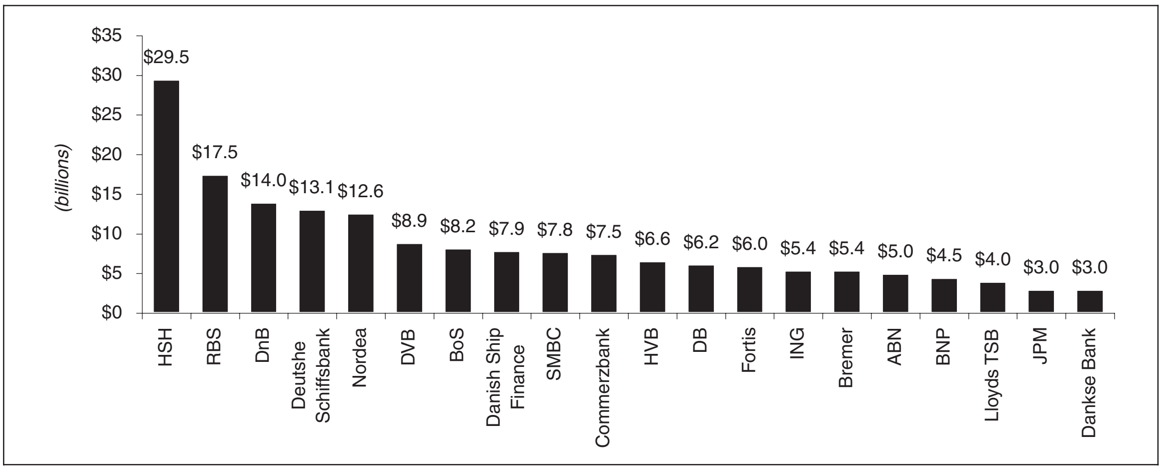


Shipping Syndicated Loan Volume



The table below sets forth the Top 20 reporting commercial lenders by portfolio size with data as of May 1, 2006 (Please note not all banks choose to report this data to Marine Money, including some important shipping lenders such as Citigroup and Calyon).

Bank Shipping Portfolio Volumes



This Report on the International Ship Finance Industry is dated 12 February 2007.

For and on behalf of
Marine Money International

Matthew McCleery
President/Director

REPORT ON SHIPPING INDUSTRY TRENDS AND STRUCTURES

This section is prepared by Maritime Strategies International Ltd. in respect of the international ship finance and maritime industry and for the purpose of inclusion in this Prospectus and for the Listing. The information has not been independently verified by the Trustee-Manager, the Joint Bookrunners or any other person. Much of the available information is based on estimates and should therefore be regarded as indicative only and treated with appropriate caution.

The information and data in this section relating to the maritime industry is taken from Maritime Strategies International Ltd.'s databases and other sources available in the public domain. Maritime Strategies International Ltd. have advised the Trustee-Manager that this section accurately describes the maritime industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. Maritime Strategies International Ltd.'s methodologies for collecting information and data, and therefore the information discussed in this section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the ship finance and maritime industry. The source of all tables and charts is Maritime Strategies International Ltd. or otherwise derived from industry sources by Maritime Strategies International Ltd.

Overview

International Trade and Merchant Shipping

International trade has been an important driver of economic growth during the last fifteen years, due to globalization, trade liberalization and export-led industrialization particularly of emerging Asian economies. Since 1990, the volume of world trade has grown over four times faster than total world output as measured by GDP.

For all goods other than those with very high value-to-weight ratios, shipping is the most cost competitive mode of long haul transport and over 90% of internationally traded goods are transported by sea at some point in their journey from producer to consumer. The growth in demand for merchant shipping services has broadly reflected this dynamic trade growth pattern.

Moreover, the drivers of shipping demand are as diverse as those of international trade itself. While imports of industrial goods are closely tied to the cycle of economic activity, trade in agricultural goods is affected by consumer preferences and weather patterns. Whereas raw material and fuel trades are determined by natural resource imbalances of endowment between producers and consumers, trade in manufactured goods is governed by comparative advantage and competition.

In addition to cargo volume, voyage time can also impact shipping demand. Voyage time is governed by a number of factors, including distance, steaming speeds, ballasting and shore based infrastructure, such as port facilities, canals, pipelines and land bridges.

There is little doubt that China's economic progress has contributed to the growth in demand for merchant shipping. As with Japan, Korea and other Asian economies before it, China's industrialization has been predominantly export-led as it is relatively poorly endowed with natural resources (apart from coal). Consequently, most of the oil, gas and industrial raw materials that underpin its industrial and infrastructural expansion must be imported – and over long distances. The difference is that in terms of population and territory the scale of Chinese industrialization and infrastructure development dwarfs that of its Asian neighbours.

Seaborne Cargoes and Ship Types

The characteristics and volume of seaborne cargoes largely determine the type and size of ships that transport them. Cargoes are customarily divided into "wet" and "dry" trades. Table 1 shows that the former consists primarily of crude and refined oil products, chemicals and liquefied gases. These are transported in different types of 'tank' ships. The majority of dry cargoes comprise industrial raw materials, energy feed-stocks and agricultural commodities, which are carried loose in 'bulk' ships and containerised cargoes which consist primarily of manufactured and semi-manufactured goods that are transported in 'cellular' containerships.

Because they are linked primarily to the expansion of oil and gas exports, which are typically supply constrained, wet cargoes have grown at just over half the rate of their dry counterparts since 1990. By comparison, iron ore and coal, the major dry bulk cargoes, are relatively cheap and abundant allowing trade demand to expand unhampered by price and availability.

The fastest growing sector in the shipping industry is that of cargoes transported in containers. Compared to the mature oil tanker and dry bulk carrier segments, container shipping is relatively young. In 1980, the fully cellular containerships amounted to only 2% (by deadweight) of the world cargo fleet compared to 13% today. There are two principal reasons for its success. Trade in manufactured goods has grown faster than overall consumer demand, as domestic production of manufactured goods in Europe and North America has been progressively displaced by Asian exports. Secondly, the radical productivity gains to ship/shore handling costs and road/rail links afforded by the container has cut the estimated freight component to only 0.15%-1.6% of the manufactured goods retail price. As a consequence, container shipping has gained market share at the expense of other vessel types, including bulk refrigerated (reefer) and general cargo ships. The latter cover a diverse range of 'multi-purpose' ships, which transport cargoes that are neither containerized nor carried loose in the holds of standard bulk carriers. Although these ships still transport some 30% of all dry cargoes, most are small stems with specialist handling requirements in short sea, coastal and distributive trades.

The relative importance and growth of these different cargo types is set out Table 1. Oil, and more particularly crude oil, remains the largest single cargo and this is reflected in the importance of the oil tanker fleets in Figure 1A. Figure 1B shows that bulk carriers and (fully cellular) containerships now account for over 90% of dry cargo vessels sized over 5,000 deadweight tonnes.

Table 1

WORLD SEABORNE CARGOES (Million Tonnes)

	1990	1995	2000	2005	Growth 90-05 (%)
WET CARGO	**1,963**	**2,288**	**2,680**	**3,054**	55.6%
of which:					
Crude Oil	1,376	1,612	1,876	2,130	54.8%
Oil Products	446	491	561	607	36.1%
Chemicals	52	72	92	121	132.7%
Chemical Gases	6	9	10	12	100.0%
Liquified Petroleum Gas	29	37	41	47	62.1%
Liquified Natural Gas	53	67	100	138	160.4%
DRY CARGO	**2,272**	**3,021**	**3,843**	**4,662**	105.2%
of which:					
Dry Bulk	1,292	1,505	1,706	2,181	68.8%
Container Cargo	253	411	616	1,044	312.6%
General Cargo	708	1,084	1,498	1,411	99.3%
Bulk Refrigerated	19	21	23	26	36.8%
TOTAL CARGO	**4,235**	**5,309**	**6,523**	**7,715**	82.2%

Note: These figures exclude specialist trades by Pure Carriers and Roll-on Roll-Off Vessels

Figure 1A

WET CARGO SHIPPING FLEETS (Over 5,000Dwt)

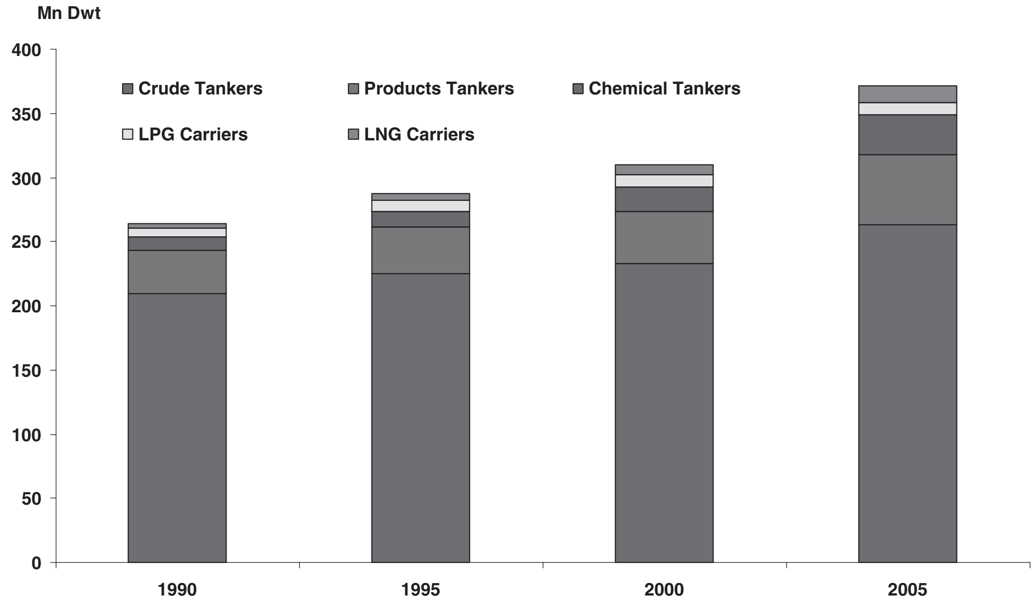
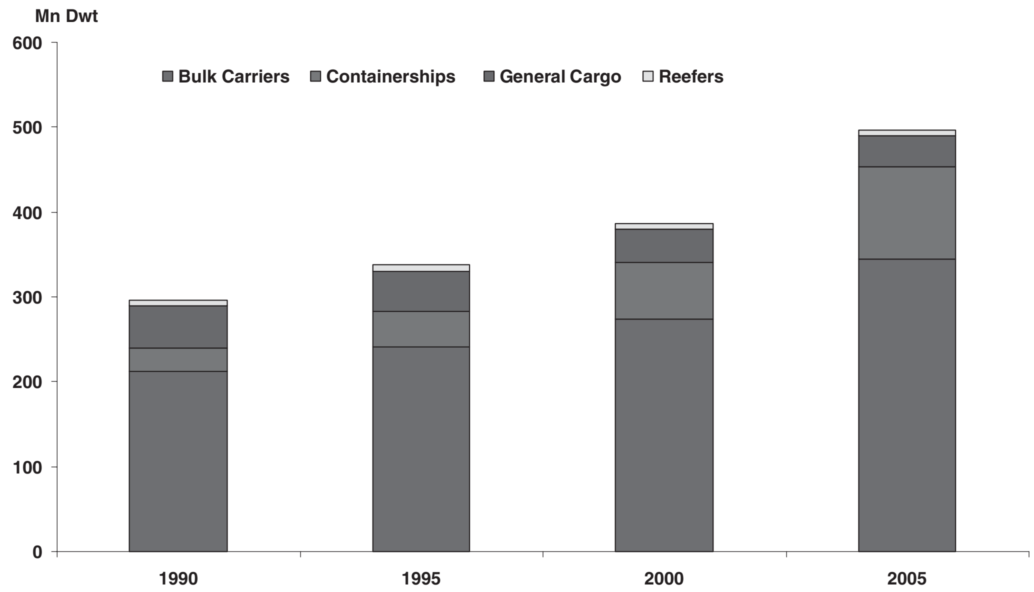


Figure 1B

Dry Cargo Shipping Fleets (Over 5,000Dwt)



Market Characteristics of Different Shipping Sectors

The organizational, ownership and market characteristics of merchant shipping differ substantially across the different sectors of cargo shipping. Whereas much of dry bulk and tanker shipping is organized on a 'tramp' basis, where ships are chartered 'spot' for individual voyages, almost all container shipping operates to a fixed 'liner' service timetable and containerships are either owned or chartered in on a term basis by the liner operating company.

In the past such factors have influenced the relative degree of earnings volatility in different sectors. So, for example, whereas liquid natural gas carriers (LNGC) were formerly built and operated almost entirely on a fixed cost-plus basis over the duration of a gas export project, the freight rates for oil tankers and bulk carriers varied substantially from day to day.

Differences are also found in other market characteristics, including the number of independent shipowners, the degree of ownership concentration and the transaction volume and liquidity of the vessel re-sale market in different sectors. So, for example, whereas in the concentrated LNGC market there have been very few reported re-sales, while in the fragmented dry bulk market, annual re-sale turnover of the Panamax (50,000-79,999 Dwt) segment alone has averaged over 12% of the fleet each year since 1995 at an average annual turnover of more than US$ 1 billion.

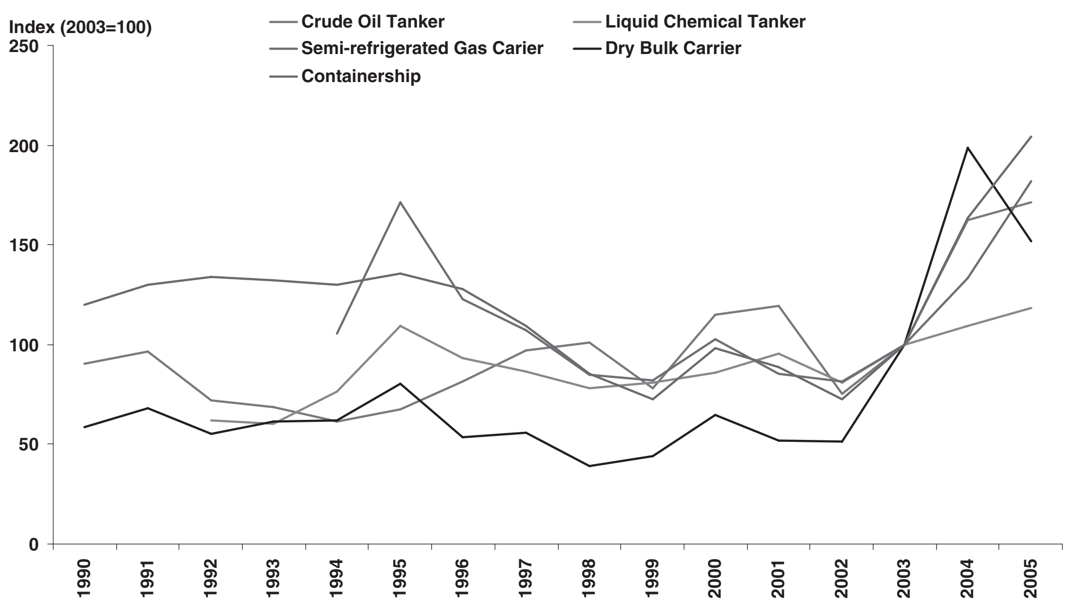
In recent years, however, earnings in all sectors of shipping have become more volatile. This has been due partly to strong demand and a shortage of ship tonnage and partly to the development of charter markets in many sectors of shipping, which formerly had been dominated by 'captive' fleets that were dedicated to particular operators and trades. This is especially true of the charter containership market, which has increased in both size and volatility since the mid 1990s.

Market Supply and Earnings Cycles

Given the diversity of cargo, organisation and trading characteristics, there is not a high level of correlation between freight cycles in different sectors of merchant shipping and the *universal* strength of freight earnings, particularly between 2003 and 2005 was an exception rather than the norm, as shown in Figure 1C.

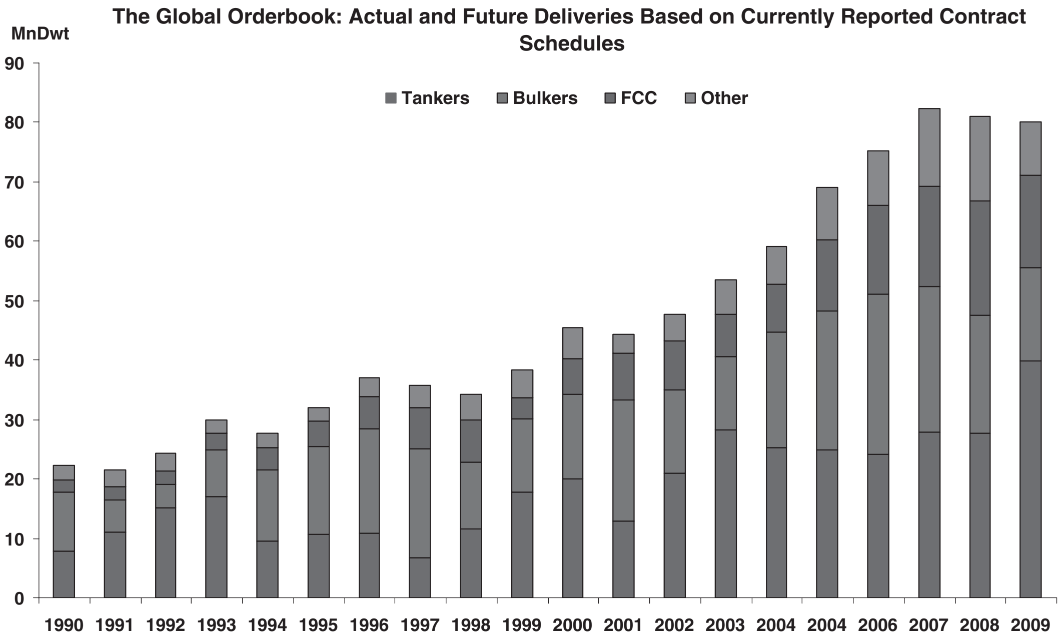
Figure 1C

Relative Freight Earnings



Nevertheless, earnings in all sectors are subject to the same market fundamentals of demand / supply balances. Demand, as discussed earlier, results from a complex interaction of cargo, distances and trading efficiencies, which is often hard to monitor. The supply of shipping is generally easier to measure and observe. In broad terms supply is governed by the cargo capacity of the existing stock of ships, together with the future inflow of newbuildings and the outflow of ship deletions and scrapping in each sector[1]. Future deliveries can be judged from the volume of vessels on order at shipyards. Although some orders go unreported and there is frequently slippage between actual and scheduled deliveries, the current orderbook is a good indicator of the likely volume of newbuildings over the short term. In the longer term, of course, owners can add to these orders with new contracts, but in the current market at least, where few newbuilding berths are available much before 2009/2010, the existing orderbook schedule ought to be a relatively accurate guide to future delivery volumes. At present the volume of new orders is at record levels (see Figure 1D) and some 85% of this orderbook by deadweight is taken up by the three major sectors.

Figure 1D



There is no reliable indicator of vessel demolition as vessels are scrapped for a number of different reasons which vary from sector to sector. In tanker shipping, for example, IMO legislation may force the demolition of all single hull tankers by 2010, irrespective of their age and condition. In other sectors where there are no comparable regulations, vessels can theoretically trade indefinitely, provided they are repaired and maintained to a sufficient standard to remain in class. In practice, however, the two major determinants of scrapping are the age of the vessel and the state of the freight market. The former will largely determine the cost of keeping the vessel in class, the latter the profitability for the owner of doing so.

As there has been little technical innovation in recent years in the design or performance of ships, especially in the mature sectors of shipping, so there has been very little technical obsolescence. Older ships can compete on virtually level terms with modern ones. As a result, very few vessels under 20 years of age are scrapped in these sectors and most are aged over 25 years. (The only real exception is double hull tanker construction. But this is a safety rather than a cost efficiency issue requiring the force of law to ensure implementation.) In the faster developing containership sector there has been more innovation in terms of increased ship size and speed and it is possible that the logistical requirement for container fleets to keep to common timetables may eventually result in the obsolescence and demolition of slow/small ships under 20 years old. But there is as yet no evidence of this and in most sectors ships aged 25 years or more effectively constitute the pool of scrapping candidates. Currently, the average age of the global shipping is a shade under 15 years.

But if the age structure of the fleet defines the number of candidates, it is the freight market that largely determines whether they are actually scrapped. So for, example, in 2005 when earnings were strong across the

1 In fact the situation is not quite this simple, because some ships can switch between different cargo sectors. For example some chemical tankers can and do transport some oil products and small LPG carriers can also transport some chemicals.

entire spectrum of cargo shipping less than 6 million dwt (or 0.7% of the fleet) was scrapped. This compares to 31 million dwt (4.1% of the fleet) scrapped in 2002 when freight rates were all at lower levels. In the dry bulk market where there is now the greatest concentration of older ships 1 million dwt was scrapped in 2005 compared to 6 million dwt in 2002 even though the volume of 25+ year old ships had increased from 23.5 million to 31.3 million dwt.

Because scrapping is negatively correlated with freight earnings and newbuild contracting is positively correlated, movement in freight markets generates strong countercyclical supply responses: a fall in rates generally causes increased scrapping outflows together with reduced ordering inflows. Eventually this has the effect of reducing the growth in tonnage supply and thereby reversing the direction of earnings. But the extent and speed at which this correction takes place depends on the existing pipeline of orders and the availability of old ships to be scrapped.

Overview of the Containership Market

Introduction - Market overview and Structure

The international container shipping industry provides seaborne transportation of a wide range of manufactured goods and perishables in a unitized form and represents an important and increasingly significant part of the global seaborne movement of goods. In 2005, global containerized trade (primary port to port and transshipment cargo movements) was at an estimated 155 million 'teu'.

The range of containership owners is diverse, including liner companies, who are often significant corporate entities, and operators, who are often part of wider groups involved in other shipping activities. Shipowning generally requires a relatively high level of capital investment. Ownership of the Panamax size and larger ship sectors is less fragmented than the ownership of smaller vessels. There are several hundred operators who own only a few vessels. As a result the ownership is highly fragmented, with the fourth largest owner controlling less than 5% of the fleet.

Containership Demand

The demand for containership capacity is a function of the volume of traffic on the key trades but effective demand is also heavily dependent on trade distance, and the operational and trading networks. Seasonality also affects demand, with the peak season in the 3-4 months prior to December. In the last three years, demand for container shipping has greatly accelerated with a compound annual growth rate in the world container trade of over 12% per annum. This growth has been the result of an increase in demand for the commodities already carried in containers, as well as due to a spread in the scope of containerization to new cargoes previously carried in breakbulk (both dry and temperature controlled) or on Roll-On Roll-Off vessels (Ro-Ros).

Global container trade is spread over a range of long-haul, regional, and intra-regional routes. The "mainlane" container trades on the major East-West routes are the world's largest in terms of volume, with the Transpacific forming the world's largest container trade. In addition to these trades, there are "intermediate" trades on the mainlane East-West corridor serving the Middle East and the Indian Sub-Continent. North-South trades form the second layer of the global liner network, connecting the Northern hemisphere with South America, Africa and Australasia. Additionally, there are also important intra-regional container trades, such as intra-Asia or intra-Europe. The Transpacific and the Far East-Europe routes are the world's two largest container trade routes. In recent years Chinese trade routes have driven most of the increase in volumes from Asia. From 2000 to 2005 loaded exports from China have grown over 2.5 times. Other significant expansions include Latin America and Eastern Europe (incorporating FSU).

Containership Supply

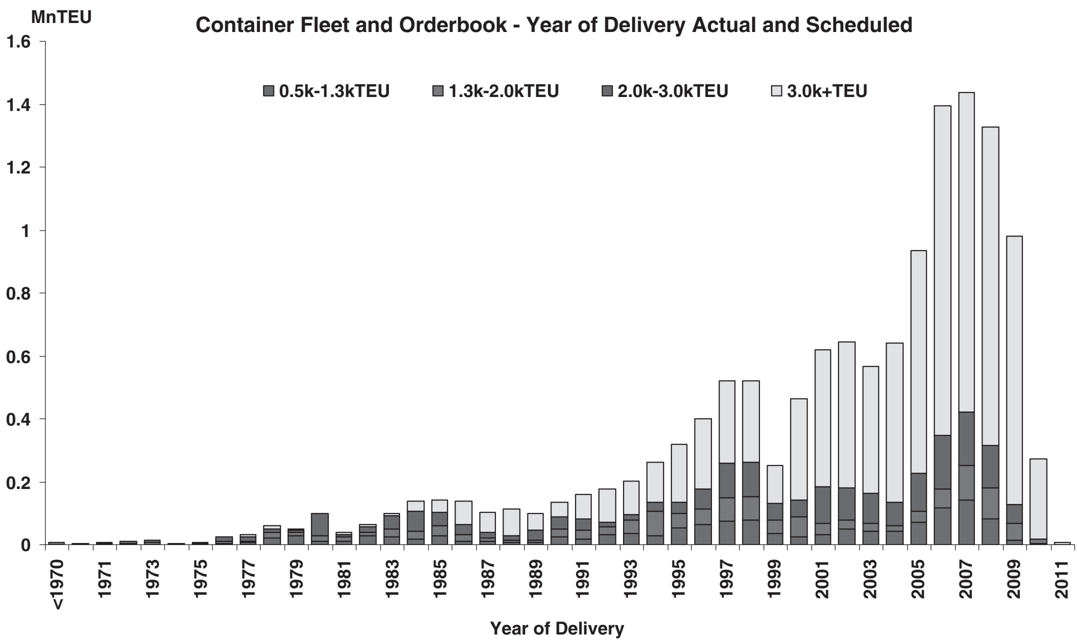
Global container trade is served by a large and diverse fleet of container carrying vessels. As of 1st September 2006, the global container shipping fleet contained 3,779 fully cellular containerships with a total standing slot capacity of 9.05 million teu, while the total container capable fleet capacity was slightly over 11.0 million teu. The most significant part of this fleet is the fully cellular containerships, which as of 1st September 2006, comprised 80% of global available teu capacity. The remainder of the container capable fleet is comprised of a range of non-fully cellular ship types, including Multi-Purpose/Dry Cargo Vessels (Dry Cargo), Roll-On Roll-Off vessels (Ro-Ros) and numerous miscellaneous vessels (Other), which often have container carrying capacity.

Overall, global container capable standing slot capacity expanded at a compound annual growth rate of approximately 8% over the previous 10 years, driven mainly by the growth of the fully cellular containership fleet, which has more than doubled in capacity during this period (see Figure 2A).

The global fully cellular containership fleet is made up of a wide range of ships from less than 500 teu in capacity to more than 8,000 teu. While there is no industry standard categorization of ships according to their size they are generally divided into the following groups: the "deep sea" containerships of 3,000 teu and above, which are generally responsible for servicing the mainlane East-West trade routes. These ships are designated as Panamax or Post-Panamax according to their ability to transit the Panama Canal based on their physical dimensions; "Intermediate" containerships are between 2,000 teu and 2,999 teu in capacity and generally serve intermediate, North-South, and in some cases intra-regional, trade routes; "Handysize" vessels are between 1,300 teu and 1,999 teu, while ships below 1,300 teu in capacity are the conventional "Feeder" containerships generally operated on an intra-regional basis, that often "relay" or "feed" cargo within a region from or to main port hubs served by mainlane trade routes. The largest proportion of the growth in global containership capacity in recent years has been in the Panamax and Post-Panamax "deep sea" segments.

As of 1st September 2006, the global containership orderbook (for vessels over 500 teu) comprised 1,195 ships, with an aggregate 4.375 million teu, which represented over 50% of the existing globalfleet in terms of capacity. Vessels over 4,500 teu dominate the current orderbook by teu but there is scope for more smaller vessels to be delivered between 2009 to 2010, given shorter construction times. As of 1st September 2006, the global containership fleet had an average age of slightly less than 11 years of age. The Post-Panamax containership fleet had an average age of 4.5 years. 92% of Post-Panamax capacity was less than 10 years old. This is in stark contrast to the smaller vessels, particularly those under 2,000 teu, where vessels less than 5 years of age are significantly less than half the total built in the previous ten year period. Given the youthful age profile of the global fleet, containership demolition is marginal in relation to fleet additions. During the periods of buoyant freight markets, it is not unusual for older vessels to trade beyond 25 years of age. Nevertheless, the 25+ year old containership fleet still accounts for less than 5% of the global fleet measured by teu capacity.

Figure 2A

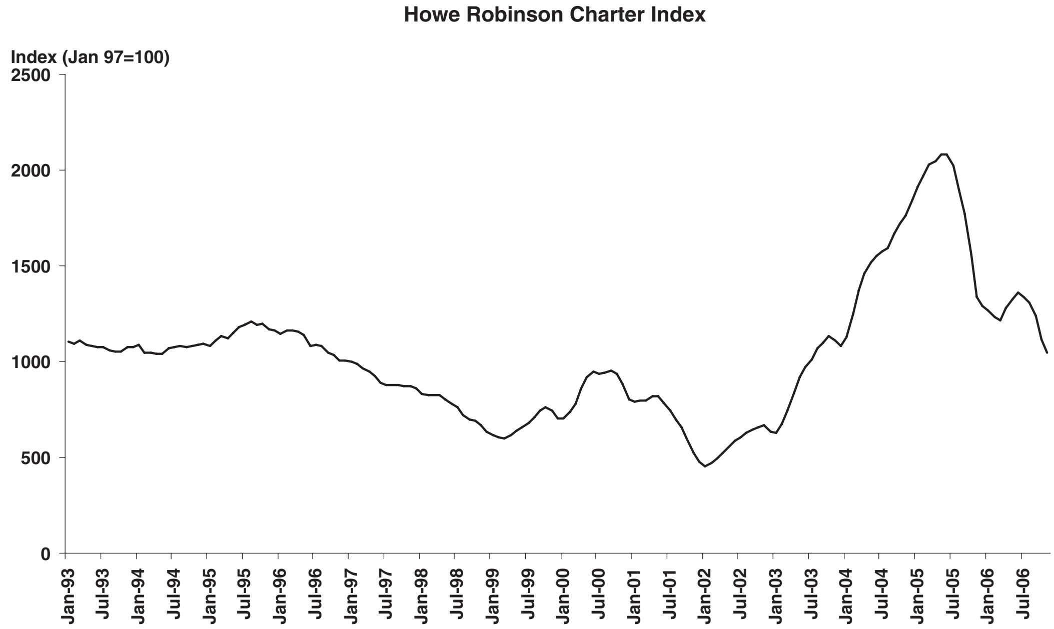


Time Charter Rate Development

There was significant upward movement in time charter rates from the beginning of 2002 until mid-2005 as shown in Figure 2B. Increases in global container trade initiated this upward market movement.

The index following represents a weighted average of charter rates for vessels between 250 and 4,000 teu, with vessels across this spectrum generally moving in unison. In line with rising charter rates, the average charter period also escalated rapidly through 2003 to early 2005, tripling from 11 months in January 2004 to over 33 months approximately 2 years later. The average period collapsed to approximately 11 months by the end of 2005 and, after a turbulent 2006, under 12 months by the end of November 2006.

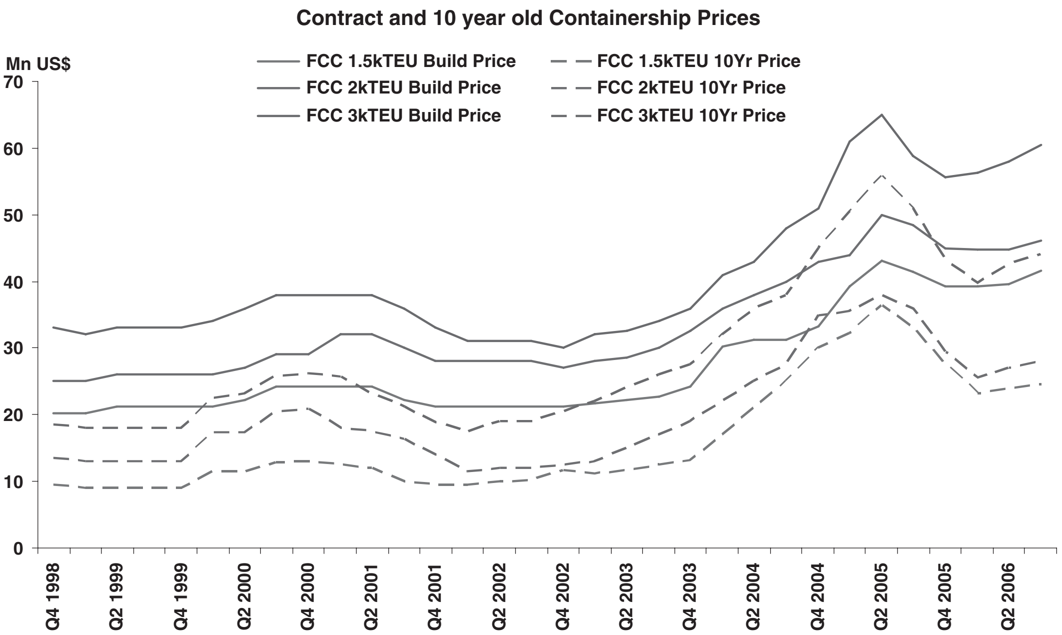
Figure 2B



Vessel Prices

Demand for new containerships has increased in recent years and because the supply of shipbuilding capacity has been relatively tight, the newbuilding price for benchmark 3,000 teu ships has risen rapidly from approximately $32.0 million in the first quarter of 2003, to approximately $65 million by the second quarter of 2005, as shown in Figure 2C. This number then declined slightly to the end of 2005, and has begun to strengthen again in recent quarters. A similar pattern is evident for other vessel categories but price variations have been less pronounced for the Panamax and Post-Panamax categories where the effects of more limited shipyard capacity combined with a period of intense demand has been overwhelmed by the benefits of economies of scale.

Figure 2C



Overview of the Dry Bulk Market

Introduction - Market overview and Structure

The international dry bulk industry provides ocean transportation of dry bulk commodities. The most important of these commodities are iron ore, coal and grains which together account for an estimated 75% of total trade. Other key cargoes, commonly referred to as minor bulks, include agricultural products (e.g. fertilizers), steel products, forest products, metals, cement and a wide range of other minerals. Shipping companies provide seaborne transportation to customers that include power utilities, steelmakers, grain houses, commodity traders and government agencies. International seaborne dry bulk transportation services are primarily provided by independent shipowners, in contrast to the tanker industry where many oil companies also have their own fleets. As a result ownership of the global dry bulk carrier fleet is highly fragmented, with no single shipowner controlling more than 5% of the global dry bulk carrier fleet.

Dry Bulk Carrier Demand

Demand for vessels is influenced by many factors, but particularly by economic activity and changes in production, consumption, inventories and prices of the commodities mentioned above and their substitutes (if any). The distances over which commodities are transported is also a key determinant of shipping demand. Seaborne dry bulk trade has grown by a compound annual rate of 3% per annum since 1980, but has risen to over 5% per annum in the last 5 years. The acceleration in trade in recent years has been driven primarily by China, whose steel industry has increased production by a compound annual rate of over 20% per annum from 2000 to 2005 to 339 million tons in 2005. As China's reserves of iron ore are poor in quality, imports have grown by a compound annual rate of over 30% per annum over the last 5 years. Asia's rapid industrial development has also contributed to strong demand for coal, which accounted for approximately a third of the total growth of seaborne bulk trade between 2000 and 2005. Coal is usually divided into two categories: thermal coal (or steam coal), used in power stations, and metallurgical coal (coking coal) used as an input by the steel industry. Wheat and coarse grains are primarily used for direct human consumption or as feed for livestock. International trade fluctuates considerably. Grains have a long history of price volatility, government intervention and weather conditions which strongly impact trade volume. Soyabean trade has risen rapidly in recent years as demand for animal feed and vegetable oil has increased. However, demand growth for wheat and course grains is fundamentally linked in the long term to population growth and rising per capita income, and trade volumes in 2005 were only marginally ahead of their levels in 2000. Trade in minor bulks constituted approximately 25% of total seaborne trade in 2005. While compound annual growth for all minor bulks was a shade over 2% since 2000 those related to steel and construction industries have grown much faster. Steel scrap trade has grown the fastest as scrap is the key input for steel makers using the 'electric arc furnace' means of production. The trade for these minor bulks is geographically widespread but the Middle East has been a key importer of construction inputs in recent years.

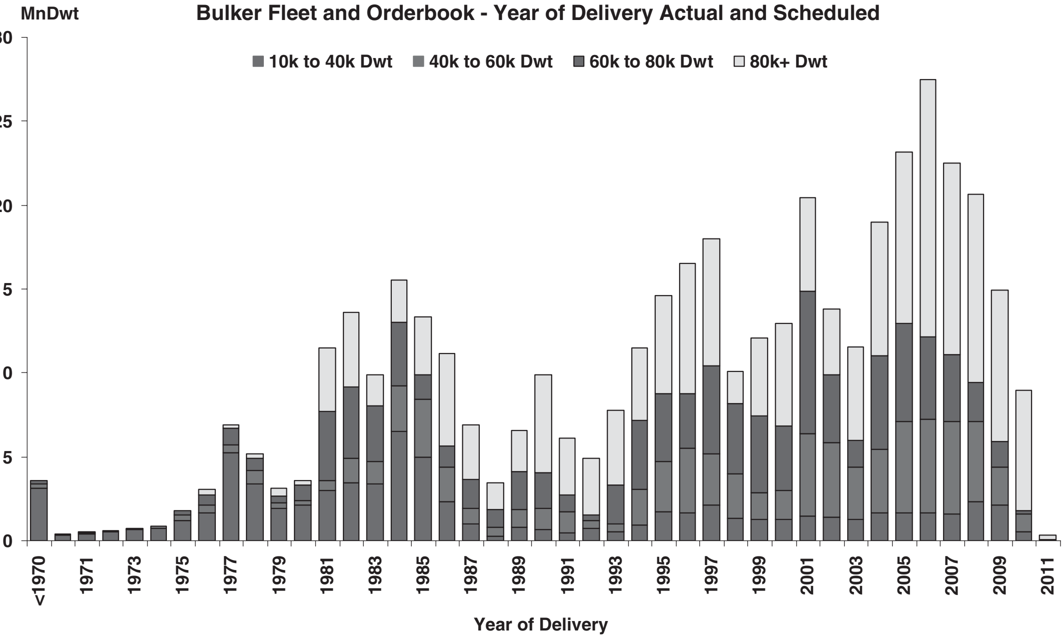
Escalating port congestion and increases in time spent by vessels waiting to berth has also been a feature in recent years. As the time required to complete a single vessel voyage has increased, the number of vessels required has also risen, contributing to higher freight rates.

Dry Bulk Carrier Supply

The supply of dry bulk shipping is measured by the amount of suitable deadweight tonnes (dwt) available to transport cargo. This depends on the aggregate dwt of the existing world fleet, deliveries of newbuildings, scrapping of older vessels, and the number of vessels undergoing maintenance, repairs, inspection, or otherwise unavailable for use. The decision to order newbuildings or scrap older vessels is influenced by many factors, including prevailing and expected charter rates, newbuilding and scrap prices, and availability of delivery dates and government and industry regulation of seaborne transportation practices.

The price of newbuildings is linked to the level of demand and supply of shipyard space, the cost of steel, labour and other factors. As a shipyard can generally build most types of ships, the price for dry bulk carriers is influenced by the orderbook of all ship types. As at September 2006, the total dry bulk orderbook stood at 70.3 million dwt, representing 20% of the existing global dry bulk carrier fleet. The existing orderbook is to be delivered over the next 3-4 years.

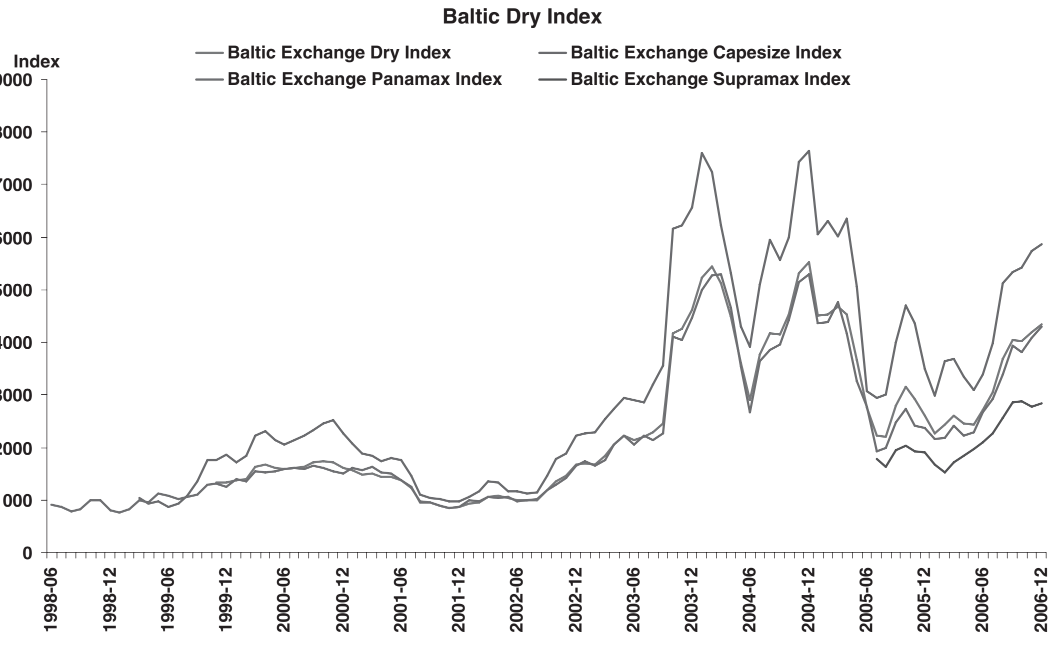
Figure 3A



Dry Bulk Carrier Earnings

Dry bulk carrier earnings increased sharply during the second half of 2003 and reached record peaks in 2004. The Baltic Dry Index approached 6,000 twice in a 12-month period, having failed to breach 2,000 during the previous five years. Rates then trended lower from the middle of 2005 for the best part of 12 months, before appreciating again since June 2006.

Figure 3B

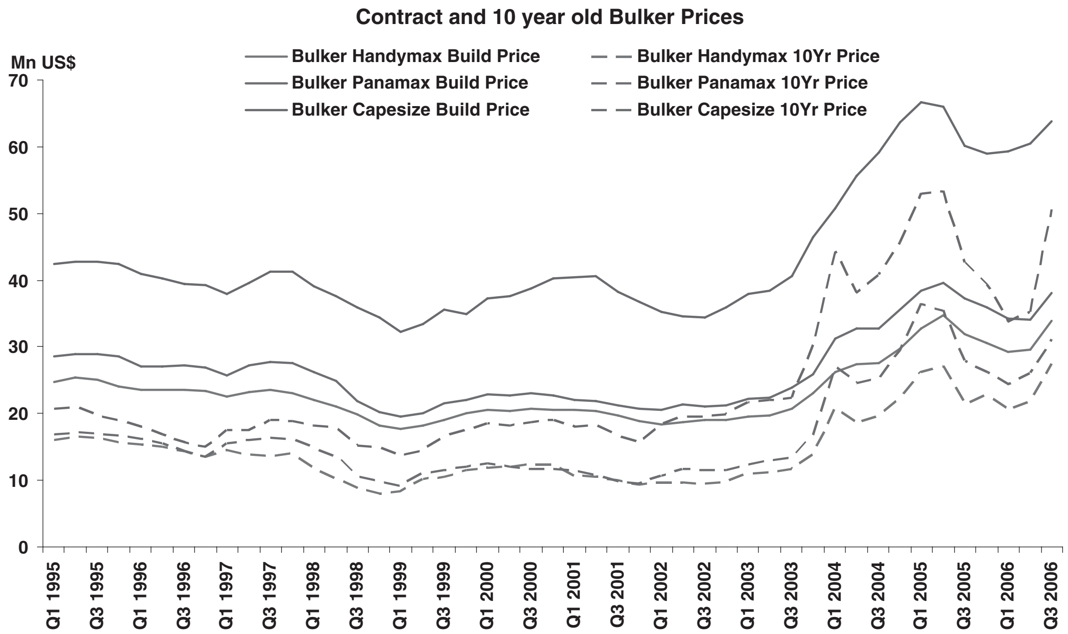


Vessel Prices

Prices for the construction of new vessels have soared in recent years (as shown in Figure 3C) and have been sustained by an environment of high freight rates in all shipping sectors which has spurred ordering of all ship types, limiting the availability of shipyard berths and pushing up the prices of dry bulk carriers. The second quarter of 2005 witnessed the peak of the current newbuilding price cycle with a modern handymax averaging US$34.7 million. Since then prices have fallen but have recently recovered strongly and are now at similar levels again. A surge in the number of tankers ordered was responsible for the rebound in 2006.

The second hand, or sale and purchase, market for dry bulk carriers has witnessed an unprecedented rise in prices in the last few years as shipowners seek to increase the size of their fleets to benefit from the rise in trade (as shown in Figure 3C). Prices tend to follow the direction of the freight market and benchmark 10 year prices have now surpassed their previous peak of $27 million in the second quarter 2005.

Figure 3C



Overview of the Tanker Market

Introduction

The international tanker industry provides ocean transportation of crude oil and refined petroleum products. Crude oil is used to produce refined products with different uses: gasoline (car engines), diesel fuel (truck/tractor, etc engines); jet-fuel (airplanes); gas oil and kerosene (heating and cooking) and naphtha (petrochemical industry). Customers for tanker services include oil companies, oil traders, large oil consumers, petroleum-product producers (i.e. refineries), government agencies and storage facility operators. Tanker owners are typically either state run oil companies or independent shipowners.

Tanker Demand

Tanker demand is a 'derived demand' from crude oil demand. This is a function of economic development, although short term volatility is caused by disruptions from political events, weather and natural disasters, together with changes in the relative level of prices between fuels. Tanker demand is influenced by the transportation distance between oil-producing locations and oil-consuming destinations and, in the short term, the same factors as crude oil.

Seaborne crude oil trade expanded by a compound annual growth rate of 1% from 1980 to 2005, although this has accelerated in recent years to 3% from 2000-2005 and 5% from 2002-2005. Conversely seaborne trade in refined products has decelerated from a compound annual growth rate of 3% from 1980-2005, to 2% from 2000-2005 and 1% from 2002-2005. The largest consumers of both crude oil and refined products are the OECD developed nations, in particular North America, Europe, Japan and Korea—as well as China. The fastest growing region for crude oil consumption in recent years has been China, which has grown at a compound annual growth rate of 8% since 2000-2005 and has accounted for 36% of total demand growth in the same period. The largest suppliers of crude oil and refined products are the Middle Eastern countries (who comprise the majority of OPEC) and Russia. OPEC dominates production accounting for 42% of global production in 2005.

Like crude oil, the largest consumers of refined products are the OECD countries, in particular the US. Of the non-OECD countries the largest consumer is China. In developed countries the principal use of refined products is in transportation, for which the only real alternative is public transport or rail (for freight). The supply of refined products is related fundamentally to the amount of regional refining capacity. Crude oil is usually shipped in large tankers to refining hubs and then shipped by tanker/lorry to consumers.

Trade

Both oil and refined products are shipped from the main exporting regions, primarily the Middle East, to the developed countries in the West and East to China. Due to the relatively long distances between these loading terminals and the points of discharge, the level of oil/product exports from the Middle East strongly affects the demand for tankers. Oil exports from regions such as Latin America, the North Sea and the Mediterranean are typically shipped over much shorter distances and thus have a smaller impact on tanker demand and rates. In recent years the demand-supply balance has been tight for refined products. This is due to the phenomenal growth of non-OECD demand and the slow growth of refinery capacity.

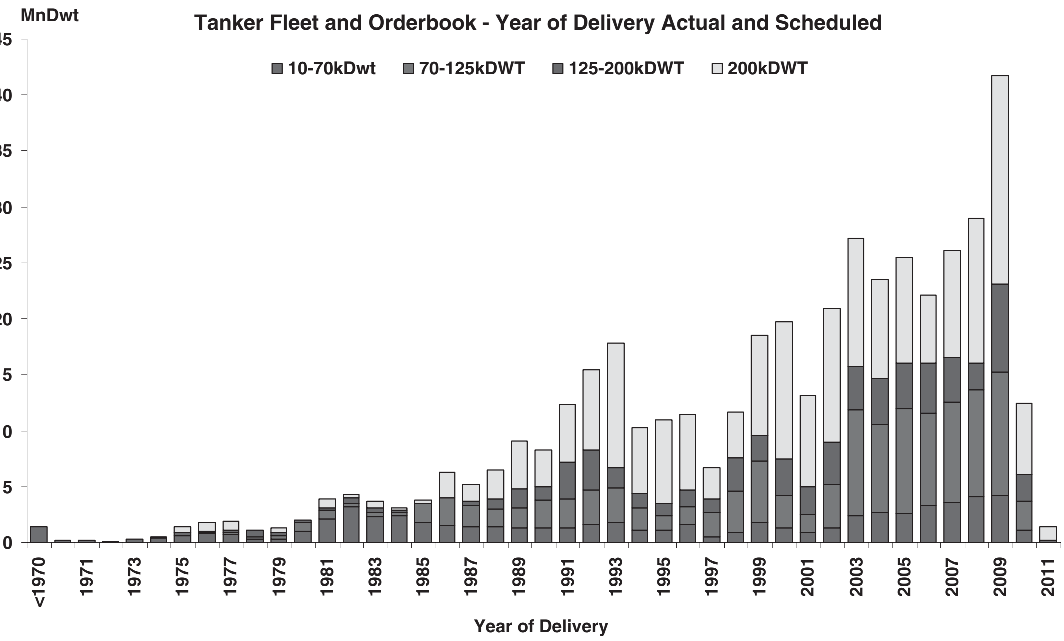
Tanker Supply

The supply of tanker capacity is measured by the amount of suitable tonnage available to transport oil and depends on the aggregate tonnage of the existing world tanker fleet, the number of newbuildings, the scrapping of older tankers and the number of tankers in storage, drydocked or otherwise unavailable for use.

Product tankers can trade crude oil, but because charterers are extremely careful when choosing which vessel to hire (since unclean tanks, say from a previous cargo of crude oil, can reduce the value of a shipment of refined products), most shipowners do not risk being prejudiced against by trading sporadically between clean/dirty. Thus an axiom in the shipping industry is 'once dirty, always dirty'. This also includes product tankers that trade residual fuel oil (i.e. heavy products).

The three crude oil related size segments (70-125k dwt and larger) dominate the tanker fleet and orderbook data (see below). This domination was enhanced following a surge in new ordering in the middle of 2006. As a result, annual delivery volumes of ships over 70k dwt, which totaled around 25-30 million dwt in the period 2003 to 2008, are scheduled to exceed 40million dwt in 2009, based on current orderbook data. This position contrasts with the products orientated size segment (10-70kDWT) where annual delivery volumes have displayed a steadily rising profile since 2001 (with 2005 the exception), when deliveries totaled under 1 million dwt. This is expected to continue through to 2009 when deliveries are scheduled to top 4 million dwt.

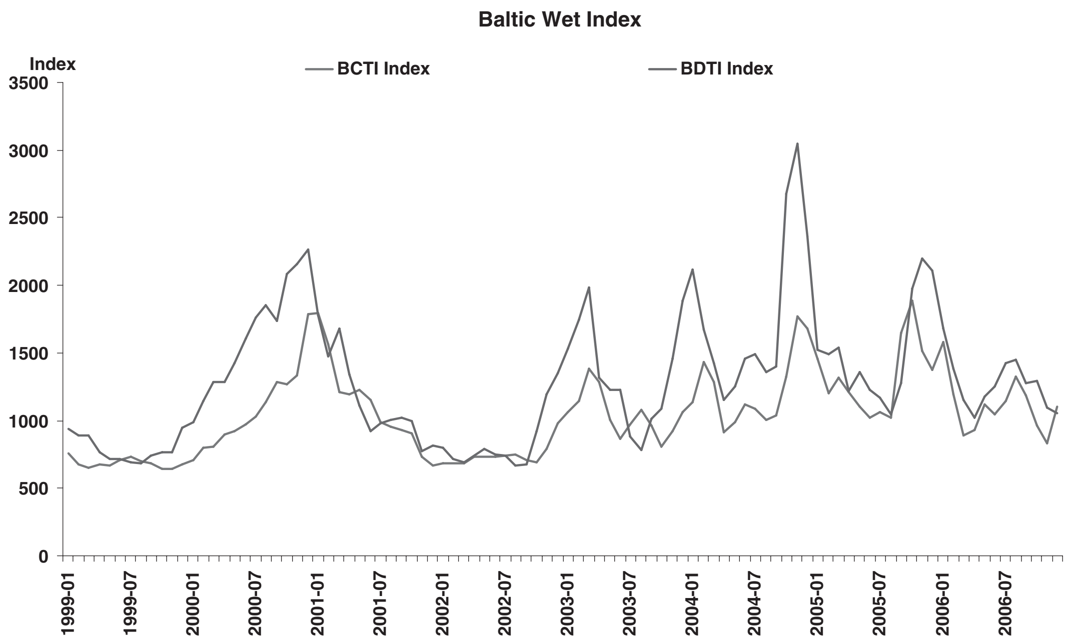
Figure 4A



Tanker Earnings

Tanker industry earnings are well represented by the data shown in the following chart. This chart shows substantial volatility in earnings over time with a high degree of correlation between the dirty and clean segments. Although the latter has generally exhibited less volatility since 1999, from the middle of 2005 the two indices have been more closely aligned, albeit against the background of lower spikes in earnings. Despite a generally softening earnings environment, with the clean and dirty indices on a par with their lowest levels since the back end of 2003, earnings are still significantly above their extended trough periods in 1999 and mid 2001-2.

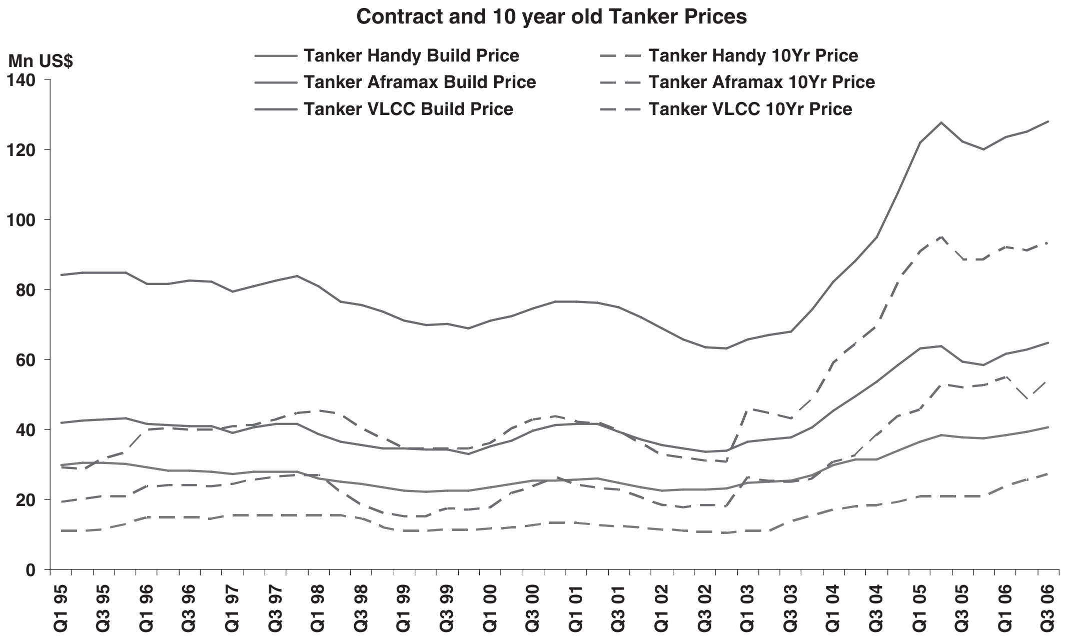
Figure 4B



Tanker Prices

In common with other ship types, tanker new contracting prices began their sharp increase in 2003 and fell for a couple of quarters following a mid 2005 peak. However, the concentrated burst in tanker ordering during the middle of 2006 ensured tanker prices fell less than for other shipping sectors and lead the subsequent recovery phase. Indeed, with contracting prices scaling new peaks in the third quarter of 2006, secondhand prices have been supported despite a deteriorating earnings environment.

Figure 4C



Overview of the Chemical Tanker Market

Introduction

The international chemical tanker industry provides ocean transportation of chemicals, edible oils and other cargoes as defined in a series of regulations formulated by the International Maritime Organisation (IMO). These set out damage, stability, cargo containment and handling and pollution prevention provisions for the carriage of hazardous non-petroleum cargoes. Customers for chemical tanker services largely comprise chemical companies, and also include chemical traders, government agencies and storage facility operators. Chemical tanker owners are typically either state-run or independent shipowners.

Chemical Tanker Trade and Demand

Compound annual average trade growth has averaged close to 5% over the last 20 years when all cargoes available to chemical tankers are considered (organic and inorganic chemicals, edible oils and other commodities such as molasses and lubricant oils), according to data compiled by MSI from customs statistics and industry bodies.

Chemical carriers transport two main classes of chemicals, each with their own market dynamics. Organic chemicals, or petrochemicals, are derived from petroleum products and are carbon based. World industrial output is the key driver of liquid chemical shipping. The long-run growth in the organic chemical industry has powered a strong expansion in trade at a compound annual average rate of 5%, according to data compiled by MSI from customs statistics. The underlying strength of the global economy since 2003 and the rise of China as an industrial superpower have supported the trade of most organic chemicals in recent years, though the overall expansion has been dented by changes in the global consumption of methanol and methyl tert-butyl ether (MTBE) which temporarily reduced trade in these commodities. The Middle East and Asia are emerging as major producers of organic chemicals, while consumption growth is focused on Asia.

Inorganic chemicals lie largely outside the scope of the petrochemical industry and are derived from sources other than hydrocarbons. The most important inorganic chemicals are phosphoric acid, sulphuric acid and caustic soda. In terms of world seaborne chemical movements, trade in liquid inorganic cargoes is less than one third of liquid organic chemical volumes. The trade for this class of cargoes has expanded by a compound annual average rate of 2%, according to data compiled by MSI from customs statistics.

A rising proportion of cargoes carried in chemical tankers is not actually chemicals. These non-chemical cargoes include edible oils, lubricating oils, potable alcohols and molasses. Edible oils are by far the largest and fastest growing of these. The edible oil sector has expanded at a compound annual average rate of 7% during the last 20 years. In the last five years, the growth rate has accelerated to a compound annual average of 10%. A significant driver is Western hemisphere-led demand for edible oils. Previously, increases in vegetable oil demand were dependent on food use, which was itself driven by a combination of population growth and per capita income, allied with food fashions, such as, for example, the rise in use of sunflower and olive oil for health reasons. Globally, consumption of edible oils has been expanding rapidly, especially in net importers such as the European Union, but also in developing countries and emerging markets, most notably, China. More recently, consumption and trade for fuel use also expanding from a very low base. A proportion of the trade in edible oils has been carried in non-chemical tankers but this will change in 2007, when chemical-classed tonnage will be made mandatory for this class of cargoes as part of revisions to the IMO's MARPOL Annex II regulations. The latter are part of a suite of regulations that set out the conditions for the carriage of non-oil hazardous cargoes.

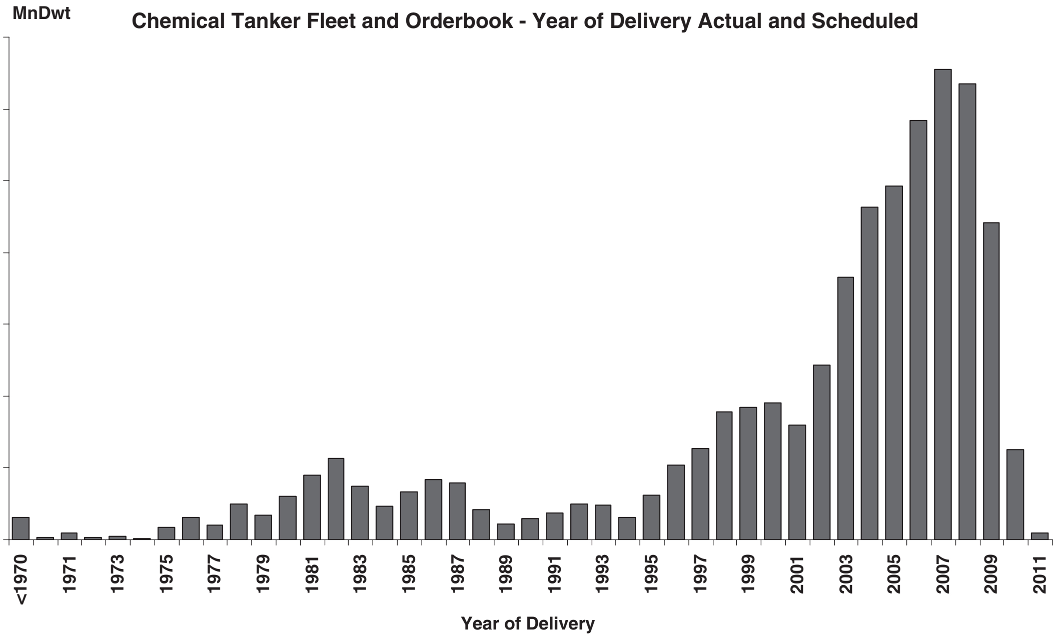
In common with other sectors, chemical tanker demand is a 'derived demand' from chemical tanker cargo demand. This is a consequence of economic development, although short-term volatility in demand may be caused by a variety of factors, including political events, weather, natural disasters, and changes in the relative level of prices of chemical industry feedstocks and realized prices. Chemical tanker demand is also influenced by the transportation distance from one chemical-manufacturing location to another as nearly all liquid chemicals are a precursor of another process rather than an end product. Chemical tanker demand has expanded by 21% over the last five years, according to MSI's conversion of cargo trade to deadweight demand.

Chemical Tanker Supply

Chemical carriers can be divided into three different basic types as determined by their complexity and cost. The terminology relates to a series of regulations formulated by the International Maritime Organisation (IMO). Chemical carriers designed to carry only IMOIII cargoes as listed in the International Bulk Chemical (IBC) Code are versatile and can usually carry a maximum of three or four different cargoes. IMOII vessels meet more stringent requirements as set out in the IBC Code. There has been a growing trend for such ships to be built with some or all cargo tanks constructed from stainless steel plate. Stainless steel in the tank construction also entails using stainless steel in all the other parts of the cargo system which are in contact with the cargo. Finally, some ships also have a small number of tanks that meet the additional requirements for the carriage of certain chemicals and are given an additional classification as IMOI ships.

The supply of chemical tanker shipping is measured by the amount of suitable deadweight tonnes (dwt) available to transport cargo. This depends on the aggregate tonnes of the existing global fleet, deliveries of newbuildings, scrapping of older vessels, and the number of vessels undergoing maintenance, repairs, inspection, or otherwise unavailable for use. The decision to order newbuildings or scrap older vessels is influenced by many factors, including prevailing and expected charter rates, newbuilding and scrap prices, and availability of delivery dates and government and industry regulation of seaborne transportation practices. Investment in chemical tankers has grown steadily over the last decade, as highlighted in Figure 5A. The dramatic growth owes little to the expansion in the most sophisticated chemical tonnage, but rather to a ballooning in the supply of IMOII/IMOIII ships, many of which are not exclusively aimed at the chemical market.

Figure 5A

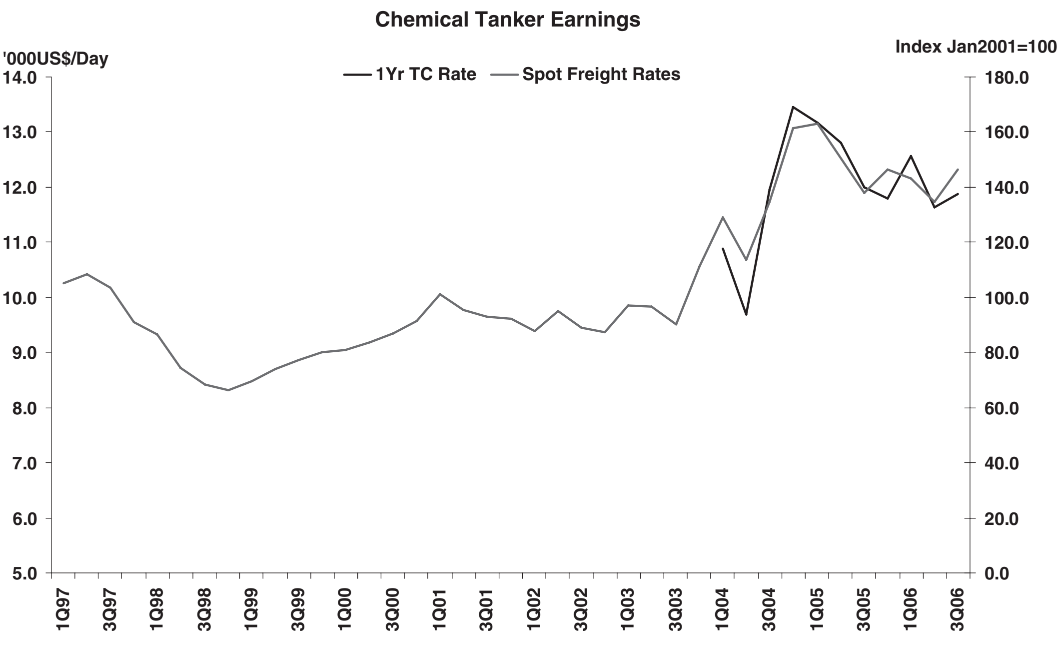


Analysis of the ownership of the chemical tanker fleet is complicated by the diversity of vessel types operating in this sector. Setting aside the subdivision of the fleet into the categories IMO1/IMOII/IMOIII, the level of ownership is diversified. The top ten operators by fleet size account for 25% of supply and the next ten a further 11%, according to data from LR-Fairplay.

Time Charter Rate Development

Chemical tanker freight rates are compiled for a wide range of cargoes and routes. On average freight rates during the first ten months of 2006 are approximately 50% higher than they were during 2002, as shown in Figure 5B. The market strength is on par with that seen only once in the previous 20 years, that is during the mid 1990s. In both eras, rapid industrial expansion in Asia is the key to surging demand and freight markets. The most impressive rates are being seen at the top and bottom of the market. At the large, commodity end, rates out of the Middle East are performing exceptionally well, while relatively small stainless steel parcels are also holding at record highs, especially into Asia. Trades into Europe have also been high over the autumn 2006.

Figure 5B

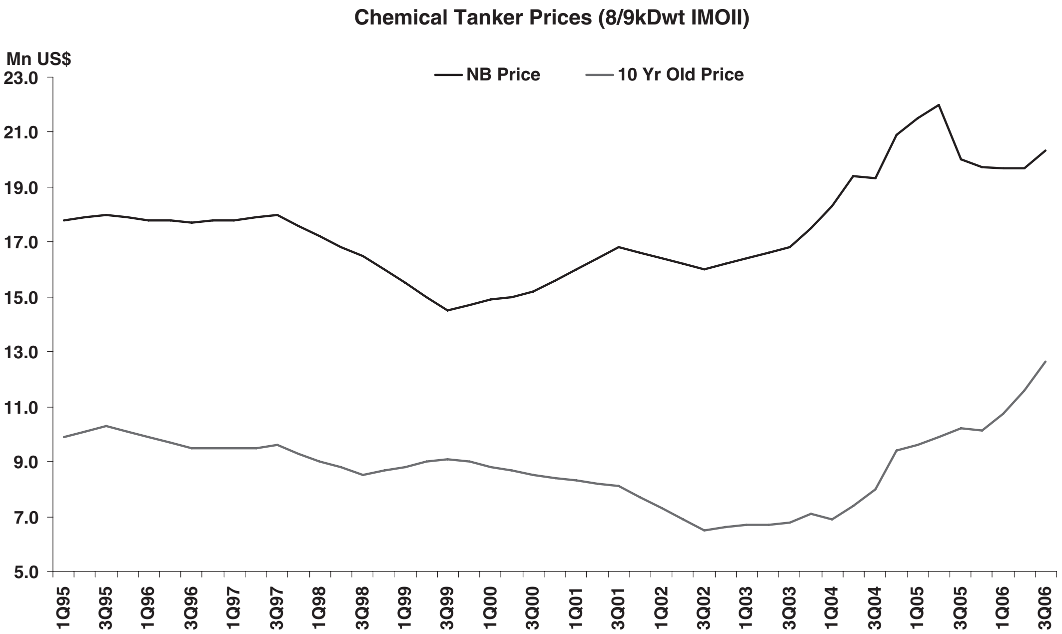


Reflecting the inherent volatility of spot freight markets, chemical tanker freight rates have hit very high levels during the last couple of years. For example, the US import trades soared in the aftermath of the 2005 hurricanes and have only latterly normalised. Rates on other primary trade routes did not enjoy the same benefits but rather saw indicative spot rates fall during the latter months of 2005. Since then there have been signs of a recovery in Asian and European routes and from a historical perspective earnings remain very high. The underlying positive tone—many spot rates remain well above historical norms—has been reflected in the sustained high level of timecharter rates through the volatility of last year and during 2006. Indicative time charter rates continue to hold up well across the board reflecting a shortage of tonnage for re-let.

Prices

Prices for the construction of new vessels have soared in recent years and have been sustained by high freight rates in all shipping sectors which have in turn spurred ordering of all ship types, limiting the availability of shipyard berths and pushing up the prices of all ship types including chemical tankers. Given the range of specifications and lack of standardisation in designs for chemical tankers, there are few representative sales. Nevertheless, it is possible to compile a series of indicative time series for newbuilding and secondhand values. These demonstrate that newbuilding prices have risen strongly in recent years along with the tightening of the global shipbuilding market. Secondhand prices for ten-year-old ships almost doubled between the first quarter of 2004 and the third quarter of 2006, as shown in Figure 5C.

Figure 5C



This Shipping Industry Trends and Structures report is dated 7th February 2007.

For and on behalf of
Maritime Strategies International Ltd.

Michael Payne
Director

THE TRUSTEE-MANAGER

The Trustee-Manager was incorporated in Singapore under the Companies Act on 8 February 2007. It has an issued capital and paid up capital of US$100,000, its principal place of business is located at 8 Temasek Boulevard, Suntec Tower 3, #15-02A, Singapore 038988 and its telephone and facsimile numbers are +65 6836 3000 and +65 6836 6001 respectively. Its registered office is located at One Marina Boulevard, #28-00, Singapore 018989 and its telephone and facsimile numbers are +65 6890 7188 and +65 6327 3800 respectively.

Roles and Responsibilities of the Trustee-Manager

The Trustee-Manager has the dual responsibility of safeguarding the interests of Unitholders and managing the business conducted by FSL Trust. The Trustee-Manager has general powers of management over the assets of FSL Trust and its main responsibility is to manage FSL Trust's assets and liabilities for the benefit of Unitholders. The Trustee-Manager will set the strategic direction of FSL Trust and decide on the acquisition, divestment or enhancement of assets of FSL Trust in accordance with its stated investment strategy. The Trustee-Manager is also responsible for ensuring compliance with the applicable provisions of all relevant legislation, the Listing Manual, the Trust Deed and all relevant contracts.

The Trustee-Manager, in exercising its powers and carrying out its duties as FSL Trust's trustee-manager, is required to:

- treat Unitholders who hold Units in the same class fairly and equally;
- ensure that all payments out of the Trust Property are made in accordance with the BTA and the Trust Deed;
- report to the Authority any contravention of the BTA or the SF BT Regulations by any other person that:
  - relates to FSL Trust; and
  - has had, has or is likely to have, a materially adverse effect on the interests of all Unitholders, or any class of Unitholders, as a whole, as soon as practicable after the Trustee-Manager becomes aware of the contravention;
- ensure that the Trust Property is properly accounted for; and
- ensure that the Trust Property is kept distinct from the property held in its own capacity.

The Trustee-Manager will borrow on behalf of FSL Trust (upon such terms and conditions as it deems fit, including the charging or mortgaging of all or any part of the Trust Property) whenever the Trustee-Manager considers, among other things, that such borrowings are necessary or desirable in order to enable FSL Trust to meet any liabilities or to finance the acquisition of any vessel.

The Board will meet regularly to review FSL Trust's business activities and strategies pursuant to its then prevailing investment strategy, any proposals and forecasts on the lease income, capital expenditure, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions, and to explain the performance of FSL Trust's vessels. Such regular review is aimed at ensuring adherence to the Trust Deed and any applicable legislation, regulations and guidelines.

The Trustee-Manager also has the following statutory duties under the BTA:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as FSL Trust's trustee-manager in accordance with the BTA and the Trust Deed;
- act in the best interests of all Unitholders as a whole; and give priority to the interests of all Unitholders as a whole over its own interests in the event of a conflict between the interests of all the Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as FSL Trust's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Unitholders; and
- hold the Trust Property on trust for all Unitholders as a whole in accordance with the terms of the Trust Deed.

Should the Trustee-Manager contravene any of the provisions setting out the aforesaid duties, it is:

- liable to all Unitholders as a whole for any profit or financial gain directly or indirectly made by it or any of its related corporations or for any damage suffered by all Unitholders as a whole as a result of the contravention; and
- guilty of an offence and shall be liable on conviction to a fine not exceeding S$100,000.

Whilst the Trustee-Manager is required to be dedicated to the conduct of the business of FSL Trust, it is not prohibited from delegating its duties and obligations to third parties. In the absence of fraud, negligence, wilful default or breach of the Trust Deed by the Trustee-Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Trustee-Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Trustee-Manager, to have recourse to the Trust Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Trust Deed by the Trustee-Manager. The Trustee-Manager may, in managing FSL Trust and in carrying out and performing its duties and obligations under the Trust Deed appoint such person to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Trustee-Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

Management Fees

The Trustee-Manager is entitled under the Trust Deed to Management Fees of 4.0% per annum of the cash lease rentals in the relevant financial year, net of any commissions or deductions by third parties.

Any increase in the rate or change in structure of Management Fees must be approved by an Extraordinary Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Management Fees payable to the Trustee-Manager is payable in the form of cash and/or units (as the Trustee-Manager may elect). Where Management Fees is paid in cash, the amount is paid monthly, in arrears. Where Management Fees is paid in the form of units, the amount is paid quarterly, in arrears.

Incentive Fees

The Trustee-Manager will receive incentive fees ("Incentive Fees"), payable quarterly and calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates.

The Incentive Fees shall be determined on the basis of comparing the Net Distributable Amount (as defined under "Distributions and Subordination") (less any Retained Distributable Amount (as defined under "Distributions and Subordination") and excluding non-recurring income and related costs) as at the end of the relevant quarter per Unit then in issue ("DAU") against a benchmark quarterly DPU of 2.130 US Cents (the "Benchmark DPU"), in accordance with the formula described below:

(a) no Incentive Fees will be payable unless the DAU is greater than 115% of the Benchmark DPU;

(b) if the DAU is greater than 115% but not greater than 130% of the Benchmark DPU, the Incentive Fee will be 10% of the amount by which the DAU exceeds 115% of the Benchmark DPU, multiplied by the number of Units then in issue;

(c) if the DAU is greater than 130% but not greater than 160% of the Benchmark DPU, the Incentive Fee will be the total of (i) 10% of the amount by which the DAU exceeds 115% (but up to 130%) of the Benchmark DPU, multiplied by the number of Units then in issue; and (ii) 20% of the amount by which the DAU exceeds 130% of the Benchmark DPU, multiplied by the number of Units then in issue; and

(d) if the DAU is greater than 160% of the Benchmark DPU, the Incentive Fee will be the total of (i) 10% of the amount by which the DAU exceeds 115% (but up to 130%) of the Benchmark, multiplied by the number of Units then in issue, multiplied by the number of Units then in issue; (ii) 20% of the amount by which the DAU exceeds 130% (but up to 160%) of the Benchmark DPU, multiplied by the number of Units then in issue, multiplied by the number of Units then in issue; and (iii) 25% of the amount by which the DAU exceeds 160% of the Benchmark DPU, multiplied by the number of Units then in issue.

The following table sets out the Incentive Fees applicable within the defined bands of quarterly DAU achieved:

Quarterly DAU band	Incentive fees applicable
Up to 2.450 cents	0%
Above 2.450 cents up to 2.769 cents	10%
Above 2.769 cents up to 3.408 cents	20%
Above 3.408 cents	25%

For purposes of illustration, the following table sets out the split between the Incentive Fees payable to the Trustee-Manager and the DAU payable to holders of Units, as applicable for the quarterly DAU achieved:

Quarterly DAU	% DAU received by Unitholders	% DAU received by Trustee-Manager
2.450	100.00%	0.00%
2.769	98.85%	1.15%
3.408	95.31%	4.69%
4.000	92.31%	7.69%
5.000	88.85%	11.15%

The Incentive Fees shall be payable in cash or, at the option of the Trustee Manager, by way of the issue of new Units at a price calculated on the basis of the volume-weighted average traded price per Unit for all trades on the SGX-ST for the last 10 business days of the relevant quarter in which the Incentive Fees accrue.

Trustee Fee

Under the Trust Deed, the trustee fee payable to the Trustee-Manager in cash is 0.02% per annum of the value of the Trust Property.

Annual Reports

An annual report covering the period as required under the Listing Manual and all relevant laws will be issued by the Trustee-Manager to the Unitholders within 120 days from the end of each accounting period of FSL Trust and at least 14 days before the annual general meeting of the Unitholders, containing, among other things:

(i) details of all material transactions in respect of FSL Trust's vessels entered into for the relevant accounting period;

(ii) a general description/details of each vessel owned by FSL Trust;

(iii) information on the lessees of FSL Trust's vessels;

(iv) remaining term of each of the charter party in relation to each of FSL Trust's vessels (where the term of the charter party exceeds one year);

(v) amount of distributable cash held pending distribution to holders of the Units;

(vi) amount of fees paid to the Trustee-Manager (including any Units issued in part payment thereof);

(vii) details of FSL Trust's assets other than vessels;

(viii) details of FSL Trust's exposure to derivatives;

(ix) details of FSL Trust's other material investments;

(x) the highest and lowest prices at which the Units were traded on the SGX-ST during the relevant accounting period;

(xi) volume of trade in the Units during the relevant accounting period;

(xii) the aggregate value of all transactions entered into by the Trustee-Manager, for and on behalf of FSL Trust, with an "interested person" as defined in the Listing Manual;

(xiii) historical performance of FSL Trust; and

(xiv) an analysis of provision for write-down in the value of FSL Trust's vessels (to the extent possible).

The Board is also required under section 86 of the BTA to make a written statement, in accordance with a Board resolution and signed by not less than two Directors on behalf of the Board, certifying that:

- fees or charges paid or payable out of the Trust Property to the Trustee-Manager are in accordance with the Trust Deed;
- interested person transactions are not detrimental to the interests of all the Unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of FSL Trust or on the interests of all the Unitholders as a whole.

Such statement must be attached to the profit and loss accounts of FSL Trust.

The first report will cover the period from the Listing Date to 31 December 2007.

Retirement or Removal of the Trustee-Manager

Under the BTA, the Trustee-Manager may be removed, as trustee-manager of FSL Trust, by the Unitholders only by an Extraordinary Resolution or it may resign as trustee-manager. Any removal or resignation of the Trustee-Manager must be made in accordance with such procedures as MAS may prescribe. Any purported change of the trustee-manager of a registered business trust is ineffective unless it is made in accordance with the BTA.

The Trustee-Manager will remain the trustee-manager of FSL Trust until another person is appointed by:

(a) the Unitholders to be the trustee-manager of FSL Trust; or

(b) by the court under Section 21 (1) of the BTA to be the temporary trustee-manager of FSL Trust,

and such appointment shall be effective from the date stated in the resolution of the Unitholders or court order as the effective date of the appointment of the trustee-manager or temporary trustee-manager, as the case may be.

Pursuant to Section 21(1) of the BTA, on an application by MAS or the Trustee-Manager or a Unitholder, the court may, by order, appoint a company that has consented in writing to serve as a temporary trustee-manager to be the temporary trustee-manager of FSL Trust for a period of three months if the court is satisfied that the appointment is in the interest of the Unitholders.

The temporary trustee-manager of FSL Trust is required, within such time and in accordance with such requirements as may be prescribed by MAS, to take such steps to enable the Unitholders to appoint another person as the trustee-manager (not being a temporary trustee-manager) of FSL Trust.

DIRECTORS

The Board is entrusted with the responsibility for the overall management of the Trustee-Manager. The following table sets forth information regarding the Directors:

Name	Age	Address	Position
Mr Wong Meng Meng	59	6A Rochalie Drive Singapore 248236	Independent Director and Chairman of the Board
Mr Phang Thim Fatt	50	20E East Coast Avenue, Singapore 459215	Independent Director and Chairman of the Audit Committee
Mr Michael John Montesano III	45	Ban Phanburi, Unit 1 133 Pan Road, Bangrak Bangkok 10500 Thailand	Independent Director
Mr Philip Clausius	38	1F Shelford Road #01-40 Singapore 286891	Non-Independent Director and Chief Executive Officer
Mr Cheong Chee Tham	42	2 Butterworth Lane #02-04 Singapore 439445	Non-Independent Director and Chief Financial Officer

Except as described below, none of the Directors is related to one another, to any executive officers of the Trustee-Manager, to any employee of the Trustee-Manager upon whose work FSL Trust is dependent, to any substantial shareholder of the Trustee-Manager or to any Substantial Unitholder.

Mr Philip Clausius is also an executive director of the Sponsor. Mr Philip Clausius is responsible for the overall strategic management of the Sponsor. Mr Cheong Chee Tham is also an executive officer of the Sponsor. The scope of Mr Cheong Chee Tham's responsibilities for the Sponsor includes providing the overall direction for all finance aspects of the Sponsor. The Sponsor believes that the appointment of Mr Philip Clausius and Mr Cheong Chee Tham as Directors of the Trustee-Manager would be beneficial to FSL Trust in view of their respective areas of experience and expertise in the ship leasing market. In terms of time-management, Mr Philip Clausius and Mr Cheong Chee Tham believe that they will be more involved in their responsibilities under the Trustee-Manager, rather than under the Sponsor.

Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

Mr Wong Meng Meng is an Independent Director and Chairman of the Board and was appointed as Independent Director on 13 February 2007. Mr Wong is currently a consultant to WongPartnership and has more than 30 years experience in the legal industry. He has been named as one of the world's leading litigation lawyers and is also ranked as one of the top five litigation lawyers in Singapore, by Euromoney Legal Media Group. The International Who's Who of Business Lawyers (2003 Edition) and the International Who's Who of Commercial Litigators (2003 Edition) also identify him as one of the world's leading lawyers in his field.

Mr Wong graduated from the University of Singapore with a Bachelor of Law degree in 1971 and was admitted to the Singapore Bar in 1972. He was among the pioneer batch of Senior Counsels appointed in January 1997. Mr Wong is a member of the Beijing Arbitration Commission, Competition Appeal Board of Singapore, International Arbitration Institute (Paris), Butterworths Asia, Real Estate Developers Association, Law Society of Singapore and the Building and Construction Society of Singapore. Mr Wong was also an accredited arbitrator for the Singapore International Arbitration Centre and is an accredited adjudicator for the purposes of the Building and Construction Industry Security of Payment Act.

Mr Wong was awarded the Public Service Medal from the Prime Minister's Office of Singapore in 2001 to commend his contribution to public service in Singapore.

Mr Phang Thim Fatt is an Independent Director and was appointed as Independent Director on 13 February 2007. Mr Phang was a manager in the Treasury Department in Singapore Airlines Ltd (1979 – 1995) where he was involved in foreign exchange and interest rate risk management, corporate finance and funding activities. He was seconded to Singapore Aircraft Leasing Enterprise Pte Ltd in 1996 and joined full time as the chief financial officer in 1999 and he was promoted to the position of Deputy Managing Director of Singapore Aircraft Leasing Enterprise Pte Ltd in 2001. Mr Phang holds a Bachelor of Economics (First Class Honours) degree from the University of Malaya.

Mr Michael John Montesano III is an Independent Director and was appointed as Independent Director on 13 February 2007. Mr Montesano was a junior scholar in the Harvard Academy for International and Area Studies, Harvard University where he engaged in research and writing (1996 – 1998). In 1998, he joined the Asia-Pacific Center for Security Studies, United States Pacific Command, as assistant professor. Subsequently in 1999, Mr Montesano started his lecturing career at the National University of Singapore under the Southeast Asian Studies Programme.

Mr Montesano holds a doctorate of philosophy from Cornell University (1989 – 1998), a Masters of Arts degree from Cornell University (1989 – 1992), a Master of Science degree from Cornell University (1987 – 1992), a diploma in agriculture from the University of the Philippines, Los Baños (1986 – 1987) and a bachelor of arts degree from Yale University (1979 – 1983).

Mr Montesano is a member of the USA-based Association for Asian Studies, Siam Society and Yale Library of Associates. Mr Montesano won numerous awards, including the Jennifer Cushman Memorial Fellowship awarded by the Research School of Pacific Studies, Australian National University in 1993, the SSRC/ACLS Dissertation Fellowship awarded by the Social Science Research Council, New York in 1992, the Fulbright-Hays Dissertation Fellowship awarded by the United States Department of Education in 1992, Usha Mahajani

Memorial Award awarded by the Southeast Asian Summer Studies Institute, USA in 1990, the A.D. White Fellowship awarded by Cornell University in 1987 and the Saybrook College Fellows Prize awarded by Yale University in 1983.

Mr Philip Clausius is both a Director and the Chief Executive Officer of the Trustee-Manager. Mr Clausius was appointed as a Director on 13 February 2007. He is responsible for the general management of the business with an overall responsibility for the Trust's performance.

Mr Clausius has 15 years of financial and operational experience in the shipping industry. He held his first management position in the marine insurance industry from 1992 to 1995 as a Director of International Broking at Hubertus Clausius, a German marine insurance broker with special expertise in marine hull and liability insurance products. Subsequently in 1996, he founded and was the Managing Director of Philco Security Ltd, a Greek marine insurance and ship broking firm. Mr Clausius was also a Director of Business Development, at Schoeller Holdings Ltd., Cyprus (1997 – 2003), where he was responsible for developing the company's long-term strategy, as well as analyzing and executing investment opportunities and devising and implementing financing solutions for its subsidiaries. In 2003, Mr Clausius co-founded First Ship Lease Ltd., the predecessor of the Sponsor, and remains as president and chief executive officer of the Sponsor, which was initially being based in New York and moved to Singapore in 2005. Mr Clausius holds a "Diplom – Betriebswirt," the German equivalent of a graduate degree in Business Administration, from the European Business School, Germany (Class of 1992).

Mr Cheong Chee Tham is both a Director and the Chief Financial Officer of the Trustee-Manager. Mr Cheong was appointed as a Director on 13 February 2007. He is responsible for the financing, treasury and accounting functions of the Trustee-Manager's operations.

Mr Cheong has more than 16 years experience in accounting, leasing and asset financing. He began his career with Singapore Airlines Ltd ("SIA") as a financial accountant in 1989. During his tenure, he was responsible for the SIA Group's financial reporting. He was subsequently seconded to Singapore Aircraft Leasing Enterprise, an aircraft operating lessor, as the financial controller in 1994. Thereafter, Mr Cheong left SIA and became the treasury manager at Thomson Multimedia Asia Pacific Pte Ltd (1997 – 1999), and later a treasury manager at Fuji Xerox Asia Pacific Pte Ltd (1999 – 2001). He rejoined the SIA Group as senior manager, corporate accounts and financial planning, with SIA Cargo Pte Ltd, a wholly-owned subsidiary of SIA (2001 – 2005) where he was responsible for raising long-term financing for the company's freighter acquisition program as well as financial reporting to the SIA Group. He joined the Sponsor in 2005 as the chief financial officer. Mr Cheong holds a Master of Applied Finance degree from Macquarie University, Australia (1997 – 1998) and a Bachelor of Accountancy (Second Class Honours) degree from the National University of Singapore (1985 – 1988). He is a member of the UK-based Association of Corporate Treasurers, the Institute of Certified Public Accountants of Singapore and an associate member of The Chartered Institute of Management Accountants of UK.

A list of the present and past directorships of each Director of the Trustee-Manager over the last five years preceding the Latest Practicable Date is set out in Appendix F, "List of Present and Past Principal Directorships of Directors and Executive Officers".

Roles and Responsibilities of the Board

The key roles of the Board are to:

- guide the corporate strategy and directions of the Trustee-Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of the Trustee-Manager.

The Board comprises five Directors. The Executive Directors are Mr Philip Clausius and Mr Cheong Chee Tham.

The Board will meet to review the key activities and business strategies of the Trustee-Manager. The Board intends to meet regularly, at least once every quarter, to deliberate the strategic policies of FSL Trust, including acquisitions and disposals, approval of the annual budget and review of the performance of FSL Trust.

Each Director has been appointed on the basis of his professional experience and his potential to contribute to the proper guidance of FSL Trust. The Directors will contribute in different ways, including using their personal networks to further the interest of FSL Trust.

The Board will approve a set of internal controls which sets out approval limits for capital expenditure, investments and divestments and bank borrowings as well as arrangements in relation to cheque signatories. In addition, sub-limits will also be delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards will be monitored closely by the members of the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Trustee-Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving the relevant professionals. Management will also provide the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

The majority of the Directors are non-executive and independent of the management. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Trustee-Manager.

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance.

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans while the Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Trustee-Manager.

The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate. As at the date of this Prospectus, the three Company Secretaries are Ms Patricia Seet Geok Neo (LLB Hons), Ms Chua Pei Hui (LLB Hons) and Ms Pek Lay Pheng (a member of the Singapore Association of the Institute of Chartered Secretaries and Administrators).

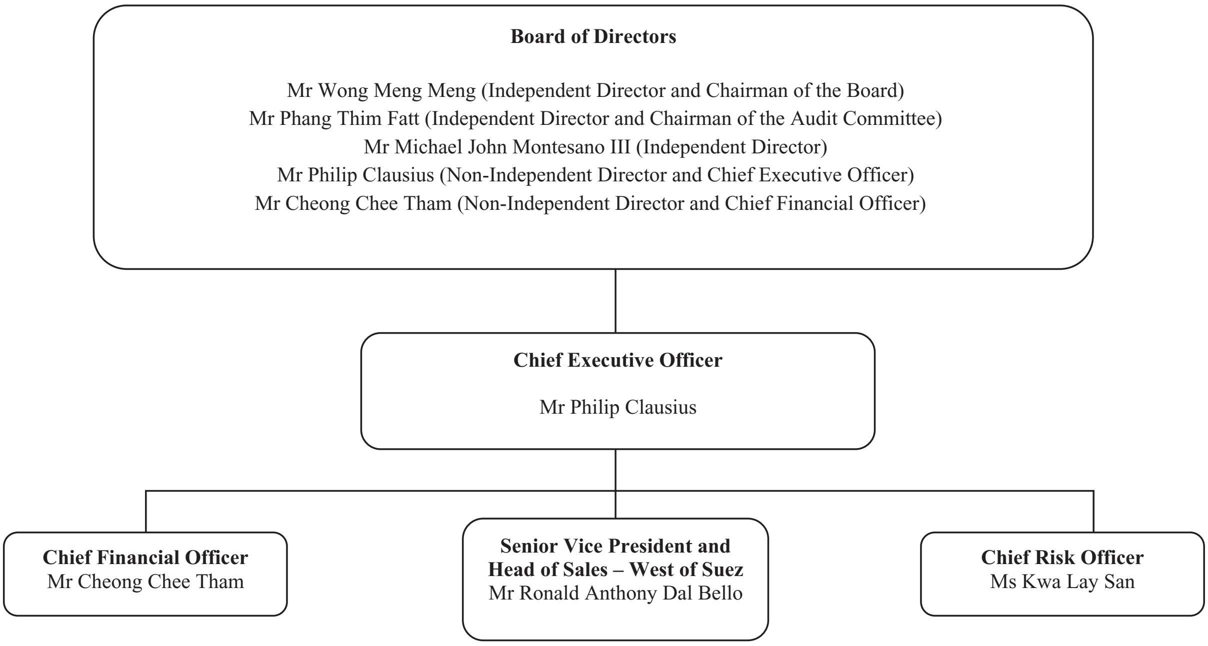
Independence of the Independent Directors

The Board will adhere to requirements of the BTA with regard to the independence of the Independent Directors of the Trustee-Manager. Under the Business Trusts Regulations 2005, an independent director is either:

(a) a person who is considered to be independent from management and business relationships with the trustee-manager as well as independent from a substantial shareholder of the trustee-manager pursuant to the definitions used in the Business Trusts Regulations 2005; or

(b) a person whom, notwithstanding that he has the relationships described above, the board of directors of the trustee-manager is satisfied that his independent judgment and ability to act with regard to the interests of all the unitholders of the registered business trust as a whole will not be interfered with, despite such relationships.

MANAGEMENT REPORTING STRUCTURE



EXECUTIVE OFFICERS

Roles of the Executive Officers

The Chief Executive Officer will work with the Board to determine the strategy for FSL Trust. The Chief Executive Officer will also work with the other members of the Trustee-Manager's management team in an effort to ensure that FSL Trust is operated in accordance with the Trustee-Manager's stated investment strategy.

Additionally, the Chief Executive Officer will be responsible for planning the future strategic development of FSL Trust. He is also responsible for strategic planning, the day-to-day operations of FSL Trust and working with the Trustee-Manager's management team and other personnel in meeting the strategic, investment, and operational objectives of FSL Trust. He is also responsible for sales East of Suez.

The Chief Executive Officer is also responsible for communication and liaison with Unitholders. This includes regular statutory reporting such as quarterly and annual reports to Unitholders and reporting to the SGX-ST under the Listing Manual. He will also provide assistance to Unitholders on matters in relation to their investments in FSL Trust and maintain communications with Unitholders and the market. If necessary, he will, in conjunction with professional public relation firms, promote and market FSL Trust to existing and prospective investors and the media through regular communications, road shows, events and a designated internet website.

The Chief Financial Officer will work closely with the Chief Executive Officer and other members of the Trustee-Manager's management team to formulate strategic financial plan for FSL Trust. The Chief Financial Officer will focus on the financial performance of the portfolio of FSL Trust and his duties and responsibilities will encompass accounting for the lease income and the operating expenses incurred in the business activities of FSL Trust and the monitoring of lease income collection by the SPCs. The Chief Financial Officer is also responsible for preparing the financial budget, the statutory accounts and performance reports, co-ordinating with external auditors and managing tax affairs and the borrowings of FSL Trust.

The Senior Vice President and Head of Sales, West of Suez will be responsible for transaction origination, involving the identification of potential lessees, determination of lease structures, as well as the negotiation of terms and conditions.

The Chief Risk Officer will provide strategic leadership and management of all day-to-day risk management operations of FSL Trust, including analysis, monitoring of credit and asset risk as well as further development of

FSL Trust's transaction rating model. Working closely with the Chief Executive Officer and the Head of Sales-West of Suez, the Chief Risk Officer will propose financial covenants (where necessary) to be incorporated in the conditional term sheet. The Chief Risk Officer will be actively engaged in portfolio management, due diligence, determination of credit rating and preparation of Board submissions for transaction approvals. See "Business—Lease Transaction Origination and Approval Process" and "Risk Management" sections for details.

The Trustee-Manager will from time to time also be assisted in its conduct of certain aspects of its business such as human resource services, IT support and general administration by employees of the Sponsor.

Executive Officers of the Trustee-Manager

The following table sets forth some information regarding the Executive Officers:

Name	Age	Address	Position
Mr Philip Clausius	38	1F Shelford Road #01-40 Singapore 286891	Chief Executive Officer
Mr Cheong Chee Tham	42	2 Butterworth Lane #02-04 Singapore 439445	Chief Financial Officer
Mr Ronald Anthony Dal Bello	47	Auf der Mauer 23 CH-8800, Thalwil, Switzerland	Senior Vice President and Head of Sales – West of Suez
Ms Kwa Lay San	33	131 Dunbar Walk Singapore 459435	Chief Risk Officer

Save as disclosed under "Directors", none of the Executive Officers is related to one another, to any Director, to any employee of the Trustee-Manager upon whose work FSL Trust is dependent, to any substantial shareholder of the Trustee-Manager or to any Substantial Unitholder.

Experience and Expertise of the Executive Officers

Information on the working experience of the Executive Officers is set out below:

Mr Philip Clausius is both a Director and the Chief Executive Officer. (See "Experience and Expertise of the Board of Directors").

Mr Cheong Chee Tham is both a Director and the Chief Financial Officer. (See "Experience and Expertise of the Board of Directors").

Mr Ronald Anthony Dal Bello is the Senior Vice President and Head of Sales, West of Suez. Mr Dal Bello was a business development manager with Mitsui & Co. (U.S.A.) Inc. (1991 – 1997). Subsequently, Mr Dal Bello was a vice-president in American Marine Advisors, Inc. (1997 – 1999), a vice-president of Fleet Capital Corporation (1999 – 2001) and a director and head of marine financing originations in GE Commercial Finance (2001 – 2006). Mr Dal Bello holds a Masters of Business Administration degree from New York University, Leonard N. Stern School of Business (1988 – 1990) and a Bachelor of Arts degree in Economics from Columbia University (1980 – 1982).

Ms Kwa Lay San is the Chief Risk Officer. Ms. Kwa started her career at DBS Bank in 1995 as a Corporate Banker responsible for both relationship and credit management of large corporate clients engaged in shipping, logistics, communications and property development. From 2003 to 2006, Ms. Kwa was a Credit Approver at DBS Bank covering the Transport/Logistics industry and responsible for approving/supporting credit recommendations/reviews and counterparty risk ratings. Ms Kwa holds a Master of International Management (Honours) degree from Thunderbird, The American Graduate School of International Management (1999 – 2000) and a Bachelor of Business Administration (Honours and Distinction) degree from the University of Iowa (1992 – 1995).

A list of the present and past directorships of each Executive Officer of the Trustee-Manager over the last five years preceding the Latest Practicable Date is set out in Appendix F, "List of Present and Past Principal Directorships of Directors and Executive Officers".

INVESTMENT ADVISORY COMMITTEE

The Trustee-Manager has appointed an external investment advisory committee comprising four external investment advisers to provide perspectives on the maritime industry as well as ship financing knowledge. To assist the Board in assessing and evaluating potential lease transactions, the Investment Advisory Committee will review the feasibility and risk of entering into any proposed asset acquisitions and lease transactions, and will provide advice, comments and/or recommendations to the Board. The Investment Advisory Committee does not have the power to bind the Trustee-Manager or FSL Trust, and all investment decisions remain ultimately subject to the majority approval of the Board. The members of the Investment Advisory Committee are external to the Trustee-Manager and FSL Trust, and do not participate in the day-to-day management of the Trustee-Manager and FSL Trust. As at the date of this Prospectus, the members of the Investment Advisory Committee are:

Mr Peter Michael Klopfer

Mr Klopfer is a director of the Sponsor. He founded P.M. Klopfer Shipbrokers, Inc. in 1991 and co-founded First Ship Lease Ltd. alongside HSH Nordbank, HypoVereinsbank and Schoeller Holdings in 2002. Mr Klopfer was a line manager in Hellenic Lines Limited (1965 – 1973), joint managing partner of LQM Associates, Inc (1979 – 1981), partner in Jacq. Pierot Jr. & Sons, Inc. (1981 – 1989) and chairman and chief executive officer of Finanshuset (USA) Inc (1989 – 1991). He is currently President of P.M. Klopfer Shipbrokers, Inc. which provides ship brokerage, maritime consulting and financial and securities analysis services to the shipping and financial communities. Mr Klopfer worked his way through evening school, having attended Queens College of the City University of New York and Pace College.

Mr Ulf Gänger

Mr Gänger is a director of the Sponsor. Prior to his retirement in 2003, Mr Gänger was a member of the board of managing directors of HSH Nordbank and was responsible for matters relating to shipping companies, transport, commodity trade and corporate finance. During his employment with HSH Nordbank, he developed its Asian network and founded, among others, the Singapore branch office of HSH Nordbank. Under the direction of Mr Gänger, the ship financing portfolio of HSH Nordbank became number one worldwide. After his retirement in 2003, Mr Gänger remains active as business consultant to several international shipping companies and HSH Nordbank AG. He graduated from the University of Hamburg with a diploma in economics in 1965.

Mr Heinrich Leopold Felix Schoeller

Mr Schoeller is a director of the Sponsor. He is currently chairman of Schoeller Holdings Limited, a Cyprus-based investment holding company which he founded in 1978. Schoeller Holdings Limited engages in a range of businesses, including ship owning, ship management, liner services and hotel services. Mr Schoeller was a superintendent in C.F. Ahrenkiel GmbH (1970 – 1972), managing director of Hanseatic Shipmanagement Ltd (1972 – 1976) and technical director of C.F. Ahrenkiel GmbH (1977 – 1981). He was awarded the Cyprus Maritime Award in 2005 by the government of Cyprus for his contribution to the Cyprus shipping industry.

Mr Torsten Temp

Mr Temp is a director of the Sponsor. He is currently the executive vice president of Bayerische Hypo- und Vereinsbank. Mr Temp was assistant to the board of directors of Bayerische Hypo- und Vereinsbank (1993 – 1995), headed a team in the structured finance department of Bayerische Hypo- und Vereinsbank (1995 – 2000) and the corporate banking division of Vereins-und Westbank AG (2000 – 2005). Mr Temp graduated from the University of Tübingen with a degree in German literature in 1988.

REMUNERATION

The estimated compensation for FY2007 to be paid to the Directors and Executive Officers for services rendered to the Trustee-Manager on an individual basis and in remuneration bands is as follows:

	Remuneration(1)(2)
Directors	
Mr Wong Meng Meng	A
Mr Phang Thim Fatt	A
Mr Michael John Montesano III	A
Mr Philip Clausius	B(3)
Mr Cheong Chee Tham	A(3)
Executive Officers	
Mr Ronald Anthony Dal Bello	B
Ms Kwa Lay San	A

Notes:

(1) Includes directors' fees and any benefits in kind.

(2) "A" refers to remuneration below the equivalent of S$250,000.
"B" refers to remuneration between S$250,000 and S$500,000.

(3) Indicates the remuneration received in both their capacities as Director and Executive Officer.

All remuneration and compensation payable to the Directors and the Executive Officers in respect of services rendered to the Trustee-Manager will be paid by the Trustee-Manager, except for independent directors' fees which shall be paid out of the Trust Property. As Philip Clausius is also an executive director, and Cheong Chee Tham is also an executive officer, of the Sponsor, they also receive remuneration from the Sponsor in respect of services rendered to the Sponsor.

The Trustee-Manager has not set aside or accrued any amounts for its employees to provide for pension, retirement or similar benefits.

No compensation is payable to any Director or Executive Officer in the form of option in Units or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement under the service contracts.

EMPLOYEES

As at the Latest Practicable Date, the Trustee-Manager has 4 full-time employees directly employed by or seconded to the Trustee-Manager. The breakdown of the employees by division, function and geographical location is as follows:

Division/function	Geographical Location	Number
Marketing and sales	Switzerland	1 (seconded)
Risk management	Singapore	2
Finance	Singapore	1

The relationship between management and the employees is good and there has not been any incidence of labour dispute or work stoppages which affected operations of the Trustee-Manager to date. The employees of the Trustee-Manager are not unionised as at the date of this Prospectus.

SERVICE AGREEMENTS

The Trustee-Manager has entered into a service agreement with Mr Philip Clausius, Non-Independent Director and Chief Executive Officer pursuant to which Mr Clausius has agreed to act as Non-Independent Director and Chief Executive Officer for an initial term of three years with effect from the Listing Date. The term of service shall be renewed and extended automatically on the expiry of such initial term for an indefinite term, unless and until either party has given at least six months' written notice of termination.

The service agreement does not provide for any benefits to be paid upon termination of Mr Clausius's employment. There are no other existing or proposed service contracts entered into or to be entered into by the Directors with the Trustee-Manager which provide for benefits upon termination of employment.

CONSTITUENT DOCUMENTS OF THE TRUSTEE-MANAGER

Certain key provisions of the Memorandum and Articles of Association of the Trustee-Manager are set out below.

The power of a director of the trustee-manager to vote on a proposal, arrangement or contract in which he is interested

The Director has to, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the Trustee-Manager. Subject to such disclosure, as well as Section 156 of the Companies Act and the BTA, the Director is entitled to vote on transactions in which he is interested and he shall be taken into account in ascertaining whether a quorum is present.

The borrowing powers exercisable by the trustee-manager (acting in its capacity as trustee-manager of the relevant business trust) and how such borrowing powers may be varied

Pursuant to the Memorandum of Association of the Trustee-Manager, the Trustee-Manager has all full rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction subject to the provisions of the Companies Act, the BTA and any other written law, in this case, the business of acting as trustee-manager of FSL Trust.

Section 28(4) of the BTA prohibits the Trustee-Manager from borrowing on behalf of FSL Trust unless the power of borrowing is conferred upon it by the Trust Deed. Clause 8.8 of the Trust Deed empowers the Trustee-Manager to borrow moneys on behalf of FSL Trust for the purpose of enabling the Trustee-Manager to meet any liabilities under or in connection with the trusts of the Trust Deed or with any investment of FSL Trust or for the purpose of financing any acquisition of any authorised investment on behalf of FSL Trust or conducting or carrying on or further of any authorised business undertaken by FSL Trust in accordance with the Trust Deed upon such terms and conditions as it thinks fit and, in particular, by charging or mortgaging all or any of the investments of FSL Trust or by issuing debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Trustee-Manager, as trustee-manager of FSL Trust, provided that the Trustee-Manager shall not be required to execute any instrument, lien, charge, pledge, hypothecation, mortgage or agreement in respect of the borrowing or raising of moneys which (in its opinion) would render its liability to extend beyond it being limited to the Trust Property.

Any variation of the borrowing powers as contained in the Trust Deed would require the approval of the Unitholders by way of an Extraordinary Resolution held at a Unitholders' general meeting convened in accordance with the Trust Deed and such other regulatory approvals as may be required to vary the terms of the Trust Deed.

The retirement or non-retirement of a director of the trustee-manager under an age limit requirement

The Memorandum and Articles of Association of the Trustee-Manager do not specify an age limit beyond which a director of the Trustee-Manager shall retire.

The number of units in the business trust, if any, required for the qualification of a director of the trustee-manager

A Director is not required to hold any Units in FSL Trust to qualify as a Director of the Trustee-Manager.

Retirement of directors

The appointment of the Directors will continue until such time as they resign, as required to vacate their office as directors, or are removed by way of an ordinary resolution of the shareholder(s) of the Trustee-Manager, in each case, in accordance with the Articles of Association of the Trustee-Manager.

FEES PAYABLE TO THE TRUSTEE-MANAGER

The following is a summary of certain fees payable by FSL Trust to the Trustee-Manager in connection with the establishment and on-going management and operation of FSL Trust:

	Payable to Trustee-Manager	**Amount payable**
(a)	Trustee fee	0.02% per annum of the value of the Trust Property.
(b)	Management Fees	4.0% of the cash lease rentals, net of any other commissions or deductions by third parties and all applicable tax, duties and levies whatsoever imposed by the relevant authorities in Singapore or elsewhere.
(c)	Incentive Fees	The Trustee-Manager will receive incentive fees determined on the basis of DAU growth over the annualized quarterly forecast DPU of 2.13 US Cents for 2007. These incentive fees are payable quarterly to the Trustee-Manager. Please see "The Trustee-Manager" for further details on the Incentive Fees.
(d)	Any other substantial fee or charge (*i.e.* 0.1% or more of FSL Trust's asset value)	
	(i) Acquisition fee	1.0% of vessel acquisition cost.
	(ii) Divestment fee	0.5% of vessel disposal proceeds, excluding proceeds from exercise of original purchase or early buy out options.

MARITIME FINANCE INCENTIVE

Introduction

The Maritime Finance Incentive ("MFI") has been introduced from 1 March 2006, to encourage the development of ship financing activities which contribute to Singapore's position as a maritime hub.

Under this incentive, an Approved Ship Investment Enterprise ("ASIE"), which is required to be either a company incorporated and resident in Singapore or a Singapore registered business trust, would be entitled to Singapore income tax exemption on qualifying income derived from ship leasing activities. On the other hand, an Approved Shipping Investment Manager ("ASIM"), which is required to be a company incorporated in Singapore, would be entitled to a 10% concessionary tax rate on qualifying management-related income derived from providing services to the ASIE. The Singapore income tax exemption/concessionary tax rate on the aforesaid qualifying income will be granted for an initial period of 10 years. For an ASIE, the Singapore income tax exemption on qualifying income will be granted for the remaining useful life of any vessel it acquires during the initial period of 10 years.

ASIE and ASIM status

FSL Trust has been awarded the ASIE status under the MFI scheme with effect from 22 February 2007, the date of registration of FSL Trust under the BTA, for a period of 10 years subject to a review of performance at the end of the 5th year. With the ASIE status, the existing Singapore SPCs, being Singapore Approved Special Purpose Vehicles ("ASPVs") of FSL Trust, would be able to enjoy Singapore income tax exemption on current leases and future leases that are structured as finance or operating leases for the remaining life of the respective vessels they acquire during the incentive period of 10 years which is pegged to the ASIE status of FSL Trust. The Marshall Islands SPCs would not be subject to tax on their finance or operating lease income in the Marshall Islands.

In connection with the ASIE status under the MFI scheme, FSL Trust received a ministerial exemption, under Section 13(12) of the Singapore Income Tax Act (Chapter 134), of its foreign-sourced dividend income received from the existing Marshall Islands SPCs, being the Marshall Islands ASPVs carrying on the business of chartering or finance leasing of vessels. Accordingly, the dividend income received by FSL Trust from the Marshall Islands ASPVs declared out of income derived on or after the date of registration of FSL Trust would be exempt from Singapore income tax. Dividend income declared out of the Marshall Islands ASPVs' income derived before the date of registration of FSL Trust would be subject to Singapore income tax in the hands of FSL Trust at the prevailing corporate tax rate, currently 18%. The dividend income received from the Singapore ASPVs would be tax exempt under the one-tier corporate tax system.

The Trustee-Manager has been awarded ASIM status under the MFI with effect from its date of incorporation for a period of 10 years subject to a review of performance at the end of the 5th year. With ASIM status, the qualifying management-related income derived by the Trustee-Manager from FSL Trust and the ASPVs would be subject to Singapore income tax at the concessionary tax rate of 10%.

Expiration of ASIE and ASIM status

Upon the expiry of the ASIE and ASIM status under the MFI scheme, FSL Trust, the ASPVs and the Trustee-Manager may, depending on the circumstances and the then prevailing practice, apply for an extension of the ASIE and ASIM status, subject to the Ministry of Transport's approval.

In the event that the ASIE status is not extended or otherwise ceases to apply for whatever reasons (except for revocation), the existing Singapore ASPVs would still continue to enjoy the Singapore income tax exemption till the end of the respective vessels' useful lives. Similarly, FSL Trust would continue to enjoy ministerial exemption of foreign-sourced dividend income received from the existing Marshall Islands ASPVs under Section 13(12) of the Singapore Income Tax Act (Chapter 134) till the end of the respective vessels' useful lives.

For new leases entered into by FSL Trust after the expiry of the ASIE status, only charter and operating lease income derived by the SPCs from Singapore flagged vessels would enjoy Singapore income tax exemption under Section 13A of the Singapore Income Tax Act (Chapter 134). Income from finance leases would be subject to tax at the prevailing corporate tax rate at that relevant time.

The management-related income derived by the Trustee-Manager after the expiry of its ASIM status, would be subject to tax at the prevailing corporate tax rate, currently 18%.

Revocation of ASIE and ASIM status

If the ASIE status is subsequently revoked, chartering and operating lease income derived by the Marshall Islands SPCs from Singapore-flagged vessels would be exempt from Singapore income tax under Section 13A of the Singapore Income Tax Act (Chapter 134). Charter and lease income of the Marshall Islands SPCs, if derived from Singapore from non-Singapore flagged vessels, would be subject to income tax in Singapore at the prevailing corporate tax rate, presently at 18%.

Finance lease income derived by the Singapore SPCs would be subject to Singapore income tax at the prevailing corporate tax rate of 18%, whereas charter and operating lease income derived by the Singapore SPCs from Singapore flagged vessels would enjoy tax exemption under Section 13A of the Singapore Income Tax Act (Chapter 134).

The dividend income received from the Marshall Islands SPCs would be subject to Singapore income tax in the hands of FSL Trust at the prevailing corporate tax rate of 18% if remitted or deemed remitted into Singapore, unless ministerial exemption is obtained. As the Singapore SPCs are companies under the one-tier corporate tax system, the dividend income received by FSL Trust would be tax exempt (one-tier) dividend.

The management-related income derived by the Trustee-Manager, had the ASIM status been revoked, would be subject to tax at the prevailing corporate tax rate, currently 18%.

CORPORATE GOVERNANCE

The regime under the BTA stipulates requirements and obligations in respect of corporate governance. For example, the Business Trusts Regulations 2005 sets out the requirements for, among other things, board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. The following is a summary of the material provision of the BTA insofar as they relate to the Board.

COMPOSITION OF THE BOARD

The Board of the Trustee-Manager must comprise[1]:

- at least a majority of Directors who are independent from management and business relationships with the Trustee-Manager;

- at least one-third of Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and

- at least a majority of Directors who are independent from any single substantial shareholder of the Trustee-Manager.

INDEPENDENCE OF DIRECTORS[2]

Independence from management and business relationships

To be considered to be independent from management and business relationships with the Trustee-Manager (whether or not the Trustee-Manager is acting for or on behalf of FSL Trust) a Director must not have any:

- management relationships with the Trustee-Manager or with any of its subsidiaries; or

- business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations, that could interfere with the exercise of his independent judgment with regard to the interests of all the Unitholders of FSL Trust as a whole.

Independence from management relationships

A Director is not considered to be independent from management relationships with the Trustee-Manager if:

- he is employed by the Trustee-Manager or by any of its subsidiaries, or has been so employed, at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager;

- any member of his immediate family:

  - is being employed by the Trustee-Manager or by any of its subsidiaries as an executive officer whose compensation is determined by the Board or the subsidiary, as the case may be; or

  - has been so employed at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager; or

- he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the Trustee-Manager or any of its subsidiaries.

[1] Section 14(2) of the BTA provides that contravention of the provision on board composition is an offence and renders the Trustee-Manager liable on conviction to a fine not exceeding S$100,000.

[2] Regulations 3 and 4 of the Business Trusts Regulations 2005.

Independence from business relationships

A Director is not considered to be independent from business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations, if:

- he is a substantial shareholder, a director or an executive officer of any corporation, or a sole proprietor or partner of any firm, where such corporation, sole proprietorship or firm carries on business for purposes of profit to which the Trustee-Manager or any of its related corporations has made, or from which the Trustee-Manager or any of its related corporations has received, payments (whether or not the Trustee-Manager is acting for or on behalf of FSL Trust) at any time during the current or immediately preceding financial year of the Trustee-Manager; or

- he is receiving or has received compensation from the Trustee-Manager or any of its related corporations, other than remuneration received for his service as a director or as an employee of the Trustee-Manager or any of its related corporations, at any time during the current or immediately preceding financial year of the Trustee-Manager.

Independence from substantial shareholder

A Director is considered to be independent from a substantial shareholder of the Trustee-Manager if he is not a substantial shareholder of the Trustee-Manager or is not connected to that substantial shareholder of the Trustee-Manager.

The Director is connected to the substantial shareholder if:

- in the case where the substantial shareholder is an individual, the Director is:

  - a member of the immediate family of the substantial shareholder;

  - a partner of a firm of which the substantial shareholder is also a partner; or

  - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or

- in the case where the substantial shareholder is a corporation, the Director is:

  - employed by the substantial shareholder;

  - employed by a subsidiary or an associated company of the substantial shareholder;

  - a director of the substantial shareholder;

  - an executive director of a subsidiary or an associated company of the substantial shareholder;

  - a non-executive director of a subsidiary or an associated company of the substantial shareholder, where the subsidiary or associated company is not the Trustee-Manager;

  - a partner of a firm of which the substantial shareholder is also a partner; or

  - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

BOARD OF DIRECTORS OF THE TRUSTEE-MANAGER

The following outlines the main corporate governance practices of the Trustee-Manager.

The Board is responsible for the overall corporate governance of the Trustee-Manager including establishing goals for management and monitoring the achievement of these goals. The Trustee-Manager is also responsible for the strategic business direction and risk management of FSL Trust. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of Directors. The Board has established a framework for the management of the Trustee-Manager and FSL Trust, including a system of internal control and a business risk management process. The Board currently consists of five members, three of whom are independent directors for the purposes of the BTA ("Independent Directors"). Save for Mr Philip Clausius, none of the Directors has entered into any service contract directly with the Trustee-Manager.

In addition to compliance with requirements under the BTA, the Board composition is determined using the following principles:

- the Chairman of the Board should be a non-executive Director; and
- the Board should comprise Directors with a broad range of commercial experience including expertise in the shipping and finance industry.

The composition will also be reviewed regularly in an effort to ensure that the Board has the appropriate mix of expertise and experience.

DEALINGS IN UNITS

The BTA requires each Director to give notice in writing to the Trustee-Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two business days after the date on which the Director became a Director of the Trustee-Manager or the date of such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest.

The Directors and employees of the Trustee-Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of FSL Trust's annual results and two weeks before the public announcement of FSL Trust's quarterly results, and ending on the date of announcement of the relevant results; and
- at any time while in possession of price sensitive information.

In addition, the Trustee-Manager will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be. The Trustee-Manager will also not deal in the Units in the period commencing one month before the public announcement of FSL Trust's annual results and two weeks before the public announcement of FSL Trust's quarterly results, and ending on the date of announcement of the relevant results.

AUDIT COMMITTEE

The audit committee of the trustee-manager of a registered business trust is required to be composed of three or more members:

- all of whom are independent of management and business relationships with the trustee-manager; and
- at least a majority of whom, including the chairman of the audit committee, are independent of management and business relationships with the trustee-manager and independent from every substantial shareholder of the trustee-manager[1].

On 13 February 2007, the Board passed a resolution to approve the formation of an audit committee (the "Audit Committee") and the appointment of its members. As at the date of this Prospectus, the members of the Audit Committee are Mr Wong Meng Meng, Mr Phang Thim Fatt and Mr Michael John Montesano III, and the Chairman of the Audit Committee is Mr Phang Thim Fatt. The role of the Audit Committee is to monitor and evaluate the effectiveness of the Trustee-Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- reviewing external audit reports in an effort to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

[1] Section 14(2) of the BTA provides that contravention of the aforesaid requirements is an offence and renders the trustee-manager liable on conviction to a fine not exceeding S$100,000.

- monitoring the procedures in place in an effort to achieve compliance with applicable legislation, the Listing Manual and the BTA;
- reviewing the financial statements and the internal audit report; and
- monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the provisions of the Listing Manual relating to "Interested Person Transactions" (as defined therein).

INTERESTED PERSON TRANSACTIONS

Past Interested Persons Transactions/ Interested Persons Transactions in Connection with the Setting Up of FSL Trust

The Trustee-Manager has entered into with the Sponsor the Sale and Purchase Agreement for the acquisition of the Vessels. The Sale and Purchase Agreement is more particularly described in "Certain Agreements Relating to FSL Trust and the Vessels". The aggregate purchase price of the Vessels is US$471.4 million.

Present and Ongoing Interested Persons Transactions

Exempted Agreements

The fees and charges payable by FSL Trust to the Trustee-Manager under the Trust Deed, and the lease rentals, fees and charges receivable by FSL Trust under the lease agreements dated 5 July 2005 with Schoeller Holdings Ltd in respect of the containerships YM Subic and Cape Falcon (together with the Trust Deed, the "Exempted Agreements"), each of which constitutes an interested person transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect FSL Trust. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual and any amendments made thereto.

Future Interested Persons Transactions

FSL Trust is regulated by the Listing Manual and the Business Trusts Act. The Listing Manual and the Business Trusts Act regulate all interested person transactions. Depending on the materiality of the transaction, FSL Trust may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain Unitholders' prior approval for the transaction (Rule 906 of the Listing Manual). Section 86 of the Business Trusts Act further requires (a) the Board to make a written statement in accordance with the resolution of the Board and signed by not less than two Directors on behalf of the Board certifying that, *inter alia*, the interested person transaction is not detrimental to the interests of all the Unitholders of FSL Trust as a whole based on the circumstances at the time of the transaction, and (b) the Chief Executive Officer to, in his personal capacity, make a written statement certifying that he is not aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of FSL Trust and the interests of all the Unitholders as a whole. These statements must be annexed to the profit and loss accounts of FSL Trust in its annual financial statements.

In addition to these written statements, Section 87 of the BTA also requires the Board to attach to FSL Trust's profit and loss accounts, a statement of policies and practices in relation to management and governance of FSL Trust containing such information prescribed by Regulation 20 of the Business Trusts Regulations 2005 which includes, *inter alia*, a description of measures put in place by the Trustee-Manager to review interested person transactions in relation to FSL Trust.

The Trust Deed requires the Trustee-Manager to comply with the provisions of the Listing Manual relating to interested person transactions as well as the Business Trusts Act and such other guidelines relating to interested person transactions as may be prescribed by the MAS or the SGX-ST to apply to business trusts.

The Trustee-Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with interested persons, and all transactions conducted under such a general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee-Manager will appoint an independent financial adviser pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of FSL Trust and the Unitholders.

Both the Business Trusts Act and the Listing Manual requirements would have to be complied with in respect of a proposed interested person transaction which is prima facie governed by both sets of rules. Where matters concerning FSL Trust relate to transactions entered or to be entered into by the Trustee-Manager for and on behalf of FSL Trust with an "interested person" under the Listing Manual and/or the Business Trusts Act, the Trustee-Manager is required to ensure that such transactions are conducted in accordance with applicable requirements of the Listing Manual, the Business Trusts Act and/or such other applicable guidelines relating to the transaction in question.

In particular, when FSL Trust acquires other assets from the Sponsor or parties related to the Sponsor in the future, the Trustee-Manager will obtain appraisals from independent parties and comply with all other requirements applicable to such transactions under the Listing Manual and the Business Trusts Act. In any event, interested person transactions entered into by FSL Trust in the future (including acquisitions of vessels from the Sponsor or parties related to the Sponsor), depending on the materiality of such transactions, may need to be publicly announced or, as the case may be, publicly announced and approved by Unitholders, and will, in addition to such other requirements under the Listing Manual and/or the Business Trusts Act, be:

- decided by a majority vote of the Directors, including the vote of at least one Independent Director; and
- reviewed and approved by the Trustee-Manager's Audit Committee.

Review Procedures for Interested Persons Transactions

The Trustee-Manager will establish an internal control system in an effort to ensure that all future interested person transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of FSL Trust and the Unitholders. As a general rule, the Trustee-Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Trustee-Manager, or obtaining one or more valuations from independent professional valuers.

The Trustee-Manager will maintain a register to record all interested person transactions which are entered into by FSL Trust and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Trustee-Manager will also incorporate into its internal audit plan a review of all interested person transactions entered into by FSL Trust. The Audit Committee shall review the internal audit reports at least quarterly to ascertain that the guidelines and procedures established to monitor and govern interested person transactions have been complied with.

The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of FSL Trust's net tangible assets (based on the latest audited accounts) will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of FSL Trust's net tangible assets (based on the latest audited accounts) will be subject to the

review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee-Manager with third parties which are unrelated to the Trustee-Manager; and

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of the value of FSL Trust's net tangible assets (based on the latest audited accounts) will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning FSL Trust relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of FSL Trust with a related party of the Trustee-Manager (which would include relevant Associates thereof) or FSL Trust, the Board is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of FSL Trust and the Unitholders, and in accordance with all applicable requirements of the Listing Manual and the Business Trusts Act relating to the transaction in question. If the Trustee-Manager is to sign any contract with a related party of the Trustee-Manager or FSL Trust, the Trustee-Manager will review the contract in an effort to ensure that it complies with the provisions of the Listing Manual and the Business Trusts Act relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

Save for the transactions described under "Past Interested Persons Transactions/Interested Persons Transactions in Connection with the Setting Up of FSL Trust" and "Exempted Agreements", FSL Trust will comply with Rule 905 of the Listing Manual by announcing any interested person transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of FSL Trust's latest audited net tangible assets.

The aggregate value of all interested person transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in FSL Trust's annual report for the relevant financial year.

POTENTIAL CONFLICT OF INTERESTS

The Trustee-Manager is a wholly-owned subsidiary of the Sponsor. There may be potential conflict of interests between FSL Trust, the Trustee-Manager and the Sponsor.

The Sponsor, its subsidiaries, related corporations and associates are engaged in providing long-term non-tax driven operating and finance leases to shipping and industrial companies. The Sponsor will, immediately after the completion of the Offering hold 160,000,000 Units constituting approximately 32% of the total number of Units expected to be in issue then (assuming that the Over-allotment Option is not exercised).

Although the Trustee-Manager is a wholly-owned subsidiary of the Sponsor, the Board composition includes three Independent Directors.

To mitigate the risks of potential competition with FSL Trust's business, the Sponsor has entered into the Non-Competition Agreement with the Trustee-Manager pursuant to which the Sponsor irrevocably undertook, on behalf of itself and its subsidiaries, to the Trustee-Manager that the Sponsor and its subsidiaries will not carry out the chartering of any vessels on a bareboat basis for a lease term of 7 years or longer, save where it has first offered to the Trustee-Manager (on behalf of FSL Trust) the opportunity to acquire the charter, together with the relevant vessel, and the Trustee-Manager (on behalf of FSL Trust) has declined to acquire such vessel and charter notwithstanding FSL Trust's Investment Advisory Committee having recommended in favour of it ("Declined Charters"). The Sponsor and its subsidiaries will not enter into any charter that has first been offered by it to the Trustee-Manager (on behalf of FSL Trust) and for which FSL Trust's Investment Advisory Committee has not recommended in favour. (See "Certain Agreements Relating to FSL Trust and the Vessels – Non-Competition Agreement").

THE SPONSOR

HISTORY AND BUSINESS

First Ship Lease Ltd., the predecessor of the Sponsor, was incorporated in Bermuda in September 2002 and is a commercial finance company which provided long-term non-tax driven operating and finance leases to shipping and industrial companies through vessel-owning SPCs, with its operations based in New York.

Significant events in the business of the Sponsor are set out below:

December 2003	Capital commitment in place to launch operations.
February 2004	First Ship Lease Ltd. entered into an agreement with James Fisher to lease two chemical tankers, Cumbrian Fisher and Clyde Fisher, for a period of 10 years, with an option to extend for a further period of five years.
June 2004	First Ship Lease Ltd. entered into another agreement with James Fisher to lease two product tankers, Shannon Fisher and Solway Fisher, for a period of 10 years, with an option to extend for a further period of five years.
July 2005	First Ship Lease Ltd. entered into an agreement with Schoeller Holdings to lease two containerships, YM Subic and Cape Falcon, for a period of nine years.
August 2005	First Ship Lease Ltd. relocated its head office from New York to Singapore, recognizing Asia's growth and scope for Sponsor's business domain of ship leasing.
January 2006	First Ship Lease Ltd. entered into an agreement with Evergreen Marine to lease two containerships, Ever Renown and Ever Repute, for a period of 10 years, with an option to extend for a further period of three years.
May 2006	Establishment of Zurich office for marketing activities outside Asia.
July 2006	First Ship Lease Ltd. entered into agreements with PT Berlian Laju Tanker Tbk to lease three chemical tankers, Pertiwi, Pujawati and Prita Dewi, for a period of 12 years.
September 2006	First Ship Lease Pte. Ltd. was awarded the status of an Approved Shipping Investment Enterprise ("ASIE") under the Maritime Finance Incentive Scheme by the Maritime Port Authority of Singapore on 26 September 2006.
October 2006	Board approval for IPO of FSL Trust.
December 2006	First Ship Lease Ltd. entered into an agreement with Siba Ships to lease two dry bulk carriers, Fomalhaut and Eltanin, for a period of 10 years. The First Ship Lease group undergoes corporate restructuring.

The Sponsor was incorporated in Singapore in 2006. The Sponsor owns a portfolio of 13 vessels through the vessel-owning SPCs transferred from its predecessor, First Ship Lease Ltd.

THE FORMATION AND STRUCTURE OF FSL TRUST

The Trust Deed is a complex document and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of FSL Trust (Registration Number. 2007002). The Trust Deed is available for inspection at the principal place of business of the Trustee-Manager at 8 Temasek Boulevard, Suntec Tower 3, #15-02A, Singapore 038988.

BACKGROUND

FSL Trust was constituted as a business trust on 19 March 2007 by a declaration of trust made by the Trustee-Manager. FSL Trust was registered on 22 February 2007.

By subscribing for Units pursuant to or in connection with the Offering, Unitholders are deemed to have approved the issuance of Units pursuant to or in connection with the Offering under Section 36 of the BTA and Clause 6.1 of the Trust Deed and the Unitholders are also deemed to have approved the giving of a general mandate, pursuant to Section 36 of the BTA and Clause 6.1 of the Trust Deed, to the Trustee-Manager to issue new Units or grant options over or otherwise dispose of the same at any time to such persons and on such terms and conditions whether for cash or otherwise as the Trustee-Manager shall in its absolute discretion deem fit provided that:

(i) the aggregate number of Units to be issued pursuant to such authority shall not exceed 50.0% of the total number of Units in issue immediately after the close of the Offering; and

(ii) the aggregate number of Units to be issued other than on a *pro rata* basis to the then existing Unitholders shall not exceed 20.0% of the total number of Units in issue immediately after the close of the Offering,

and subject to the BTA and any other relevant applicable laws, regulations and guidelines, and unless revoked or varied by the Unitholders in general meeting, such authority shall continue in full force until the conclusion of the first annual general meeting of FSL Trust or the date by which the first annual general meeting is required by law to be held, whichever is the earlier.

FSL Trust and the Sponsor have on 19 March 2007 entered into the Sale and Purchase Agreement for the sale and purchase of SPCs which own the Vessels, which are conditional upon the successful admission of FSL Trust to the Official List of the SGX-ST pursuant to the Listing. The Vessels will comprise four containerships, four product tankers, three chemical tankers and two dry bulk carriers. The acquisitions will be financed by the proceeds from the Offering.

THE TRUST DEED

FSL Trust is a registered business trust constituted by the Trust Deed and principally regulated by the SFA and the BTA.

The terms and conditions of the Trust Deed will be binding on each Unitholder (including persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contained covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Trustee-Manager to do.

The provisions of the BTA prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Trustee-Manager and the Unitholders under the Trust Deed.

The Units and Unitholders

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee-Manager.

Each Unit represents an undivided interest in FSL Trust. A Unitholder will have no equitable or proprietary interest in the underlying assets of FSL Trust and is not entitled to the transfer to it of any asset (or any part thereof), any vessel or any interest in any vessel (or any part thereof) of FSL Trust. A Unitholder's rights are limited to the right to require due administration of FSL Trust in accordance with the provisions of the Trust Deed, including, without limitation, by bringing legal proceedings against the Trustee-Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee-Manager seeking an order for specific performance or for injunctive relief in respect of the assets of FSL Trust (or any part thereof), including all its Authorised Investments (as defined therein), and waives any rights it may otherwise have to such relief. If the Trustee-Manager breaches or threatens to breach its duties or obligations to Unitholders under the Trust Deed, a Unitholder's recourse against the Trustee-Manager is limited to a right to recover damages or compensation from the Trustee-Manager in a court of competent jurisdiction, and each Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Trustee-Manager, exercise any right in respect of the assets of FSL Trust or any part thereof or lodge any caveat or other notice affecting the vessels of FSL Trust (or any part thereof), or require that any Authorised Investments forming part of the assets of FSL Trust be transferred to such Unitholder.

No certificate shall be issued to Unitholders by the Trustee-Manager in respect of Units issued to Unitholders. For so long as FSL Trust is listed, quoted and traded on the SGX-ST, the Trustee-Manager shall pursuant to the depository services agreement dated 19 March 2007 made between the Trustee-Manager and CDP (the "Depository Services Agreement") appointing CDP as the Unit depository for FSL Trust, and all Units issued will be represented by entries in the register of Unitholders kept by the Trustee-Manager or the agent appointed by it in the name of, and deposited with, CDP as the registered holder of such Units. The Trustee-Manager or the agent appointed by it shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued, subject to a lock-up, and the expiry date of such lock-up and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

There are no restrictions under the Trust Deed or Singapore law on a person's right to purchase (or subscribe for) Units and to own Units except in the case of a rights issue where the Trustee-Manager has the right under the Trust Deed to elect not to extend an offer of Units under a rights issue to Unitholders whose addresses are outside Singapore.

Changes in Unitholders' equity

The Trustee-Manager may at any time, on prior written notice (such notice period will be determined by the Trustee-Manager in its absolute discretion) to each Unitholder (or, when the Units of FSL Trust are listed on the SGX-ST), by the Trustee-Manager delivering such notice in writing to CDP for onward delivery to the Unitholders), determine that each Unit shall be sub-divided into two or more Units or consolidated with one or more other Units and the Unitholders shall be bound to accept their new number of Units accordingly.

The Register shall be altered accordingly to reflect the new number of Units held by each Unitholder as a result of such sub-division or consolidation. To effect this, the Trustee-Manager shall cause CDP to alter the Depository Register accordingly in respect of each relevant Unitholder's Securities Account to reflect the new number of Units held by such Unitholder as a result of such sub-division or consolidation.

Rights, preferences and restrictions attaching to each class of Units

The Trust Deed provides that rights attached to the Units issued with special conditions have to be clearly defined in the Trust Deed and, if at any time, different classes of Units are issued, the rights attached to any class (unless otherwise provided by the terms of issue of the Units of that class) may, subject to the provisions of any applicable laws, regulations and guidelines, be varied or abrogated with the sanction of an Extraordinary Resolution passed at a separate meeting of Unitholders of that class.

Currently, only one class of Units is contemplated and will be issued pursuant to this Offering and every Unit carries the same voting rights. Under the BTA, only the persons registered in the statutory register maintained by the Trustee-Manager are recognised as registered holders of the Units in issue. For so long as FSL Trust is listed, the CDP shall be the registered holder of all the Units in issue and the CDP shall, pursuant to the Depository

Services Agreement, maintain a record in a depository register of the Unitholders having Units credited into their respective Securities Accounts and record in the depository register the following information in relation to each Unitholder:

(1) the names and addresses of the Unitholders;

(2) the number of Units held by each Unitholder;

(3) the date on which every such person entered in respect of the Units standing in his name became a Unitholder and, where he became a Unitholder by virtue of an instrument of transfer, a sufficient reference to enable the name and address of the transferor to be identified; and

(4) the date on which any transfer is registered and the name and address of the transferee.

Under the Trust Deed, each Unitholder named in the depository register shall for such period as the Units are entered against his name in the depository register, be deemed to be the owner in respect of the number of Units entered against such Unitholder's name in the depository register and would be entitled to attend and vote at general meetings of Unitholders. The Trustee-Manager shall be entitled to rely on any and all such information in the depository register.

The entries in the depository register shall (save in the case of manifest error) be conclusive evidence of the number of Units held by each Unitholder and, in the event of any discrepancy between the entries in the depository register and the details appearing in any confirmation note or monthly statement issued by CDP, the entries in the depository register shall prevail unless the Unitholder proves to the satisfaction of the Trustee-Manager and CDP that the depository register is incorrect.

Distributions (See "Distributions and Subordination")

Subject to applicable laws, regulations and guidelines, and the Trust Deed, the Trustee-Manager shall make regular distributions of all (or such lower percentage as the Trustee-Manager may determine) operating cash flows to Unitholders at quarterly intervals or such other intervals as the Trustee-Manager shall decide in its absolute discretion. All distributions are paid *pro rata* among the Unitholders in proportion to the amount paid up on each Unitholder's Units, unless the rights attached to an issue of any Unit provide otherwise. Any moneys payable to Unitholders which remain unclaimed after a period of 12 months shall be accumulated in special account (the "Unclaimed Moneys Account") from which the Trustee-Manager may, from time to time, make payments to Unitholders claiming any such moneys. Subject to the winding-up provisions in the Trust Deed, the Trustee-Manager may, at its discretion and if practicable, cause such sums which represent moneys remaining in the Unclaimed Moneys Account for five years after the date of payment of such moneys into the Unclaimed Moneys Account and interest, if any, earned thereon, to be paid into the Courts of Singapore after deducting from such sums all fees, costs and expenses incurred in relation to such payment into the Courts of Singapore.[1] If the said moneys are insufficient to meet all such fees, costs and expenses, the Trustee-Manager shall be entitled to have recourse to the Trust Property.

Voting Rights

A Unitholder is entitled to attend, speak and vote at any general meeting of the Unitholders in person or by proxy and a Unitholder may appoint not more than two proxies to attend and vote at the same general meeting as an Unitholder if his name appears on the Depository Register as at 48 hours before the time of the relevant general meeting as certified by the Depository to FSL Trust. Except as otherwise provided in the Trust Deed, not less than two Unitholders must be present in person or by proxy of one-tenth in value of all the Units for the time being in issue to constitute a quorum at any general meeting. Under the Trust Deed, on a show of hands every Unitholder present in person or by proxy shall have one vote, and on a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the general meeting or by five or more Unitholders (including their proxies) having the right to vote at the general meeting or by Unitholder(s) (including their proxies) representing not less than 10.0% of the total voting rights of all the Unitholders having the right to vote at the general meeting.

[1] The Trustees Act, Chapter 337 of Singapore, allows a trustee to discharge its liabilities towards unclaimed moneys by paying such moneys into Singapore courts, although it does not prescribe the period for which the moneys must be unclaimed before they may be paid into the courts. Although the Trustees Act is not applicable to a registered business trust, as a matter of prudence, the Trust Deed has provided that the Trustee-Manager may pay unclaimed moneys into the courts.

Variation of rights of respective classes of Units

If at any time different classes of Units are issued, the rights attached to any class (unless otherwise provided by the terms of issue of the Units of that class) may, subject to any applicable laws, regulations and guidelines, whether or not the Trust is being wound up, be varied or abrogated with the sanction of an Extraordinary Resolution passed at a separate meeting of Unitholders of that class. To every such separate meeting of Unitholders of that class the provisions of the Trust Deed relating to general meetings of the Unitholders shall *mutatis mutandis* apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney at least one-third of the issued Units of the class and that any Unitholder of that class present in person or by proxy or by attorney may demand a poll.

The rights conferred upon the Unitholders of any class of Units issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the Units of that class or by the Trust Deed as are in force at the time of such issue, be deemed to be varied by the creation or issue of further Units ranking equally therewith.

The Trust Deed does not impose more stringent conditions for variation of rights of various classes of Units than those required by applicable law.

Issue of Units

The Trustee-Manager has the exclusive right to issue Units for the account of FSL Trust. For so long as FSL Trust is listed on the SGX-ST, the Trustee-Manager may issue Units, subject to the provisions of the Listing Manual, the Trust Deed, the BTA and any other relevant laws, regulations and guidelines.

If, in connection with an issue of a Unit, any requisite payment of the issue price for such Unit has not been received by the Trustee-Manager before the seventh Business Day after the Unit was agreed to be issued (or such other later date as the Trustee-Manager may decide), the Trustee-Manager may revoke its agreement to issue such Unit, and such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Trustee-Manager may, at its discretion, charge the investor (and retain the same for its own account) a cancellation fee of such amount as the Trustee-Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit.

Suspension of Issue of Units

The Trustee-Manager may, subject to the Listing Manual, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;

- the existence of any state of affairs which, in the opinion of the Trustee-Manager, might seriously prejudice the interests of the Unitholders as a whole or the Trust Property;

- for any period when for any reason the prices of any assets of FSL Trust cannot be promptly and accurately ascertained;

- any period when remittance of money which will or may be involved in the realisation of any asset of FSL Trust or in the payment for such asset of FSL Trust cannot, in the opinion of the Trustee-Manager, be carried out at normal rates of exchange;

- in relation to any general meeting of the Unitholders, the period of 48 hours before such general meeting or any adjournment thereof;

- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS; or

- when the business operations of the Trustee-Manager in relation to FSL Trust are substantially interrupted or closed as a result of, or arising from, pestilence, widespread communicable and infectious diseases, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Trustee-Manager and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) exists, upon the declaration in writing thereof by the Trustee-Manager.

In the event of any suspension while FSL Trust is listed on the SGX-ST, the Trustee-Manager shall ensure that notice of such suspension is made through the SGX-ST.

Rights and Liabilities of Unitholders

The rights of Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of FSL Trust; and
- participate in the termination of FSL Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of FSL Trust less any liabilities, in accordance with their proportionate interests in FSL Trust.

No Unitholder has a right to require that any asset of FSL Trust be transferred to him.

Further, Unitholders cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:

- FSL Trust ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Trustee-Manager by the Trust Deed.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the issue price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee-Manager or any creditor of FSL Trust in the event that the liabilities of FSL Trust exceed its assets.

Limitation on right to own Units – Units Issued to Persons Resident Outside Singapore

In relation to any rights issue, the Trustee-Manager may in its absolute discretion elect not to extend an offer of Units under the rights issue to those Unitholders whose addresses are outside Singapore. In such event, the rights or entitlements to the Units of such Unitholders will be offered for subscription by the Trustee-Manager as the nominee and authorised agent of each such relevant Unitholder in such manner and at such price as the Trustee-Manager may determine. Where necessary, the Trustee-Manager shall have the discretion to impose such other terms and conditions in connection with the sale. The proceeds of any such sale, if successful, will be paid to the relevant Unitholders whose rights or entitlements have been thus sold, provided that where such proceeds payable to the relevant Unitholders are less than US$10.00, the Trustee-Manager shall be entitled to retain such proceeds as part of the Trust Property.

Amendments of the Trust Deed – After the Units are Listed

Save where an amendment to the Trust Deed has been approved by the sanction of an Extraordinary Resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee-Manager certifies in writing that, in its opinion, such amendment:

- does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the Trustee-Manager from any responsibility to the Unitholders;
- is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or
- is made to correct a manifest error,

and, if required, is made with the prior approval of the relevant authorities.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Circumstances under which the Trustee-Manager may be indemnified out of the Trust Property

In general, subject to any express provision under the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee-Manager, the Trustee-Manager is entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as FSL Trust's trustee-manager to have recourse to the Trust Property or any part thereof, save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, wilful default or breach of trust by the Trustee-Manager where the Trustee-Manager fails to exercise the degree of care and diligence required of a trustee-manager of a registered business trust under the BTA.

Circumstances under which the Trustee-Manager may exclude liability in relation to carrying out of its duties with respect to FSL Trust

Subject to the duties and obligations of the Trustee-Manager under the Trust Deed, the Trustee-Manager shall not be liable for any act or omission in relation to FSL Trust save where there is, on the part of the Trustee-Manager, fraud, wilful default or breach of trust where the Trustee-Manager fails to exercise the degree of care and diligence required of a trustee-manager of a registered business trust under the BTA.

In the absence of fraud, wilful default or breach of trust by the Trustee-Manager, or where the Trustee-Manager fails to exercise the degree of care and diligence required of a trustee-manager of a registered business trust under the BTA, the Trustee-Manager shall not incur any liability to the Unitholders by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

Removal of the Trustee-Manager and appointment of new trustee-manager

The Trust Deed provides that appointment and removal of the Trustee-Manager shall only be in accordance with applicable laws, regulations and guidelines. (See "The Trustee-Manager – Retirement or removal of the Trustee-Manager" for details).

Changes in the fees and charges payable to the Trustee-Manager

An Extraordinary Resolution is required to approve:

- any increase in the rate or any change in the structure of the Trustee-Manager's Management Fees;
- any increase in the permitted level of the Trustee-Manager's acquisition fee or divestment fee; and
- any change in the structure of the trustee fee payable to the Trustee-Manager.

Winding-up

Notwithstanding the time, circumstances or event specified in the Trust Deed, but subject otherwise to the BTA, the winding up of FSL Trust would still be subject to approval by not less than a majority of the voting rights of all Unitholders present and voting in general meeting.

CERTAIN AGREEMENTS RELATING TO FSL TRUST AND THE VESSELS

The agreements discussed in this section are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of FSL Trust. The agreements are available for inspection at the principal place of business of the Trustee-Manager at 8 Temasek Boulevard, #15-02A, Suntec Tower Three, Singapore 038988, for a period of six months from the date of this Prospectus.

SALE AND PURCHASE AGREEMENT FOR THE SPCs

Certain terms and conditions of the Sale and Purchase Agreement are described below. For the details of the Vessels, please refer to "Business – The Portfolio".

Conditions precedent

Pursuant to a restructuring exercise carried out in connection with the Offering, the Sponsor and the Trustee-Manager have entered into the Sale and Purchase Agreement. The sale of the SPCs by the Sponsor is conditional upon the Listing.

Purchase price and payment

The aggregate purchase price for the 13 SPCs is US$471.4 million. On the completion of the sale and purchase of the SPCs, the aggregate purchase price shall be paid in full to the Sponsor and the Sponsor shall transfer the SPCs to FSL Trust.

Shares of SPCs to be delivered free from encumbrances

The Sponsor further warrants that all shares of the SPCs will be free from all claims, charges, liens, equities and other encumbrances.

Governing law

The Sale and Purchase Agreement is governed by and construed in accordance with the laws of Singapore.

LEASE AGREEMENTS

The SPCs have entered into lease agreements (each a "**Lease Agreement**") with the relevant lessee (each a "**Lessee**"). The table below shows the Lease Agreements entered into by the SPCs (each a "**Vessel Owner**").

Vessel	Vessel Owner	Date of Lease Agreement	Lease Commencement Date
Cumbrian Fisher	FSL-1, Inc.	27 February 2004	23 December 2004
Clyde Fisher	FSL-2, Inc.	27 February 2004	18 February 2005
Shannon Fisher	FSL-3, Inc.	25 June 2004	1 February 2006
Solway Fisher	FSL-4, Inc.	25 June 2004	30 June 2006
YM Subic	FSL-5, Inc.	5 July 2005	5 July 2005
Cape Falcon	FSL-6, Inc.	5 July 2005	5 July 2005
Ever Renown	FSL-7, Inc.	19 January 2006	24 January 2006
Ever Repute	FSL-8, Inc.	19 January 2006	24 January 2006
Pertiwi	FSL-9 Pte. Ltd.	6 July 2006	7 July 2006
Pujawati	FSL-10 Pte. Ltd.	27 July 2006	28 September 2006
Prita Dewi	FSL-11 Pte. Ltd.	19 July 2006	26 July 2006
Fomalhaut	FSL-12 Pte. Ltd.	21 December 2006	11 January 2007
Eltanin	FSL-13 Pte. Ltd.	21 December 2006	11 January 2007

Each of the Lease Agreements is for a term of nine to 12 years from the Lease Commencement Date, with extension periods of up to five years for some of the Vessels. The Lease Agreements are in FSL Trust's proprietary form on a "Hell and High Water" basis.

The main terms and conditions of the Lease Agreements are summarised below.

Duration of the Lease and Lease Hire

The charter period for each of the Vessels is stated in the relevant Lease Agreement (including any extension period, the "Lease Period"). Generally, the lessees are required to give between 180 to 365 days' notice prior to end of the base lease, of any intention to extend the lease. The Trustee-Manager believes that such amount of lead time is sufficient for it to seek another lessee for the vessel prior to the expiration of the lease.

Each Lessee is obliged to pay charter hire due under the relevant Lease Agreement on the first day of each calendar month. Each Lessee's obligation to pay lease hire is absolute and unconditional irrespective of any contingency or cause whatsoever (i.e. "hell and high water"). Should any Lessee be late in paying charter hire, the relevant Vessel Owner of Cumbrian Fisher, Clyde Fisher, Shannon Fisher and Solway Fisher respectively will each be entitled to interest at the rate of 12% per annum accruing on the sum due and payable but not paid. In the case of YM Subic and Cape Falcon, the relevant Vessel Owner will each be entitled to interest at the rate of 11% per annum accruing on the sum due and payable but not paid. The respective owner of Ever Renown, Ever Repute, Pertiwi, Pujawati, Prita Dewi, Fomalhaut and Eltanin will each be entitled to interest at the rate of two per cent. above LIBOR per annum accruing on the sum due and payable but not paid.

Use of the Vessels

Each Lessee undertakes to employ the relevant Vessel in lawful trade and in conformity with that Vessel's insurances.

The Vessels may be operated on a worldwide basis within Institute Warranty Limits, or if outside Institute Warranty Limits, the Lessee undertakes to obtain any additional insurance coverage required under any applicable law and notify the relevant Vessel Owner of such additional coverage. Additionally, each Lessee is obliged to insure the relevant Vessel against all risks to the extent mandatorily required by any applicable law should that Vessel operate within US-territory waters or enter any US-harbour. "Institute Warranty Limits" are limits which indicate when/where vessels can trade with/without paying additional insurance premium for navigational risk. Each Lessee undertakes to obtain additional insurance coverage.

Maintenance of the Vessels

As the Vessels are in the full possession of the Lessees during the relevant Lease Period, each Lessee is charged with full responsibility for maintaining the relevant Vessel and her equipment in good running order and repair at its costs and expense.

Each Lessee is also solely responsible for maintaining, at its costs and expense, the relevant Vessel's classification with the relevant classification society, and to maintain all relevant trading certificates relating to that Vessel in force from time to time.

Insurance and Repairs

During the Lease Period, each Lessee is solely responsible for arranging and paying for hull and machinery, war risks and protection and indemnity insurance in respect of the relevant Vessel, in accordance with the relevant Lease Agreement. Such insurances must be placed with brokers, insurers and reinsurers acceptable to the relevant Vessel Owner.

The table below shows the minimum insured amounts in respect of each Vessel.

Vessel	Minimum Insurance Coverage (except protection and indemnity insurance)	Minimum Insurance Coverage (protection and indemnity insurance)
Cumbrian Fisher	the higher of: (i) 125 per cent. of fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	Maximum amount available in accordance with customary insurance market practice, currently at US$1,000,000,000

Vessel	Minimum Insurance Coverage (except protection and indemnity insurance)	Minimum Insurance Coverage (protection and indemnity insurance)
Clyde Fisher	the higher of: (i) 125 per cent. of fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Shannon Fisher	the higher of: (i) 125 per cent. of fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Solway Fisher	the higher of: (i) 125 per cent. of fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
YM Subic	100 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Cape Falcon	100 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Ever Renown	100 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Ever Repute	100 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Pertiwi	the higher of: (i) fair market sale value of the Vessel; and (ii) 110 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Pujawati	the higher of: (i) fair market sale value of the Vessel; and (ii) 110 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Prita Dewi	the higher of: (i) fair market sale value of the Vessel; and (ii) 110 per cent. of highest stipulated loss value for the corresponding year of coverage	As above
Fomalhaut	the higher of: (i) fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	As above

Vessel	Minimum Insurance Coverage (except protection and indemnity insurance)	Minimum Insurance Coverage (protection and indemnity insurance)
Eltanin	the higher of: (i) fair market sale value of the Vessel; and (ii) 125 per cent. of highest stipulated loss value for the corresponding year of coverage	As above

"fair market sale value" is the sale value of a Vessel in an arm's-length transaction between an informed buyer and a willing seller.

"stipulated loss value" is the outstanding value of the unexpired term of the lease (including the residual value of the vessel at the expiry of the lease).

Redelivery

Each Lessee shall, at the expiration of the relevant Lease Period, redeliver the relevant Vessel to the relevant Vessel Owner safely afloat at a safe port within Institute Warranty Limits, as the Lessor may direct in accordance with the relevant Lease Agreement.

Each Vessel shall be redelivered to the relevant Vessel Owner with, *inter alia*, the following:

- the highest classification for vessels of the same size, age and type as that Vessel, with no outstanding recommendations;
- all relevant class and trading certificates to be valid for a stipulated time from the date of redelivery;
- the Vessel in dry-dock or with divers' inspection carried out by an inspector from the Classification Society; and
- the Vessel in the same good order and condition as when delivered to that Lessor (fair wear and tear excepted).

Purchase Option

Each Vessel Owner has also granted purchase options to the relevant Lessee or, in the case of some Vessels, to a third party, exercisable at the end of the relevant Lease Period. Additionally, there are early buyout options granted in relation to some of the Vessels.

The table below sets out the purchase option arrangements.

Vessel	Lease Term + Extension, if any (Years)	Early Buyout Option ("EBO") Price and Date	Purchase Option Price and Date
Cumbrian Fisher	10 + 5	At 6.5 years after the lease commencement date: Higher of US$12.4 million and fair market value	Higher of US$10.375 million and fair market value at the end of the base lease term
Clyde Fisher	10 + 5	At 6.5 years after the lease commencement date: Higher of US$12.4 million and fair market value	Higher of US$10.375 million and fair market value at the end of the base lease term
Shannon Fisher	10 + 5	At 6.5 years after the lease commencement date: Higher of EUR7.54 million and fair market value	Higher of EUR4.23 million and fair market value at the end of the base lease term

Vessel	Lease Term + Extension, if any (Years)	Early Buyout Option ("EBO") Price and Date	Purchase Option Price and Date
Solway Fisher	10 + 5	At 6.5 years after the lease commencement date: Higher of EUR7.62 million and fair market value	Higher of EUR4.23 million and fair market value at the end of the base lease term
YM Subic	9	Nil	EUR6.175 million at the end of the lease term
Cape Falcon	9	Nil	EUR6.175 million at the end of the lease term
Ever Renown	10 + 3	Nil	US$15 million at the end of the base lease term, or US$7.5 million at the end of the extension period
Ever Repute	10 + 3	Nil	US$15 million at the end of the base lease term, or US$7.5 million at the end of the extension period
Pertiwi	12	Nil	US$22.5 million and 50% of any excess of fair market value over US$22.5 million at the end of the lease period
Pujawati	12	Nil	US$22.5 million and 50% of any excess of fair market value over US$22.5 million at the end of the lease period
Prita Dewi	12	Nil	US$22.5 million and 50% of any excess of fair market value over US$22.5 million at the end of the lease period
Fomalhaut	10	At 6 years after the lease commencement date: US$19.0 million and 40% of any excess of fair market value over US$19.0 million. At 8 years after the lease commencement date: US$15.0 million and 40% of any excess of fair market value over US$15.0 million	$8.0 million and 40% of any excess of fair market value over US$8.0 million at the end of the lease term
Eltanin	10	At 6 years after the lease commencement date: US$19.0 million and 40% of any excess of fair market value over US$19.0 million. At 8 years after the lease commencement date: US$15.0 million and 40% of any excess of fair market value over US$15.0 million	$8.0 million and 40% of any excess of fair market value over US$8.0 million at the end of the lease term

Indemnity

Each Lessee shall indemnify the relevant Vessel Owner against all claims, losses, liabilities, costs and expenses directly or indirectly arising out of the relevant Vessel. The indemnity given by each Lessee shall continue notwithstanding expiration or termination of the Lease Agreement.

Termination

Each Vessel Owner may terminate the relevant Lease Agreement upon written demand to the relevant Lessee upon the occurrence of an event of default under that Lease Agreement. Events of default include:

- failure by the Lessee to pay charter hire within three banking days of the charter hire becoming due;
- failure by the Lessee to pay any amounts required by the Lease Agreement when due;
- failure by the Lessee to maintain insurances in accordance with the Lease Agreement;
- any sublease not permitted under the Lease Agreement or assignment of the Lease Agreement, whether actual or attempted, without the Vessel Owner's consent;
- breach of representations, warranties or covenants in the Lease Agreement or other related documents; and
- commencement of liquidation, bankruptcy, receivership or other like proceedings by the Lessee.

In the event of an event of default by the Lessee, the following remedies are typically provided under the terms of the Lease Agreement:

- the relevant Vessel Owner may require the Lessee to pay liquidated damages;
- the relevant Vessel Owner may require the Lessee to redeliver or sell the relevant Vessel at the Lessee's cost; and
- the relevant Vessel Owner may sell or hold the relevant Vessel for its own use.

The relevant Vessel Owner will typically require the redelivery of the relevant Vessel if it is of the view that the Lessee is no longer in a position to continue to pay the charter hire or satisfy its other obligations under the relevant Lease Agreement. In such event, the relevant Vessel Owner will typically engage a ship management company (such as Columbia Shipmanagement) to repossess the relevant Vessel. Such repossession would be carried out in accordance with the maritime laws of the jurisdiction wherein the Vessel is located, and the repossession process may differ from jurisdiction to jurisdiction. If there are difficulties in repossessing a Vessel under the maritime laws of any particular jurisdiction, the ship management company is likely to monitor the movements of the Vessel and carry out the repossession procedure when the Vessel enters a jurisdiction where repossession is possible.

Governing law and Dispute Resolution

In the case of the Lease Agreements relating to Pertiwi, Pujawati, Prita Dewi, Fomalhaut and Eltanin, each Lease Agreement is governed by the laws of Singapore, and the relevant Lessee and Vessel Owner each submit to the non-exclusive jurisdiction of the courts of Singapore.

In the case of the Lease Agreements relating to Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, YM Subic, Cape Falcon, Ever Renown and Ever Repute, each Lease Agreement is governed by the laws of England, and the relevant Lessee and Vessel Owner each submit to the non-exclusive jurisdiction of the High Court of England.

NON-COMPETITION AGREEMENT

An agreement was entered into on 19 March 2007 between the Trustee-Manager, acting on behalf of FSL Trust, and the Sponsor (the "Non-Competition Agreement"), pursuant to which the Sponsor irrevocably undertook, on behalf of itself and its subsidiaries, to the Trustee-Manager that the Sponsor and its subsidiaries will not carry out the chartering of any vessels on a bareboat basis for a lease term of 7 years or longer, save where it has first offered to the Trustee-Manager (on behalf of FSL Trust) the opportunity to acquire the charter, together with the relevant vessel, and the Trustee-Manager (on behalf of FSL Trust) has declined to acquire such vessel and charter notwithstanding FSL Trust's Investment Advisory Committee having recommended in favour of it (the "Declined Charters"). The Sponsor and its subsidiaries will not enter into any charter that has first been offered by it to the Trustee-Manager (on behalf of FSL Trust) and for which FSL Trust's Investment Advisory Committee has not recommended in favour.

If the Sponsor and/or its subsidiaries enter into that Declined Charter after it has been declined by the Trustee-Manager, the Trustee-Manager shall, for as long as the remaining base lease term of the relevant Declined Charter is not less than seven years, be entitled by giving two months' notice in writing, to require the Sponsor and/or its subsidiaries to sell the SPC owning the vessel and holding the Declined Charter to FSL Trust. The purchase price for the SPC shall be equal to the then applicable Stipulated Loss Value of the vessel as per the lease agreement. In addition, if the Sponsor and/or its subsidiaries proposes to dispose of any Declined Charter with a remaining base lease term of not less than seven years, it shall first offer the Trustee-Manager the opportunity to acquire the Declined Charter, together with the SPC owning the relevant vessel, at equivalent price and terms. In the event that such acquisition right is exercised, the consideration paid by FSL Trust shall be grossed up by such amount that the Sponsor and/or its subsidiary (as the case may be) may be liable for under any tax liability in respect of the Declined Charter, and FSL Trust shall also reimburse the Sponsor and/or its subsidiaries for any costs incurred by the Sponsor and/or its subsidiaries in order to transfer the SPC owning the relevant vessel to FSL Trust. The sale of any Declined Charter and the SPC owning the relevant vessel by the Sponsor and/or its subsidiaries to FSL Trust shall be subject to the requirements under Chapter 9 of the SGX-ST Listing Manual relating to interested person transactions.

The above non-competition undertaking shall continue as long as:

(a) the Sponsor and/or any of its subsidiaries hold in aggregate at least 50% of the total voting shares from time to time issued in the Trustee-Manager, or otherwise have any interest in the voting shares of the Trustee-Manager and exercise control over the Trustee-Manager, or

(b) the Sponsor and/or any of its subsidiaries hold in aggregate at least 10% of the total units from time to time issued in FSL Trust,

and shall further continue for a period of one year after the date on which both (a) and (b) above cease to apply.

Notwithstanding the above, the Non-Competition Agreement will terminate, and the non-competition undertaking described above will cease to apply, upon the Trustee-Manager ceasing to be appointed as the trustee-manager of FSL Trust.

TAXATION

The following is a discussion of certain tax matters arising under the laws, regulations, rulings and decisions now in effect in Singapore and the United States, all of which are subject to change (possibly with retrospective effect) and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. Prospective investors should consult their tax advisers regarding the tax implications of owning and disposing of the Units.

US TAXATION

United States Federal Income Tax Considerations

In the opinion of Seward & Kissel LLP, FSL Trust's United States counsel, the following are the material United States federal income tax consequences to FSL Trust's activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of the Units. This discussion does not purport to deal with the tax consequences of owning Units to all categories of investors, some of which, such as dealers in securities, regulated investment companies, tax-exempt organizations, investors whose functional currency is not the United States dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of the Units, may be subject to special rules. This discussion deals only with holders who purchase Units in connection with this Offering and hold the Units as a capital asset. You are encouraged to consult your own tax advisers concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of Units.

The following discussion of United States federal income tax matters is based on the United States Internal Revenue Code of 1986 (the "Code"), judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, all of which are subject to change, possibly with retroactive effect. This discussion is based in part upon Treasury Regulations promulgated under Section 883 of the Code. The discussion below is based, in part, on the description of FSL Trust's business as described in "Business" above and assumes that FSL Trust conducts its business as described in that section.

Pursuant to United States Internal Revenue Service regulations, FSL Trust and its tax advisers hereby inform you that: (i) any tax advice contained herein is not intended and was not written to be used, and cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice was written to support the promotion or marketing of the Units described in this Memorandum; and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

United States Federal Income Taxation of FSL Trust's Company

Characterization of the Trust

FSL Trust will make an affirmative election to be classified as an association taxable as a corporation for United States federal income tax purposes.

Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which is referred to as "shipping income", to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which is referred to as "U.S.-source shipping income".

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. FSL Trust is not permitted to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883, FSL Trust's gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 of the Code, FSL Trust will be exempt from United States federal income taxation on its U.S.-source shipping income if:

- it is organized in a foreign country (the "country of organization") that grants an "equivalent exemption" to corporations organized in the United States; and

either

- more than 50% of the value of the Units is owned, directly or indirectly, by individuals who are "residents" of its country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which is referred to as the "50% Ownership Test," or

- the Units of FSL Trust are "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which is referred to as the "Publicly-Traded Test".

FSL Trust's country of organization and each of the jurisdictions where its ship-owning subsidiaries are incorporated grant an "equivalent exemption" to United States corporations. Therefore, FSL Trust will be exempt from United States federal income taxation with respect to its U.S.-source shipping income if is satisfies either the 50% Ownership Test or the Publicly-Traded Test. After this Offering, it may be difficult for FSL Trust to satisfy the 50% Ownership Test due to the widely-held ownership of the Units. The ability of FSL Trust to satisfy the Publicly-Traded Test is discussed below.

The regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Upon completion of FSL Trust's offering, it is anticipated that the Units will be "primarily traded" on the SGX-ST.

Under the regulations, stock of a foreign corporation will be considered to be "regularly traded" on an established securities market if one or more classes of such corporation's stock representing 50% or more of its outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market which is referred to as the listing threshold. Since the Units which will represent at least 50% of FSL Trust's ownership interests will be listed on the SGX-ST, FSL Trust will satisfy the listing requirement.

It is further required that with respect to each class of stock relied upon to meet the listing threshold (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or $1/6$ of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. FSL Trust believes it will satisfy the trading frequency and trading volume tests.

Notwithstanding the foregoing, the regulations provide, in pertinent part, the Units will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the outstanding Units of FSL Trust are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the Units ("5% Unitholders"), which is referred to as the "5 Percent Override Rule".

FSL Trust is uncertain whether after this Offering is completed, it will be able to satisfy the Publicly-Traded Test because FSL Trust may be subject to the 5 Percent Override Rule. After this Offering, FSL Trust expects that the

Sponsor will own at least 25% of the outstanding Units, assuming the Over-allotment Option is exercised in full. If other 5% Unitholders were, in combination with the Sponsor, to own 50% or more of the outstanding Units on more than half the days during the taxable year then FSL Trust would be subject to the 5 Percent Override Rule, unless it could establish that among the closely-held group of 5% Unitholders, there are sufficient 5% Unitholders that are qualified stockholders for purposes of Section 883 to preclude non-qualified 5% Unitholders in the closely-held group from owning 50% or more the Units for more than half the number of days during the taxable year. In order to establish this, sufficient 5% Unitholders that are qualified stockholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified stockholders. These requirements are onerous and there is no guarantee that FSL Trust would be able to satisfy them.

Taxation In Absence of Exemption

To the extent the benefits of Section 883 are unavailable, FSL Trust's U.S. source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since under the sourcing rules described above, no more than 50% of FSL Trust's shipping income would be treated as being derived from United States sources, the maximum effective rate of United States federal income tax on its shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and FSL Trust's U.S.-source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at rates of up to 35%. In addition, FSL Trust may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its United States trade or business.

FSL Trust's U.S.-source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- FSL Trust has, or is considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all of FSL Trust's U.S.-source vessel leasing income is attributable to such fixed place of business.

FSL Trust does not intend to maintain a fixed place of business in the United States to which its vessel leasing income will be attributable. Based on the foregoing and on the expected mode of FSL Trust's shipping operations and other activities, it is anticipated that none of FSL Trust's U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Taxation of Gain on Sale of Vessels

Regardless of whether FSL Trust qualifies for exemption under Section 883, FSL Trust will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by FSL Trust will be considered to occur outside of the United States.

United States Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of Units that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds the Units, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding the Units, you are encouraged to consult your tax adviser.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company for United States federal income tax purposes. In general, FSL Trust will be treated as a passive foreign investment company with respect to a U.S. Holder if, for any taxable year in which such holder held the Units, either:

- at least 75% of FSL Trust's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether FSL Trust is a passive foreign investment company, FSL Trust will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25 per cent. of the value of the subsidiary's stock. In general, the income that FSL Trust derives from the bareboat leasing of a vessel will be treated as "passive income" unless FSL Trust were treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Since FSL Trust expects to derive significantly all of its income from the bareboat leasing of vessels and such income is unlikely to be treated as derived in the active conduct of a trade or business, FSL Trust will likely be treated as a passive foreign investment company.

As discussed more fully below, assuming FSL Trust is a passive foreign investment company, a U.S. Holder will be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat FSL Trust as a "Qualified Electing Fund," which is referred to as a "QEF election". As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to the Units, as discussed below.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (an "Electing Holder") the Electing Holder must report each year for United States federal income tax purposes his *pro rata* share of FSL Trust's ordinary earnings and FSL Trust's net capital gain, if any, for FSL Trust's taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the Units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the Units and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the Units. A U.S. Holder would make a QEF election with respect to any year that FSL Trust's company is a passive foreign investment company by filing IRS Form 8621 with his United States federal income tax return. FSL Trust intends to provide each U.S. Holder with all necessary information in order to make the QEF election described above.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if, as is anticipated, the Units are treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to the Units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the Units at the end of the taxable year over such holder's adjusted tax basis in the Units. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the Units over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his Units would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the Units would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the Units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year (a "Non-Electing Holder") would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the Units in a taxable year in excess of 125 per cent. of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the Units), and (2) any gain realized on the sale, exchange or other disposition of the Units. Under these special rules:

- the excess distribution or gain would be allocated rateably over the Non-Electing Holder's aggregate holding period for the Units;
- the amount allocated to the current taxable year would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the Units. If a Non-Electing Holder who is an individual dies while owning the Units, such holder's successor generally would not receive a step-up in tax basis with respect to such stock.

Distributions

Since FSL Trust will be a passive foreign investment company, dividends paid on the Units to a U.S. Holder who is an individual, trust or estate (a "U.S. Individual Holder") will generally not be treated as "qualified dividend income" that is taxable to U.S. Individual Holders at preferential tax rates (through 2010). Rather, such dividends will be taxable as ordinary income to a U.S. Holder.

United States Federal Income Taxation of "Non-U.S. Holders"

A beneficial owner of Units that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder".

Dividends on Units

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from FSL Trust with respect to the Units, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Units

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of the Units, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the Units, including dividends and the gain from the sale, exchange or other disposition of the Units that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements (unless you establish that you are exempt from information reporting). Such payments will also be subject to backup withholding tax if you are a non-corporate U.S. Holder (or you fail to establish your exempt status) and you:

- fail to provide an accurate taxpayer identification number;

- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or

- in certain circumstances, fail to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If you sell the Units to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell the Units through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell the Units through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

SINGAPORE TAXATION

The discussion is limited to a general description of certain tax consequences in Singapore with respect to purchase, ownership and disposal of the Units, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units and does not purport to apply to all categories of investors. Prospective investors should consult their tax advisers regarding Singapore tax and tax consequences in other tax jurisdictions of owning and disposing the Units to their particular situations. It is emphasized that neither FSL Trust, the Directors nor any other persons involved in the Offering accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Units.

The discussions on the taxation of FSL Trust and that of its Unitholders are set out below:-

Income Tax

FSL Trust

The income of FSL Trust will comprise substantially dividend income received from the SPCs deriving operating or finance lease income from the chartering or finance leasing of vessels. FSL Trust may also receive interest income from the placement of funds, if any, in fixed deposits with banks located in Singapore or offshore banks.

Other receipts of FSL Trust may include proceeds from disposal, if any, of its investments in the SPCs, and receipts from the SPCs arising from share buy backs, if any, by the SPCs.

In addition, FSL Trust may, where necessary, extend loans to the SPCs for their working capital purposes. Should such loans be granted by FSL Trust, FSL Trust will receive regular loan repayments from the SPCs. Such receipt of loan repayment, if any, would not attract Singapore income tax.

Singapore-sourced dividend income

Singapore adopted the one-tier corporate tax system with effect from 1 January 2003. Under the one-tier corporate tax system, the Singapore income tax payable on normal chargeable income by Singapore companies, whether tax resident in Singapore or not, would constitute a final Singapore income tax. Dividends payable by companies on the one-tier corporate tax system would be exempt from Singapore income tax in the hands of its shareholders. Such dividends are referred to as tax exempt (one-tier) dividends.

FSL Trust will receive tax exempt (one-tier) dividends from its Singapore SPCs. Such tax exempt dividend income, net of expenses, may subsequently be on-distributed to the Unitholders as tax exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

Foreign-sourced dividend income

Generally, foreign-sourced dividend income received or deemed to be received in Singapore by Singapore resident companies and registered business trusts on or after 1 June 2003 will be exempt from Singapore income tax if certain prescribed conditions are met. In addition, the Minister of Finance may by specific order exempt such income received by a Singapore resident company or registered business trust from Singapore income tax.

FSL Trust, the entity that is holding the investments in the Marshall Islands SPCs has been awarded Approved Ship Investment Enterprise ("ASIE") status under the Maritime Finance Incentive ("MFI") scheme with effect from 22 February 2007, the date of registration of FSL Trust under the BTA, for a period of 10 years. In connection with the ASIE status under the MFI, FSL Trust received a ministerial exemption under Section 13(12) of the Singapore Income Tax Act (Chapter 134). With this ministerial exemption, foreign-sourced dividend income received by FSL Trust from the existing Marshall Islands SPCs carrying on the business of chartering or finance leasing of vessels, declared out of income derived by the SPCs on or after the date of registration of FSL Trust would be exempt from Singapore income tax. Such tax exempt dividend income, net of expenses, may subsequently be distributed to the Unitholders as tax-exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

Share buy back

The amount distributed by the SPC to FSL Trust pursuant to a share buy back, if any, on an off-market basis may be regarded as a payment of dividend should it be made out of the SPC's distributable revenue reserves that are available for payment of dividends. Conversely, share buy back made out of contributed capital of the SPC, should be regarded as a return of capital by the SPC to FSL Trust.

Share buy back made out of distributable revenue reserves

Where the above-mentioned share buy back, if any, by SPC constitutes an off-market purchase made in accordance with an authorized equal access scheme, the Singapore tax consequences of receiving such deemed dividend income would be the same as that of Singapore sourced dividend income (for share buy back made out of Singapore SPC's profits) and foreign sourced dividend income (for share buy back made out of Marshall Islands SPC's profits) as discussed in the preceding paragraphs.

Share buy back made out of contributed capital

Singapore does not impose tax on capital gains. As share buy back made out of contributed capital should be regarded as a return of capital, the amount distributed by the SPC to FSL Trust should not be taxable in Singapore unless FSL Trust is regarded as having derived gains of an income nature in Singapore, in which case, the gains or profits would be taxable as trading income at the prevailing corporate tax rate of 18%. Such gains or profits, whether of capital or income nature, may subsequently be distributed to the Unitholders as tax exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

Singapore-sourced interest income

FSL Trust will be taxed on Singapore-sourced interest income, net of expenses, at the prevailing corporate tax rate of 18%. Such income may subsequently be distributed to the Unitholders as tax exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

Foreign-sourced interest income

Generally, Singapore resident companies and registered business trusts are subject to Singapore income tax on foreign-sourced interest income received or deemed to be received in Singapore. However, the Minister of

Finance may by specific order exempt from tax such income received by a Singapore resident company or registered business trust.

In the absence of any specific exemption, the foreign-sourced interest income received by FSL Trust, net of expenses, would be taxable at the prevailing corporate tax rate of 18%. In the event that FSL Trust suffered foreign tax on such income, foreign tax credit may be applicable. Such income, net of income taxes paid, may subsequently be distributed to the Unitholders without attracting any Singapore income tax or withholding tax.

Gains or profits from the sale of investments in SPCs

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. Hence, gains or profits arising from the disposal of shares in the SPCs are not taxable in Singapore unless FSL Trust is regarded as having derived gains of an income nature in Singapore, in which case, the gains or profits would be taxable as trading income at the prevailing corporate tax rate of 18%. Such gains or profits, whether of capital or income nature, may subsequently be distributed to the Unitholders as tax exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

FSL Trust's Unitholders

As FSL Trust is regarded as a company under the one-tier corporate tax system, its distributions to Unitholders will take the form of tax exempt (one-tier) dividends. Such distributions will be exempt from Singapore income tax or withholding tax in the hands of the Unitholders, whether corporate or individual, regardless of their nationality, corporate identity or residence-status.

The Unitholders will not be able to claim corresponding tax credit / refund for the tax paid by FSL Trust on any of its income, net of expenses, from which the distribution was made out of.

Gain on disposal of Units

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. Hence, gains arising from the disposal of Units are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposal profits would be taxable as trading income in the hands of the Unitholders, whether corporate or individual, regardless of their nationality, corporate identity or residence-status.

Stamp Duty

No stamp duty is payable on the allotment, holding or transfer of the Units.

In the event that there is a change of trustee-manager of FSL Trust, a nominal stamp duty of not more than S$10 will be payable on the documents effecting the appointment of a new trustee-manager and the transfer of the incumbent trustee-manager's interest in FSL Trust, by virtue of Article 3(g)(ii) of the First Schedule of the Singapore Stamp Duties Act (Chapter 312).

Goods and Services Tax ("GST")

The sale of the Units by a GST-registered Unitholder belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt sale not subject to GST. Generally, any GST directly or indirectly incurred by the GST-registered Unitholder in respect of this exempt sale will become an additional cost to the Unitholder.

Where the Units are sold by a GST-registered Unitholder to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered Unitholder in the making of this taxable supply in the course or furtherance of a business may be recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Units will be subject to GST at the current standard-rate of 5%. Similar services rendered to an investor belonging outside Singapore would generally be subject to GST at zero-rate.

PLAN OF DISTRIBUTION

The Offering

Deutsche Bank AG, Singapore Branch is acting as Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner and JP Morgan (S.E.A.) Limited is acting as Joint Lead Manager and Joint Bookrunner in connection with the Offering. Macquarie Securities (Asia) Pte Limited and CLSA Merchant Bankers Limited are acting as Co-Lead Managers in connection with the Offering. Oversea-Chinese Banking Corporation Limited is acting as Manager and Co-ordinator of the Public Offer. The Offering consists of: (i) the Placement to investors, including institutional and other investors in Singapore and (ii) the Public Offer in Singapore. The size of the Public Offer will be 7,000,000 Offering Units and the size of the Offering is 220,000,000 Offering Units. Offering Units may be re-allocated between the Placement and the Public Offer, for example, in the event of excess applications to purchase in one and a deficit of applications to purchase in the other.

The Trustee-Manager, the Sponsor and the Initial Purchasers have entered into a purchase agreement (the "Purchase Agreement") dated 19 March 2007 pursuant to which the Trustee-Manager will agree to sell and each initial purchaser will severally agree to purchase, subject to certain conditions, in aggregate, 213,000,000 Offering Units under the Placement.

The Trustee-Manager and the Sponsor have entered into an offer agreement dated 19 March 2007 (the "Offer Agreement") with the Singapore Underwriters for the sale of the Offering Units under the Public Offer. Subject to the terms and conditions of the Offer Agreement the Trustee-Manager and the Sponsor have agreed to appoint the Singapore Underwriters to procure subscribers, or failing which, to subscribe for the number of Offering Units Indicated in the following table:

Singapore Underwriters	Number of Offering Units
Deutsche Bank AG, Singapore Branch	2,333,334
JP Morgan (S.E.A.) Limited	2,333,333
Oversea-Chinese Banking Corporation Limited	2,333,333
Total	7,000,000

The closing of the Placement is conditional upon the closing of the Public Offer and *vice versa*.

The Initial Purchasers are offering the Offering Units under the Placement, subject to prior sale, when, as and if issued or sold to and accepted by them, subject to certain conditions precedent. The Initial Purchasers reserve the right to withdraw, cancel or modify such offers and to reject orders in whole or in part.

The Initial Purchasers may make sub-placement arrangements in respect of their obligations under the Placement Agreement, upon such terms and conditions as they deem fit.

The Units are being offered and sold outside the United States to non-US persons (including institutional and other investors in Singapore) in reliance on Regulation S under the Securities Act and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act.

Commission

Under the Purchase Agreement, the Initial Purchasers will purchase the Offering Units under the Placement at the Offering Price. The Trustee-Manager will pay the Initial Purchasers an underwriting commission of 2.5% of the total gross proceeds from the sale of these Units. Under the Offer Agreement, the Trustee-Manager will pay the Singapore Underwriters an aggregate underwriting commission of 2.5% of the total gross proceeds from the subscription of Offering Units under the Public Offer.

Purchasers of the Units may be required to pay brokerage (and if so required, such brokerage will be up to 1 per cent. of the Offering Price), stamp taxes and other similar charges in accordance with the laws and practices of the country of purchase, in addition to the Offering Price, as applicable.

The Placement

Pursuant to the Purchase Agreement, the Initial Purchasers have severally, and not jointly, agreed, subject to the terms and conditions set forth in the relevant agreement, to purchase, and/or procure the purchases of, the

Offering Units being offered in the Placement. The Purchase Agreement may be terminated at any time before dealings in the Units first commence on the SGX-ST, pursuant to the terms of the Purchase Agreement upon the occurrence of certain events, including, among other things, certain force majeure events. The closing of the Offering is conditional upon certain events including the fulfilment, or waiver by the SGX-ST, of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST.

Subject to certain conditions, the Trustee-Manager and the Sponsor have agreed to indemnify the Initial Purchasers against certain liabilities incurred in connection with the Placement.

The Public Offer

Pursuant to the Offer Agreement, the Singapore Underwriters have severally, and not jointly, agreed, subject to the terms and conditions set forth in the relevant agreement, to purchase and/or procure the purchase of Offering Units being offered pursuant to the Public Offer. The Offer Agreement will be terminated upon termination of the Placement Agreement. The Public Offer is conditional upon the conditions to the Placement set out in the Placement Agreement being satisfied.

Subject to certain conditions, the Trustee-Manager and the Sponsor have agreed to indemnify the Singapore Underwriters against certain liabilities incurred in connection with the Public Offer.

Indemnities

The Trustee-Manager and the Sponsor have agreed to indemnify the Initial Purchasers against certain liabilities, including civil liabilities under the Securities Act, in relation to the Offering and the listing of the Units on the SGX-ST.

Over-allotment and Stabilisation

In connection with the Offering, the Initial Purchasers have been granted the Over-allotment Option by the Sponsor. The Over-allotment Option is exercisable by the Stabilising Manager, on behalf of the Initial Purchasers, in full or in part, on one or more occasions, within 30 days from the Listing Date, to purchase from the Sponsor up to an aggregate of 34,000,000 Units at the Offering Price, solely to cover over-allotment of Units (if any). In relation to the Over-allotment Option, the Stabilising Manager and the Sponsor will enter into a unit lending agreement pursuant to which the Stabilising Manager may borrow up to an aggregate of 34,000,000 Units from the Sponsor for, among other things, the purpose of facilitating settlement of the over-allotment of Units in connection with the Offering. The Stabilising Manager will re-deliver to the Sponsor, such number of Units which are equivalent to the Units (if any) lent by the Sponsor pursuant to such unit lending agreement and which have not been purchased pursuant to the exercise of the Over-allotment Option, no later than the date of expiry of the Over-allotment Option (or such earlier time as may be agreed between the parties). The unit lending agreement includes a right for the Sponsor to recall such number of Units which are equivalent to the Units (if any) lent under such agreement by giving seven days prior written notice to the Stabilising Manager. In the event this right is exercised by the Sponsor, it is possible that the Stabilising Manager may not be able to stabilise the market price of the Units. The total number of Units in issued immediately after the close of the Offering (including the Cornerstone Units and the Sponsor Units) will be 500,000,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units in issue. The total number of Units subject to the Over-allotment Option will constitute not more than 20.0% of the total number of Units under the Placement and the Public Offer.

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, at its discretion, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading in the Units on SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earlier of (i) the date falling 30 days from the Listing Date, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Initial Purchasers) or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units. Any profit after expenses derived, or any loss sustained, as a consequence of the Over-allotment Option or stabilising activities shall be for the account of the Initial Purchasers.

None of the Trustee-Manager, the Sponsor and the Stabilising Manager makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of the Trustee-Manager, the Sponsor and the Stabilising Manager makes any representation that the Stabilising Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will be required to make a public announcement via SGXNET in relation to the total number of Units purchased by the Stabilising Manager, not later than 12.00 noon on the next trading day of the SGX-ST after the transactions are effected. The Stabilising Manager will also be required to make a public announcement through the SGX-ST in relation to the cessation of stabilising action and the number of Units in respect of which the Over-allotment Option has been exercised not later than 8.30 a.m. on the next trading day of the SGX-ST after the cessation of stabilising action.

Restrictions on Disposal and Issues of Units

Disposals

The Trustee-Manager has agreed with the Joint Bookrunners, subject to the exceptions described below, that for the period from the date of the lodgement of this Prospectus with the Authority to the date falling six months from the Listing Date, it will not offer, sell, contract to sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, any Units (or any securities convertible into or exchangeable for Units or which carry rights to subscribe or purchase Units), or enter into a transaction (including a derivative transaction) with a similar economic effect to a sale of Units or deposit any Units (or any securities convertible into or exchangeable for Units or which carry rights to subscribe or purchase Units) in any depository receipt facilities or publicly announce any intention to take an action which is contrary to its lock-up obligation.

This restriction shall apply to all Units held or acquired, directly or indirectly by the Trustee-Manager or its associates prior to or after the Listing Date, but does not apply to:

- disposals of Units that are the subject of the Placement Agreement or the Offer Agreement as described above; or

- disposals made with the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed).

Lock-up Arrangements

The Trustee-Manager has agreed with the Joint Bookrunners that FSL Trust will not issue any additional Units for a period of six months commencing from the Listing Date, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed).

In all cases where Incentive Fees are, at the option of the Trustee-Manager, paid to the Trustee-Manager in the form of Units, the Trustee-Manager has agreed that such Units shall not be sold or transferred to any party within one year from the date of their issuance, save that the Trustee-Manager shall be free to transfer such Units to its related corporations provided that the Trustee-Manager procures that such transferee gives a similar undertaking fro the remainder of the moratorium period.

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of its interest in any or all of the Sponsor Units (the "Lock-up Units") during the period commencing from the Listing Date until 30 June 2009, save for any transfers of Units in connection with the grant and exercise of the Over-Allotment Option.

Notwithstanding the foregoing, the Sponsor may pledge, and consequently transfer pursuant to the pledge, up to 50% of the Lock-Up Units after the date falling six months from the Listing Date; and (ii) its interest in up to 100.0% of the Lock-up Units after the date falling 12 months from the Listing Date. In addition, the Trustee-

Manager's CEO, Philip Clausius, and three of the substantial shareholders of the Sponsor, HSH, HVB and Schoeller Holdings have each given an undertaking to the Joint Bookrunners that they will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), directly or indirectly offer, sell or contract to sell or otherwise dispose of their shares in the Sponsor for a period of 12 months commencing from the Listing Date.

The Sponsor has agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), until 30 June 2009 directly or indirectly offer, sell or contract to sell or otherwise dispose of its interest in any shares of the Trustee-Manager if such sale or other disposition would cause the Sponsor to own less than 80% of the outstanding shares of the Trustee-Manager. The Trustee-Manager has also agreed with the Joint Bookrunners that it will not, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed), until 30 June 2009 issue any shares of the Trustee-Manager if such issuance would cause the Sponsor to own less than 80% of the outstanding shares of the Trustee-Manager.

Other Relationships

The Initial Purchasers, the Co-Lead Managers, the Singapore Underwriters and their affiliates engage in transactions with, and perform services for, the Trustee-Manager, FSL Trust and the Sponsor and their respective Directors and employees in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions with the Trustee-Manager, FSL Trust and the Sponsor for which they have received, and may in the future receive, customary compensation.

Persons Intending to Purchase in the Offering

As at the date of registration of the Prospectus with the Authority, the Trustee-Manager is not aware of any person who intends to purchase more than five per cent. of the Offering Units offered pursuant to the Offering.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offering Units being offered outside Singapore, or the possession, circulation or distribution of this Prospectus or any other material relating to the Trustee-Manager or the Offering Units in any jurisdiction where action for the purpose is required. Accordingly, the Offering Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offering Units may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Issue Expenses

The Trustee-Manager estimates that the expenses payable in connection with the Offering and the application for listing, including the underwriting and selling commission, and all other incidental expenses relating to the Offering and subscription of Cornerstone Units will amount to approximately US$13.9 million. A breakdown of these estimated expenses is set out below:

	US$' 000(1)	As a Percentage of the Offering based on the Offering Price	As a Percentage of the Offering, together with the issue of the Cornerstone Units, based on the Offering Price
Professional and other fees(2)	2,400	1.11	0.72
Underwriting and selling commission(3)	10,496	4.87	3.15
Miscellaneous Offering expenses(4)	967	0.45	0.29
SGX Listing Fees	65	0.03	0.02
Total	13,928	6.46	4.18

Notes:

(1) Amounts include GST, where applicable.

(2) Includes financial advisory fees, solicitors' fees and fees for the Independent Accountants, the Independent Tax Adviser, the Independent Valuers and other professionals' fees.

(3) On a per Unit basis, such commissions represent approximately 2.14% of the Offering Price and include arrangement fees relating to the subscription of Cornerstone Units by the Cornerstone Investors. The commission payable to the Stabilising Manager in connection with the exercise of the Over-allotment Option will be paid by the Sponsor.

(4) Includes cost of prospectus production, roadshow expenses and certain other expenses incurred or to be incurred in connection with the Offering and the subscription of the Cornerstone Units.

Distribution and Selling Restrictions

The distribution of this Prospectus or any offering material and the offering, sale or delivery of Units is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstances with which such offer or invitation is not authorised.

Australia

This Prospectus has not been lodged with the ASIC, does not constitute a disclosure document or product disclosure statement required under the Corporations Act 2001 (Cth) ("Corporations Act") for the purposes of Australian law and does not purport to include the information required of a disclosure document or product disclosure statement under the Corporations Act.

The provision of this Prospectus to any person in Australia does not constitute an offer of the Units to that person or an invitation to that person to subscribe for the Units unless the recipient is a person to whom an offer of the Units may be made in Australia without the need for a product disclosure statement under Chapter 7.9 of the Corporations Act. This Prospectus is not, and under no circumstances is to be construed as an advertisement or a public offering of the Units in Australia. FSL Trust is not a registered scheme in Australia under the Corporations Act. Neither ASIC nor any other similar authority in Australia has reviewed or in any way approved this document or the merits of investing in the Units. Any offer of Units for on-sale that is received in Australia within 12 months after their issue by FSL Trust under the Offer may need product disclosure statement disclosure to investors under Part 7.9 of the Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a product disclosure statement exemption under section 1012D of the Corporations Act or otherwise. Persons acquiring Units should observe such Australian on-sale restrictions.

This is not a securities recommendation or investment advice. You should seek your own financial advice from a qualified financial adviser.

The Prospectus has been prepared without taking account of any investor's particular investment objectives, financial situation or particular needs. Before making an investment decision investors should read the whole Prospectus and consider the risk factors and other information in the Prospectus, having regard to their own particular investment objectives, financial situation and particular needs (including financial and taxation issues).

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) the Units have not been offered and will not be offered to the public in that Relevant Member State except, with effect from and including the Relevant Implementation Date, the Units may be offered to the public in that Relevant Member State:

(a) in the period beginning on the date of publication of a prospectus in relation to those Units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is twelve months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Units to be offered so as to enable an investor to decide to purchase or subscribe the Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

This Prospectus has not been approved by the Autorité des marches financiers. Accordingly, the Units in FSL Trust may not be offered for subscription or sale and will not be offered for subscription or sale in France.

Neither this Prospectus nor any other offering material relating to the offer of Units in FSL Trust may be distributed or caused to be distributed in France or used in connection with any offer for subscription or sale of the Units.

Hong Kong

FSL Trust has not been authorised by the Hong Kong Securities and Futures Commission. Accordingly, no person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or other document relating to the Units which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Units which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made under that Ordinance.

Malaysia

Each Joint Bookrunner has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Malaysian Securities Commission under the Securities Commission Act 1993 but will be deposited as an information memorandum with the Malaysian Securities Commission in accordance with the Securities Commission Act 1993. Accordingly, each Joint Bookrunner has represented and agreed that it will not issue, circulate or distribute this Offering Memorandum, nor has it made nor will it make any invitation to subscribe or offer for subscription, directly or indirectly, other than to persons specified in Schedules 2 and 3 of the Securities Commission Act 1993.

The Malaysian Securities Commission has approved the application to make available, offer for subscription or issue an invitation to subscribe for securities in Malaysia in respect of the Offering pursuant to Section 32(5) of the Securities Commission Act 1993. Such approval shall not however, be taken to indicate that the Malaysian Securities Commission recommends the Offering. The Malaysian Securities Commission shall not be liable for any non-disclosure on the part of the Trustee-Manager and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Memorandum. Investors should rely on their own evaluation to assess the merits and risks of the investment proposed herein.

The Netherlands

The Units described herein may not, directly or indirectly, be offered or acquired in The Netherlands, and this Prospectus may not be circulated in The Netherlands as part of initial distribution or at any time thereafter, except

(i) to qualified investors within the meaning of Section 1:1 of the Financial Services Act (*Wet op het financieel toezicht*), as amended from time to time;

(ii) to a maximum of 99 persons who are not qualified investors within the meaning of Section 1:1 of the Financial Services Act; and/or

(iii) to investors who – for each separate offer – acquire Units against a minimum consideration of EUR 50,000 or the equivalent thereof in another currency.

Each Joint Bookrunner has represented and agreed with the Trust that it has not offered or sold will not offer or sell any of the Units in the Netherlands other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

Ireland

Interests in the Trust may not be offered or sold by any person:

(a) otherwise than in a manner that does not constitute an offer for sale to the public within the meaning of Section 9 of the Unit Trust Act, 1990; or

(b) in any country or jurisdiction including Ireland except in all circumstances that will result in compliance with all applicable laws and regulations in such country or jurisdiction.

Switzerland

This Prospectus does not constitute an issue prospectus as that term is understood pursuant to art. 652a or art. 1156 of the Swiss Code of Obligations. The Units will not be listed on the SWX Swiss Exchange and, consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the listing rules of the SWX Swiss Exchange. The Units being offered pursuant to this Prospectus have not been and will not be licensed, and may not be licensable, with the Swiss Federal Banking Commission under the Swiss Collective Investment Act. Therefore, investors do not benefit from protection under the Swiss Collective Investment Act or supervision by the Swiss Federal Banking Commission.

The Units may not be distributed and offered, directly or indirectly, to the public in or from Switzerland and this Prospectus may not be publicly distributed or otherwise made publicly available in or from Switzerland. The Units will be distributed and offered in Switzerland, and this Prospectus will be distributed or otherwise made available in Switzerland, solely on a private placement basis to a number of individually selected and approached qualified investors within the meaning of the Swiss Collective Investment Act, who do not subscribe to the Units with a view to distribution, without any public distribution, offering or marketing in or from Switzerland.

This Prospectus is personal to each recipient and does not constitute an offer to any person. This Prospectus may only be used by those persons to whom it has been handed out in connection with the offering described therein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Trustee-Manager. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Sweden

This offer is for the intended recipients only and may not in any way be forwarded to the public in Sweden, except in accordance with the relevant exemptions under the Swedish Financial Instruments Trading Act (SW: *lagen* (1991:980) o*m handel med finansiella instrument*). Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold and will not offer or sell the Units in Sweden in a manner that would require the registration of a prospectus by the Swedish Financial Supervisory Authority (SW: *Finansinspektionen*) according to the Financial Instruments Trading Act and this document is not a prospectus in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act or in any other Swedish laws or regulations. Neither the Swedish Financial Supervisory Authority nor any other Swedish public body has examined, approved or registered this document.

Germany

The Units have not been notified to, registered with or approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) for public offer or public distribution under German law.

Accordingly, the Units may not be distributed/offered to or within Germany by way of a public distribution/offer within the meaning of applicable German laws, public advertisement or in any similar manner. This prospectus and any other document relating to the offer of the Units, as well as any information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Units to the public in Germany or any other means of public marketing.

This prospectus and any other document relating to the offer of the Units are strictly confidential and may not be distributed to any person or entity other than the recipient hereof to whom this prospectus is personally addressed.

Italy

No offering of the Units nor any distribution of any offering materials relating to the Units will be made in the Republic of Italy unless the requirements of Italian law concerning the offering of collective investment schemes have been complied with, including:

(a) the requirements of Article 42 and Article 94 and seq. of Legislative Decree No 58 of 24 February 1998 and CONSOB Regulation No 11971 of 14 May 1999; and

(b) all other Italian securities, tax and exchange controls and any other applicable laws and regulations,

all as amended from time to time.

Unless the conditions above are fully satisfied, this Prospectus does not constitute, and cannot be construed as, an offer or a solicitation by any person to investors in Italy to subscribe for the Units.

United Kingdom

Each Joint Bookrunner has represented, warranted and agreed that:

(1) No deposit-taking: in relation to any Units having a maturity of less than one year:

  (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

  (b) it has not offered or sold and will not offer or sell any Units other than to persons:

    (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

    (ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

  where the issue of the Units would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended ("FSMA") by the issuer;

(2) Financial promotion: as the Units represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the U.K. Financial Services Authority (FSA) and accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom, it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Units in circumstances in which section 21(1) of the FSMA does not apply; the distribution in the United Kingdom of this Prospectus: (A) if made by a person who is not an authorised person under the FSMA, is being made only to or; directed only at, persons falling within: (i) Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "Financial Promotion Order") (Investment professionals), (ii) Article 49 of the Financial Promotion Order (High net worth companies, unincorporated associates etc) and (iii) any other person to whom it may otherwise lawfully be made; or (B) if made by a person who is an authorised person under FSMA, is being made only to, or directed only at, persons falling within: (i) Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 as amended (the "Promotion of CISs Order") (Investment professionals), (ii) Article 22 of the Promotion of CISs Order (High net worth companies; unincorporated associates etc) and (iii) any other person to whom it may otherwise lawfully be made; and

(3) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Units in, from or otherwise involving the United Kingdom.

In addition, all Units are subject to the same selling restrictions as described for the Units under the general selling restrictions for the European Economic Area.

United States of America

The Offering Units have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Bookrunner has agreed that, except as permitted by the Placement Agreement, it will not offer or sell the Offering Units (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Offering Units (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offering Units within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Offering Units are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Placement Agreement provides that the Joint Global Coordinators may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Offering Units within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the later of the commencement of the offering of the Offering Units and the Closing Date, an offer or sale of Offering Units within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Arab Emirates

Each Joint Bookrunner has represented and agreed that the Units have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and/or sale of securities. Furthermore, the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise, and is not intended to be a public offer and, the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the Offering, purchasers are advised to consult their own legal counsel prior to making any offer, resale, pledge or transfer of the Units.

Rule 144A Units

Each purchaser of the Units in the Offering within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(1) It is not an affiliate of the Trustee-Manager or acting on behalf of an affiliate of the Trustee-Manager and it is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring such Units for its own account or for the account of a qualified institutional buyer, and (c) aware, and each beneficial owner has been advised, that the sale of such Units to it is being made in reliance on Rule 144A.

(2) It understands that the Units in the Offering have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that the Units in the Offering purchased pursuant to Rule 144A (to the extent they are in certificated form), unless the Trustee-Manager determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THESE UNITS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE UNITS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE UNITS MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE UNITS ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK".

(4) The Trustee-Manager, the Sponsor, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Units in the Offering for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Units in the Offering may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Units

Each purchaser of the Units in the Offering outside the United States pursuant to Regulation S and each subsequent purchaser of those Units in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and those Units, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Units in the Offering are purchased pursuant to Regulation S will be, the beneficial owner of such units and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of us or a person acting on behalf of such an affiliate.

(2) It understands that the Units in the Offering have not been and will not be registered under the Securities Act and that, prior to the expiration of the period ending 40 days after the later of the commencement of the Offering and the Closing Date, it will not offer, sell, pledge or otherwise transfer such units except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) The Trustee-Manager, the Sponsor, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

General

Each purchaser of the Units in the Offering will be deemed to have represented and agreed that it is relying on this Prospectus and not on any other information or representation concerning the Trustee-Manager or the Units and neither the Trustee-Manager, the Sponsor, nor any other person responsible for this Prospectus or any part of it, nor the Initial Purchasers, the Co-Lead Managers nor the Singapore Underwriters, will have any liability for any such other information or representation.

CLEARANCE AND SETTLEMENT

Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units within four Market Days after the closing date for applications for the Units.

Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S$10.00 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction. The clearing fee, deposit fee and unit withdrawal fee may be subject to GST (currently 5.0%).

Dealings in the Units will be carried out in US dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Other Fees

As the Units will be listed and traded on SGX-ST and Unitholders have no right to request the Trustee-Manager to redeem their Units, no subscription fee, preliminary charge, realisation fee or switching fee is payable in respect of the Units.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for the Trustee-Manager, the Sponsor and FSL Trust by Seward & Kissel LLP with respect to matters of U.S. federal and Marshall Islands law, and by Allen & Gledhill, with respect to matters of Singapore law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Clifford Chance Wong Pte Ltd, with respect to matters of U.S. federal law and New York law, and by WongPartnership, with respect to matters of Singapore law.

None of Allen & Gledhill, Seward & Kissel LLP, WongPartnership and Clifford Chance Wong Pte Ltd makes, or purports to make, any statement in this Prospectus and none of them is aware of any statement in this Prospectus which purports to be based on a statement made by it and it makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Prospectus.

EXPERTS

KPMG, the Independent Accountants, were responsible for preparing the Independent Accountants' Report on the Profit Forecast and the Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date found in Appendix A and Appendix B of the Prospectus, respectively, which have been prepared for the purposes of incorporation in the Prospectus.

KPMG Tax Services Pte Ltd, the Independent Tax Adviser, was responsible for preparing the Independent Taxation Report found in Appendix D of this Prospectus, which has been prepared for the purposes of incorporation in the Prospectus.

Marine Money International and Maritime Strategies International Ltd., the Independent Market Research Consultants, were responsible for preparing the section of this Prospectus entitled "Industry", which has been prepared for the purposes of incorporation in the Prospectus.

Howe Robinson Marine Evaluations Limited. and Compass Maritime Services, LLC, the Independent Valuers, were responsible for preparing the Independent Valuation Reports found in Appendix E of this Prospectus, which have been prepared for the purposes of incorporation in the Prospectus.

The Independent Accountants, the Independent Tax Adviser, the Independent Valuers and the Independent Market Research Consultants have each given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and their respective write-ups and reports and all references thereto in the form and context in which they respectively appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

None of the Independent Accountants, the Independent Tax Adviser, the Independent Valuers and the Independent Market Research Consultants:

- is employed on a contingent basis by the Trustee-Manager;
- has a material interest, whether direct or indirect, in the Units; or
- has a material economic interest, whether direct or indirect, in FSL Trust, including an interest in the success of the Offering.

RESPONSIBILITY STATEMENT BY THE DIRECTORS

1. This Prospectus has been seen and approved by the Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as at the date hereof and there are no material facts the omission of which would make any statement in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Offering and FSL Trust.

MATERIAL BACKGROUND INFORMATION

2. None of the directors, key executives or controlling shareholders of the Trustee-Manager, or the controlling Unitholder, was or is involved in any of the following events:

    (a) at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;

    (b) at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

    (c) any unsatisfied judgment against him;

    (d) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;

    (e) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

    (f) at any time during the last 10 years, judgment been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;

    (g) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

    (h) disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

    (i) any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

    (j) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

        (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust;

(k) the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

LITIGATION

3. FSL Trust is not and has not engaged in any legal or arbitration proceedings as plaintiff or defendant in the past 12 months before the date of lodgment of this Prospectus, in respect of any amounts or claims which are material in the context of the Offering and to the best of the Directors' knowledge and belief, having made all due enquiries, there are no proceedings pending or threatened against FSL Trust or any facts likely to give rise to any litigation, claims or proceedings which might have a material effect on the financial position or the profitability of FSL Trust.

EXCHANGE CONTROLS

4. As at the date of this Prospectus, there is no governmental law, decree or regulatory requirement or any other requirement which may affect the repatriation of capital and the remittance of profits by or to the Trustee-Manager.

MATERIAL CONTRACTS

5. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Trustee-Manager from the date of establishment of FSL Trust to the Latest Practicable Date and may or may not be material:

(a) the Sale and Purchase Agreement;

(b) the Non-Competition Agreement;

(c) the Cornerstone Subscription Agreements; and

(d) the subscription agreement relating to the Sponsor Units.

DOCUMENTS FOR INSPECTION

6. For a period of six months from the date of registration by the Authority of this Prospectus, the following documents (or copies thereof as the case may be), may be inspected at the principal place of business of the Trustee-Manager in Singapore:

(a) the Trust Deed;

(b) the service contract of Mr Philip Clausius;

(c) the material contracts referred to under "General and Statutory Information – Material Contracts";

(d) the reports set out in Appendices A to E; and

(e) the letters of consent set out in "Experts".

MISCELLANEOUS

7. When FSL Trust is listed on the SGX-ST, investors may check the SGX-ST website http://www.sgx.com for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers such as *The Straits Times, The Business Times* and *Lianhe Zaobao,* for the price range within which Units were traded on the SGX-ST on the preceding day.

8. There have been no public takeover offers by third-parties in respect of the Units or by us in respect of other companies' shares which have occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

9. No expert is interested, directly or indirectly, in promotion of, or in any vessel or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to FSL Trust or are proposed to be acquired or disposed of by or leased to FSL Trust.

10. Save as disclosed elsewhere in this Prospectus, there is no arrangement or understanding with a substantial shareholder of the Trustee-Manager, substantial Unitholder, customer or supplier of the Trustee-Manager, pursuant to which any Director or any Executive Officer was selected as a Director or Executive Officer.

11. There is no known arrangement the operation of which may at a subsequent date, result in a change of control in the Trustee-Manager.

TREND INFORMATION AND PROFIT FORECAST

12. Save as disclosed under the sections entitled "Risk Factors", "Capitalisation", "Profit Forecast", "Management's Discussion and Analysis of Pro Forma Financial Condition", "Business – Strategy" and "Business – The Portfolio" of this Prospectus, the financial condition and operations of FSL Trust is not likely to be affected by any of the following:

    (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in FSL Trust's liquidity increasing or decreasing in any material way;

    (b) material commitments for capital expenditure;

    (c) unusual or infrequent events or transactions or any insignificant economic changes that materially affected the amount of reported income from operations; and

    (d) known trends or uncertainties that have had or that FSL Trust reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.

13. FSL Trust has only recently been registered as a business trust and as such, no previous financial statements have been prepared.

CONSENTS

14. The Trustee-Manager has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

15. Each of Deutsche Bank AG, Singapore Branch, named as Sole Global Co-ordinator, Joint Lead Manager and Joint Bookrunner and J.P. Morgan (S.E.A.) Limited, named as Joint Lead Manager and Joint Bookrunner has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

16. Each of Deutsche Bank AG, Singapore Branch, J.P. Morgan (S.E.A.) Limited, Macquarie Securities (Asia) Pte Limited and CLSA Singapore Pte Ltd, named as Initial Purchasers has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to the Prospectus.

17. Each of Deutsche Bank AG, Singapore Branch, J.P. Morgan (S.E.A.) Limited and Oversea-Chinese Banking Corporation Limited, named as Singapore Underwriters, has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

18. Oversea-Chinese Banking Corporation Limited named as Manager and Co-ordinator of the Public Offer and Receiving Banker, has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and all references to, its name and all references thereto in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

19. Each of the Initial Purchasers, Co-Lead Managers, Singapore Underwriters, Legal Advisers, Receiving Banker, Registrar and Unit Transfer Office does not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND U.S. GAAP

The following summary of significant differences between IFRS and U.S. GAAP pertains to the IFRS accounting policies applicable to FSL Trust.

Property, plant and equipment

IFRS

Property, plant and equipment are initially stated at cost and subsequently carried at cost or revalued amount if the fair value can be reliably measured, less accumulated depreciation and impairment. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The transfer of property, plant and equipment to a company (or trust) by its promoters or shareholders is recorded at the fair value of the consideration given by the company (or trust) to acquire the assets.

US GAAP

Property, plant and equipment must be carried at cost less accumulated depreciation and impairment.

The transfer of property, plant and equipment to a company (or trust) by its promoters or shareholders, in exchange for stock prior to or at the time of the company's (or trust's) initial public offering normally should be recorded at the transferors' historical carrying value, unless the remaining stock ownership interest of the transferor in the company (or trust) is insignificant. The excess of the purchase price of the historical carrying value is included in the company's (or trust's) equity as additional paid-in capital.

Impairment

IFRS

An asset is impaired when its carrying amount exceeds its recoverable amount. An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

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

For assets other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

US GAAP

An asset is impaired when its carrying amount exceeds its fair value. The entity reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Recoverability of long-lived asset groups to be held and used are measured by a comparison of the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If an asset group is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the long-lived assets exceeds their fair value.

Reversal of impairment is prohibited.

Leases

IFRS

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

a. the lease transfers ownership of the asset to the lessee by the end of the lease term;

b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at inception of the lease, that the option will be exercised;

c. the lease term is for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

e. the lease assets are of such a specialised nature that only the lessee can use them without major modifications.

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:

a. if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

b. gains or losses from the fluctuation in the fair value of the residual accrue to the lessee; and

c. the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

US GAAP

If at its inception, a lease meets one or more of the following criteria, the lease shall be classified as a capital lease by the lessee. Otherwise, it shall be classified as an operating lease.

a. The lease transfers ownership of the property to the lessee by end of the lease term.

b. The lease contains a bargain purchase option allowing the lessee, at his option, to purchase the leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that exercise of the option appears, at inception of the lease, to be reasonably assured.

c. The lease term is equal to 75% or more of the estimated economic life of the leased property.

d. The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 per cent. of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by him.

Income Taxes

IFRS

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes are classified on the balance sheet as non-current asset or liability.

US GAAP

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recorded for loss carryforwards and other deferred tax assets where it is more likely than not that such loss carryforwards and deferred tax assets will not be realized.

Deferred taxes are classified on the balance sheet as current or non-current based on the classification of underlying asset or liability.

FASB Interpretation No. 48 “Accounting for Income Tax Uncertainties” is effective as of the beginning of the first fiscal year beginning after 15 December 2006 (1 January 2007 for calendar-year companies), with early application permitted if no interim financial statements have been issued. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more likely-than-not to be sustained as of the adoption date. Positions that meet this criterion should be measured using the largest benefit that is more than 50 percent likely to be realized. The necessary adjustment should be recorded directly to the beginning balance of retained earnings in the period of adoption and reported as a change in accounting principle. Retrospective application is prohibited.

Provisions and Contingencies

IFRS

Provisions and contingencies are accrued when all the following conditions apply:

a. there is a present obligation (legal or constructive) as a result of a past event which occurred by balance sheet date;

b. the expenditure is probable; and

c. a reliable estimate of the expenditure can be made.

The amount of the liability is measured as:

- the best estimate of expenditure required to settle the obligation; and

- the present value where the effect of time value of the future cash flows required to settle the obligation is material.

When making the best estimate of the expenditure required to settle the obligation, where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the midpoint of the range is used.

US GAAP

An estimated loss from a loss contingency shall be accrued by a charge to income if both of the following conditions are met:

a. Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss; and

b. The amount of loss can be reasonably estimated.

The amount of the liability is measured as:

- best estimate of the possible loss or range of loss; or

- minimum amount in the range of loss if no best estimate can be made.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of FSL Trust's business, the following glossary provides an explanation on some of the technical terms and abbreviations used in this Prospectus. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

bareboat charter	Contract whereby the shipowner leases its vessel to the charterer for a period of time during which the whole use and all costs and responsibilities of operating and maintaining the vessel pass to the charterer and involves the charterer paying all expenses for maintaining its own master and crew on board of the vessel
Classification Societies	Independent societies which certify that a vessel has been constructed and maintained in accordance with the rules of such society and complied with the applicable acts and regulations of the flag state of such vessel and the relevant international conventions
dwt	Deadweight ton – a unit of a vessel's capacity for cargo, fuel oil, stores and crew, measured in metric tons of 1,000 kilograms. A vessel's DWT or total DWT is the total weight the vessel can carry when loaded to a particular load line
flag state	The country in which a vessel is registered. A vessel is generally required to fly the sole flag of a registered country
IACS	International Association of Classification Societies
IMO	International Maritime Organisation
IMO Regulations	The international conventions, rules and regulations adopted by IMO
ISM Code	International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention
ISPS Code	The International Ship and Port Facility Security Code
"in class"	Where a vessel is certified by a Classification Society as being "in class," it means that the vessel has been built and is being maintained in accordance with the rules of the Classification Society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a signatory
LL	The International Convention on Load Lines
MARPOL	International Convention for the Prevention of Pollution from Ships
newbuilding	A vessel which is under construction
operating costs	The costs of technical operations of vessels including the costs of lubricants, spare parts, repairs and maintenance, crewing costs and insurance costs (but excluding capital costs and voyage costs)
P&I	Protection and indemnity. This denotes the insurance coverage taken by a vessel's owner or charterer against third party liabilities such as oil pollution, cargo damage, crew injury or loss of life, etc.
P&I Association	A mutual insurance association providing P&I insurance coverage
ship management	The administration, operations and general management of a vessel, including technical operations, repair, maintenance, crewing and insurance

SMS	Safety Management System
SOLAS	International Convention for the Safety of Life at Sea
special surveys	The enhanced inspections of a vessel required by Classification Societies' rules which take place every five years
TEU	"twenty-foot equivalent unit". This is the container shipping industry's standard for measuring container size, ship capacity and volume. One 20-foot container would be one TEU

DEFINITIONS

% or per cent.	Per centum or percentage
Application Forms	The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus
Application List	The list of applicants subscribing for Units which are the subject of the Public Offer
Associate	Has the meaning ascribed to it in the SF BT Regulations and/or in the Listing Manual
associated company	Has the meaning ascribed to it in the Listing Manual
Audit Committee	The audit committee of the Trustee-Manager
Authority or **MAS**	The Monetary Authority of Singapore
Board	The board of directors of the Trustee-Manager
BTA or **Business Trusts Act**	Business Trusts Act, Chapter 31A of Singapore
Business Day	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
CDP	The Central Depository (Pte) Limited
Chief Executive Officer	The chief executive officer of the Trustee-Manager
Companies Act	Companies Act, Chapter 50 of Singapore
Co-Lead Managers	CLSA Merchant Bankers Limited and Macquarie Securities (Asia) Pte Limited
control	When used in the context of control of a corporation, means the capacity to determine the outcome of decisions on the financial and operating policies of that corporation, having regard to the following considerations: (i) the practical influence which can be exerted (rather than the rights which can be enforced); and (ii) any practice or pattern of behaviour affecting the financial and operating policies of that corporation (even if it involves a breach of an agreement or a breach of trust), but shall exclude any capacity to influence decisions on the financial and operating policies of a corporation where such influence is required to be exercised for the benefit of other persons pursuant to an obligation imposed under any written law, rule of law, contract or order of court
Controlling Unitholder	Has the meaning ascribed to it in the BTA
Cornerstone Investors	Penta Investment Advisers, Ltd, DWS Investment GmbH and AIG Global Investment Corporation (Singapore) Ltd
Cornerstone Subscription Agreements	The cornerstone subscription agreements dated 14 February 2007, entered into between the Trustee-Manager and the Cornerstone Investors

Cornerstone Units	The Units issued to the Cornerstone Investors pursuant to the Cornerstone Subscription Agreements
Depository Services Agreement	The depository services agreement dated 19 March 2007 and entered into between CDP and the Trustee-Manager relating to the deposit of the Units in CDP
Distributable Amount	Net lease income and after-tax interest income less Management Fees, financing costs and other trust expenses (excluding depreciation and amortization of debt up-front fees)
Distribution	Distributable amount paid to Unitholders
Distribution Election Notice	A notice filed by holders of Units that are held through CDP whereby the Unitholder elects to receive the distributions in US dollar instead of the Singapore dollar equivalent of the US dollar distribution declared
Director	Director of the Trustee-Manager
DAU	Net Distributable Amount less any Retained Distributable Amount (as defined under "Distributions and Subordination"), and excluding non-recurring income and related costs, as at the end of the relevant quarter per Unit then in issue
DPU	Distribution per Unit
Executive Officers	The executive officers of the Trustee-Manager
Extraordinary Resolution	A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed
Financial Year or FY	Means: (i) for the first financial year, the period from and including the date of establishment of FSL Trust to 31 December 2007; (ii) for the last financial year, the period from and including the most recent 31 December before the date FSL Trust terminates to and including the date FSL Trust terminates; and (iii) in all other circumstances, the 12-month period ending on 31 December in each year
GST	Goods and Services Tax
Group Companies	Collectively, FSL Trust and the SPCs
Income	All earnings resulting from the operation of FSL Trust considered by the Trustee-Manager, after consulting its auditors, to be in the nature of income in accordance with generally accepted accounting practices in Singapore
Independent Accountants	KPMG
Independent Directors	Independent directors for the purposes of the BTA

Independent Market Research Consultants	Maritime Strategies International Ltd. and Marine Money International
Independent Tax Adviser	KPMG Tax Services Pte. Ltd.
Independent Valuers	Compass Maritime Services, LLC and Howe Robinson Marine Evaluations Limited.
Initial Purchasers	Deutsche Bank AG, Singapore Branch, J.P. Morgan (S.E.A.) Limited, Macquarie Securities (Asia) Pte Limited and CLSA Singapore Pte Ltd
interested person	Has the meaning ascribed to it in the BTA and, where applicable, includes an "interested person" (as defined in the Listing Manual)
interested person transaction	Has the meaning ascribed to it in the Listing Manual
IRAS	Inland Revenue Authority of Singapore
Joint Bookrunners	Deutsche Bank AG, Singapore Branch and J.P. Morgan (S.E.A.) Limited
Latest Practicable Date	3 February 2007, being the latest practicable date prior to the lodgment of this Prospectus with the MAS
LIBOR	Interbank offered rate in London
Listing Date	The date of Listing
Listing Manual	The Listing Manual of the SGX-ST
Loan Units	Up to 34,000,000 Units to be borrowed from the Sponsor by the Stabilising Manager to cover the over-allotment of Units (if any) and/or to effect stabilisation activities
Lock-up Units	The Sponsor Units, less any Units transferred by the Sponsor to the Stabilising Manager pursuant to the exercise of the Over-allotment Option
Management Fees	Being 4.0% of the cash lease rentals, net of any other commissions or deductions by third parties, payable in cash and/or units (as the Trustee-Manager may elect). Where Management Fees is paid in cash, the amount is paid monthly, in arrears. Where Management Fees is paid in the form of units, the amount is paid quarterly, in arrears.
Manager and Co-ordinator of the Public Offer	Oversea-Chinese Banking Corporation Limited
Market Day	A day on which the SGX-ST is open for trading in securities
MFI	Maritime Finance Incentive
Net Distributable Amount	Distributable Amount after deduction of credit facility repayments and any other additional amount as the Trustee-Manager may determine to be reasonable to be set aside to meet any payment obligations of FSL Trust, but before deduction of any Incentive Fees payable to the Trustee-Manager

Net Taxable Income	Taxable Income less allowable expenses and tax assessed thereon
Non-Competition Agreement	The non-competition agreement dated 19 March 2007 and entered into between the Trustee-Manager, on behalf of FSL Trust, and the Sponsor
Non-Independent Directors	Directors who are not Independent Directors
Offer Agreement	The offer agreement dated 19 March 2007 entered into between the Sponsor, the Trustee-Manager and the Singapore Underwriters relating to the Public Offer
Offering	The offering of 220,000,000 Units by the Trustee-Manager for subscription at the Offering Price under the Placement and the Public Offer
Offering Price	The Offering Price of each Unit under the Offering which is US$0.98
Ordinary Resolution	A resolution proposed and passed as such by a majority being 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed
Over-allotment Option	The option which will be granted by the Sponsor to the Initial Purchasers, exercisable by the Stabilising Manager on behalf of the initial purchasers, to purchase up to an aggregate of 34,000,000 Units (representing not more than 20% of the total Offering Units) at the Offering Price, solely to cover the over-allotment of Offering Units, if any
Participating Banks	Oversea-Chinese Banking Corporation Limited, United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "UOB Group") and DBS Bank Ltd (including POSB) ("PBSBank")
Placement	The international placement of Units to investors, including institutional and other investors in Singapore, pursuant to the Offering
Public Offer	The initial offering to the public in Singapore
Purchase Agreement	The purchase agreement dated 19 March 2007 entered into between the Sponsor, the Trustee-Manager and the Initial Purchasers relating to the Placement
Receiving Banker	Oversea-Chinese Banking Corporation Limited
Recognised Stock Exchange	Any stock exchange of repute in any part of the world
Registrar	Such person as may from time to time be appointed by the Trustee-Manager to, *inter alia*, keep and maintain the Register
Regulation S	Regulation S under the Securities Act
Rule 144A	Rule 144A under the Securities Act
S$ or Singapore dollars and cents	Singapore dollars and cents, the lawful currency of the Republic of Singapore
Sale and Purchase Agreement	The Sale and Purchase Agreement dated 19 March 2007 entered into between FSL Trust and the Sponsor for the sale and purchase of the SPCs

Securities Account	Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP
Securities Act	U.S. Securities Act of 1933, as amended
SF BT Regulations	Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005
SFA or **Securities and Futures Act**	Securities and Futures Act, Chapter 289 of Singapore
SGX-ST	Singapore Exchange Securities Trading Limited
Singapore Underwriters	Deutsche Bank AG, Singapore Branch, J.P. Morgan (S.E.A.) Limited and Oversea-Chinese Banking Corporation Limited
SPCs	Special Purpose Companies
Sponsor	First Ship Lease Pte. Ltd.
Sponsor Shares	Issued and paid-up shares in the Sponsor as at the Listing Date
Sponsor Units	The 160,000,000 Units to be issued to the Sponsor on the Listing Date
Stabilising Manager	Deutsche Bank AG, Singapore Branch
stipulated loss value	The outstanding value of the unexpired term of the lease (including the residual value of the vessel at the expiry of the lease)
Subordinated Units	Being 50% of the Lock-up Units in FSL Trust which the Sponsor has agreed to subordinate its entitlement to dividend distributions
Subsidiaries	Has the meaning ascribed thereto in the Companies Act, Chapter 50 of Singapore
Substantial Unitholder	Any Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue
Trust Deed	The trust deed dated 19 March 2007 constituting FSL Trust
Trust Property	Has the meaning ascribed to it in the Business Trusts Act, Chapter 31A of Singapore, including the authorised investments (as defined in the Trust Deed) of FSL Trust for the time being held or deemed to be held upon the terms of the Trust Deed
Trustee-Manager	FSL Trust Management Pte. Ltd., as trustee-manager of FSL Trust
Unaudited Pro Forma Consolidated Balance Sheet	The Unaudited Pro Forma Consolidated Balance sheet setting out the assets and liabilities of FSL Trust as at the Listing Date
Unclaimed Moneys Account	A special account in which any moneys payable to Unitholders which remain unclaimed after a period of 12 months shall be accumulated
Underwriting and Selling Commission	The underwriting and selling commission payable to the Initial Purchasers and Singapore Underwriters for their services in connection with the Offering and subscription of the Cornerstone Units
Unit	An undivided interest in FSL Trust as provided for in the Trust Deed

Unitholder(s)	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units
US$ or **US dollars** or **US cents**	The lawful currency of the United States

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-acted.

Any reference to a time of day in this Prospectus is made by reference to Singapore time unless otherwise stated.

Any reference to any enactment in this Prospectus shall be deemed also to refer to any statutory modification, codification or re-enactment thereof.

The Board of Directors
FSL Trust Management Pte. Ltd.
(in its capacity as Trustee-Manager of First Ship Lease Trust)
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988

16 March 2007

Dear Sirs

Letter from the Reporting Accountants on the Profit Forecast for the Period from 1 February 2007 to 31 December 2007

This letter has been prepared for inclusion in the prospectus (the **"Prospectus"**) to be issued in connection with the offering of 220 million units in First Ship Lease Trust and its subsidiaries (**"FSL Trust"**) at the offering price of US$0.98 per unit (the **"Offering"**).

The directors of FSL Trust Management Pte. Ltd. (the "Directors") are responsible for the preparation and presentation of the forecast consolidated profit and loss account of FSL Trust for the period from 1 February 2007 to 31 December 2007 (the "**Profit Forecast**") as set out on page 46 of the Prospectus, which has been prepared on the basis of the assumptions as set out on pages 46 to 49 of the Prospectus.

We have examined the Profit Forecast of FSL Trust for the period from 1 February 2007 to 31 December 2007 as set out on page 46 of the Prospectus in accordance with the Singapore Standard on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast including the assumptions set out on pages 46 to 49 of the Prospectus on which they are based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out in Appendix C of the Prospectus, and is presented in accordance with International Financial Reporting Standards (but not all the required disclosures), which is the framework to be adopted by FSL Trust in the preparation of its financial statements.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit Forecast since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from the forecast. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit Forecast.

Attention is drawn, in particular, to the risk factors set out on pages 22 to 33 of the Prospectus which describe the principal risks associated with the Offering, to which the Profit Forecast relates.

Yours faithfully

KPMG
Certified Public Accountants
(Partner-in-charge: David Leaver)

Singapore

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The Board of Directors
FSL Trust Management Pte. Ltd.
(in its capacity as Trustee-Manager of First Ship Lease Trust)
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988

16 March 2007

Dear Sirs

Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date

We report on the unaudited pro forma consolidated balance sheet of First Ship Lease Trust and its subsidiaries ("**FSL Trust**") as at the Listing Date (the "**Unaudited Pro Forma Consolidated Balance Sheet**") set out in Appendix C of the prospectus (the "**Prospectus**") to be issued in connection with the offering of 220 million units in FSL Trust, which has been prepared for illustrative purposes only and based on certain assumptions.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of the assumptions set out on page C-2 to provide information on the financial position of FSL Trust, had FSL Trust purchased 13 SPCs owning 13 vessels comprising namely Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, YM Subic, Cape Falcon, Ever Renown, Ever Repute, Pertiwi, Pujawati, Prita Dewi, Fomalhaut and Eltanin (collectively, the "**Vessels**") from the Sponsor and entered into long-term bareboat charter agreements in respect of the Vessels, under the same terms set out in the Prospectus on the day FSL Trust is admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "**Listing Date**").

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of FSL Trust's actual financial position.

The Unaudited Pro Forma Consolidated Balance Sheet is the responsibility of the directors of FSL Trust Management Pte. Ltd. (the "**Directors**"). Our responsibility is to express an opinion on the Unaudited Pro Forma Consolidated Balance Sheet based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice ("**SSAP**") 24 "*Auditors and Public Offering Documents*", where applicable. Our work, which involved no independent examination of the underlying financial information, consisted primarily of considering the evidence supporting the amounts and disclosures in the Unaudited Pro Forma Consolidated Balance Sheet and discussing the Unaudited Pro Forma Consolidated Balance Sheet with the Directors.

In our opinion:

A. the Unaudited Pro Forma Consolidated Balance Sheet has been properly prepared in a manner consistent with International Financial Reporting Standards and the accounting policies to be adopted by FSL Trust;

B. the information used in the preparation of the Unaudited Pro Forma Consolidated Balance Sheet is appropriate for the purpose of preparing such a balance sheet and in accordance with SSAP 24; and

C. the Unaudited Pro Forma Consolidated Balance Sheet has been properly prepared on the basis of the assumptions set out on page C-2.

Yours faithfully

KPMG
Certified Public Accountants
(Partner-in-charge: David Leaver)
Singapore

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APPENDIX C – THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

(A) INTRODUCTION

First Ship Lease Trust ("FSL Trust") was constituted pursuant to a trust deed dated 19 March 2007 ("Trust Deed") and registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore ("BTA") and the Securities and Futures Act, Chapter 289 of Singapore. FSL Trust will be managed by FSL Trust Management Pte. Ltd. (the "Trustee-Manager") which is a wholly-owned subsidiary of First Ship Lease Pte. Ltd. (the "Sponsor").

FSL Trust is established with the principal objective of providing an opportunity to the public to invest primarily in diverse ocean-going vessels that are bareboat chartered to international lessees pursuant to long-term bareboat charters. The leases are expected to include international shipping companies and end-users. FSL Trust proposes to acquire 13 special purpose companies (each an "SPC") from the Sponsor on its admission to the Official List of the Singapore Exchange Securities Trading Limited (the "Listing Date"), with each SPC owning one vessel which is subject to a long-term bareboat charter. The initial portfolio of FSL Trust will comprise 13 vessels namely, Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, YM Subic, Cape Falcon, Ever Renown, Ever Repute, Pertiwi, Pujawati, Prita Dewi, Fomalhaut and Eltanin (collectively, the "Vessels").

The Trustee-Manager is making an offering of 220 million units (the "Offering") in FSL Trust at an offering price of US$0.98 per unit (the "Offering Price"). The Offering consists of (i) an international placement to investors, including institutional and other investors in Singapore and (ii) an offering to the public in Singapore. Incidental to but not constituting part of the Offering, the Sponsor has entered into a separate subscription agreement to subscribe for 160 million units ("Sponsor Units") at the Offering Price. Also, separate from the Offering, each of Penta Investment Advisers, Ltd, DWS Investment GmbH and AIG Global Investment Corporation (Singapore) Ltd (collectively, the "Cornerstone Investors") has entered into a cornerstone subscription agreement with the Trustee-Manager (collectively, the "Cornerstone Subscription Agreements") to subscribe for an aggregate of 120 million units at the Offering Price (the "Cornerstone Units"). In addition, up to 34 million units (the "Loan Units") will be placed to the Sponsor, to be lent to the underwriter to cover the over-allotment of units (if any). For the purposes of the unaudited pro forma consolidated balance sheet, it is assumed that the over-allotment option is not exercised.

Details on the Trustee-Manager's fees are set out in section F.

(B) PRO FORMA HISTORICAL FINANCIAL INFORMATION

No pro forma consolidated profit and loss account, statement of cash flows and balance sheet have been prepared to show the pro forma historical financial performance of FSL Trust as:

- the provision of pro forma financial information based on historical results will be impracticable since seven of the Vessels were acquired and delivered in 2006 and two of the vessels were acquired and delivered in January 2007 and therefore their period of operations is too short to practicably construct pro forma financial information;
- the inclusion of pro forma financial information in the Prospectus will be of little value to investors, especially since a separate forecast will be prepared for inclusion in the Prospectus; and
- the basis for comparison would have changed substantially as the capital structure of the holding entity will have changed substantially from the Sponsor to FSL Trust. The operating and financing expenses to be incurred by FSL Trust may differ substantially from those incurred by the Sponsor historically. Accordingly, the pro forma financial information may not be reflective of the historical total return and cash flows of FSL Trust.

For the reasons stated above, FSL Trust applied to the Monetary Authority of Singapore ("MAS") for a waiver from the requirement to prepare pro forma profit and loss account, statement of cash flows and balance sheet. The MAS has granted FSL Trust the waiver, conditional upon the following information being included in the Prospectus:

- the unaudited pro forma balance sheet of FSL Trust as at the Listing Date;
- the forecast consolidated profit and loss accounts for FSL Trust for the period from 1 February 2007 to 31 December 2007;

- the annualized forecast consolidated profit and loss accounts for FSL Trust for the period from 1 January 2007 to 31 December 2007; and

- a statement disclosing why pro forma financial information for FSL Trust based on historical financial results of FSL Trust, as required under paragraphs 23 to 34 of Part X of the Fourth Schedule to the Securities and Futures (Offer of Investments) (Business Trusts) (No. 2) Regulations 2005, is not provided in the Prospectus.

In lieu of the pro forma historical financial information, an unaudited pro forma consolidated balance sheet of FSL Trust, setting out its assets and liabilities at the Listing Date, upon completion of the Offering and the acquisition of the Vessels, has been complied by the Trustee-Manager as set out below.

(C) BASIS OF PREPARATION OF UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

An unaudited pro forma consolidated balance sheet of FSL Trust as at the Listing Date ("Unaudited Pro Forma Consolidated Balance Sheet") is set out in this report. The Unaudited Pro Forma Consolidated Balance Sheet is prepared for illustrative purposes only and based on certain assumptions and after incorporating adjustments necessary to reflect the financial position of FSL Trust as if it had acquired all the Vessels on the Listing Date, pursuant to the terms set out in the prospectus to be issued in connection with the Offering (the "Prospectus").

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of the accounting policies set out in section E and is to be read in conjunction with section F. In addition, the Unaudited Pro Forma Consolidated Balance Sheet has been prepared based on the assumption that the over-allotment option is not exercised.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust is to show what the financial position might have been at the Listing Date, on the basis as described above. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of the financial position that would have been attained by FSL Trust on the actual Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of FSL Trust's financial position.

In addition to the assumptions described above, the Unaudited Pro Forma Consolidated Balance Sheet has been prepared after incorporating the following key assumptions:

- FSL Trust will acquire the vessels at a purchase price of US$471,366,000 on the Listing Date.

- FSL Trust will issue 500 million units (comprising 220 million units under the Offering, 120 million Cornerstone units and 160 million Sponsor units) at the offering price for cash amounting to approximately US$490 million to fund the acquisition of the vessels on the Listing Date.

- FSL Trust will incur issue costs relating to the Offering, which are estimated to be US$13,296,000 on the Listing Date.

- A credit facility upfront fee on the US$250 million credit facility, amounting to US$1,625,000 are paid on the Listing Date.

- The US$250 million credit facility is not drawn down on the Listing Date.

- FSL Trust will receive one month's lease income in advance from the leasing of the Vessels under the Lease Agreements, which is fixed during the base lease term, of US$3,862,000 after the Listing Date. Accordingly, the advanced lease income to be received is not reflected in the Unaudited Pro Forma Consolidated Balance Sheet.

- The fair value of the cross currency swaps entered into by the Trustee-Manager is assumed to be nil at the Listing Date.

(D) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

The Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust below has been prepared for inclusion in this Prospectus and is presented below. The assumptions used to prepare the Unaudited Pro Forma Consolidated Balance Sheet are consistent with those described in Basis of Preparation of Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date.

	Note	Unaudited Pro Forma as at the Listing Date(1) US$'000
Non-current assets		
Vessels, at cost	2	471,366
Prepayments	3	1,412
		472,778
Current assets		
Cash and cash equivalents		3,000
Other receivables and prepayments	3	926
		3,926
Total assets		476,704
Net assets attributable to unitholders		476,704
Unitholders' funds		
Units in issue	4	490,000
Unit issue costs	5	(13,296)
Total unitholders' funds		476,704
Number of units in issue ('000)		500,000
Net assets value per unit (US$)		0.953

Note:
(1) Based on the Offering Price being US$0.98 per unit.

(E) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

1. Significant Accounting Policies of FSL Trust

The significant accounting policies of FSL Trust, which have been consistently applied in preparing the Unaudited Pro Forma Consolidated Balance Sheet set out in this report, are as follows:

(a) Basis of Preparation of Unaudited Pro Forma Consolidated Balance Sheet

The Unaudited Pro Forma Consolidated Balance Sheet is prepared in accordance with the bases set out in Section C and International Financial Reporting Standards (IFRS).

The Unaudited Pro Forma Consolidated Balance Sheet, expressed in United States (US) dollars and rounded to the nearest thousand, is prepared on the historical cost basis.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are renewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(b) Functional Currency

Items included in the financial statements of FSL Trust are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to FSL Trust (the "functional currency"). The Unaudited Pro Forma Consolidated Balance Sheet of FSL Trust is presented in US dollars, which is the functional currency of FSL Trust.

(c) Consolidation

Subsidiaries are companies controlled by FSL Trust. Control exists when FSL Trust has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign Currencies

Transactions in foreign currencies are translated into US dollars at rates ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into US dollars at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into US dollars at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising from translation are recognised in the profit and loss account.

(e) Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses. Depreciation of the cost of a vessel less its residual value is recognized in the profit and loss account on a straight-line basis over the remaining useful life to FSL Trust.

Residual values are estimated based on the average historical values of similar vessels of the respective vintage. Depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

(f) Other Receivables

Other receivables are recognised initially at fair value.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(h) Impairment

The carrying amounts of FSL Trust's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the profit and loss account.

The recoverable amount of FSL Trust's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(i) Trade and Other Payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost.

(j) Interest-Bearing Borrowings

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

(k) Derivative Financial Instruments

FSL Trust may use derivative financial instruments to hedge its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. FSL Trust does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the non-financial asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

(l) Unit Issue Costs

Unit issue costs represent expenses incurred in connection with the initial public offering of FSL Trust on Singapore Exchange Securities Trading Limited. All such expenses are deducted directly from unitholders' funds.

(m) Revenue Recognition

(i) Lease income

Lease income receivable under operating leases is recognised in the profit and loss account on a straight-line basis over the period of the respective lease terms.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis.

(n) Expenses

(i) Trustee-Manager's fees

The trustee fee and management fee paid/payable to the Trustee-Manager in its capacities as the trustee and manager of FSL Trust respectively, are recognised on an accrual basis based on the applicable formula stipulated in Section F.

(ii) Trust expenses

Trust expenses are recognised on an accrual basis based on the applicable formula stipulated in Section F.

(iii) Borrowing costs

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred.

(o) Income Tax

Taxation on the return for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences on initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The lease income derived by the Marshall Islands SPCs of FSL Trust from the bareboat charter agreements entered into between the lessees and the Marshall Islands SPCs would not be subject to tax in the Marshall Islands. The same lease income derived by the Singapore-incorporated SPCs of FSL Trust would qualify for tax exemption under the MFI Scheme. The distributions from the SPCs to FSL Trust will be in the form of dividend income. Such distributions from the Marshall Islands SPCs would qualify for tax exemption under Section 13(12) of the Singapore Income Tax Act (chapter 134) ("SITA") whereas the dividend income received from the Singapore-incorporated SPCs would be tax exempt under the one-tier corporate tax system in the hands of FSL Trust. The distributions made by FSL Trust out of the above tax exempt income less allowable expense, in the form of tax exempt (one-tier) dividends, will not attract any Singapore income tax or withholding tax in the hands of the Unitholders.

FSL Trust would be subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate of 18%, after adjusting for allowable expenses. The after tax amount may be distributed to Unitholders, in the form of tax exempt (one-tier) dividends, free of Singapore income tax or withholding tax.

The gains on disposal of vessels derived by the Marshall Islands SPCs of FSL Trust would not be subject to tax in the Marshall Islands whereas the same gains derived by the Singapore-incorporated SPCs should not be taxable in Singapore unless the SPCs are regarded as having derived gains of an income nature in Singapore, in which case, the gains would be taxable as trading income at the prevailing corporate tax rate in the hands of the Singapore-incorporated SPCs. Such gains derived by the Marshall Islands and Singapore-incorporated SPCs, whether of capital or income nature, may be distributed to FSL Trust as foreign dividend income exempt from Singapore income tax under Section 13(12) of the SITA (from the Marshall Islands SPCs) or tax exempt (one-tier) dividends (from the Singapore-incorporated SPCs). FSL Trust may in turn on-distribute such dividend income to Unitholders as tax exempt (one-tier) dividends free of Singapore income tax or withholding tax.

(p) Segment Reporting

A segment is a distinguishable component of FSL Trust that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No business segment information has been prepared as FSL Trust is only involved in the chartering of vessels. No geographical segment information has been prepared as FSL Trust's assets and operations are located in Singapore.

2. Vessels

The Vessels are pledged as security to financial institutions to secure a US$250 million credit facility (see note 6).

3. Other Receivables and Prepayments

	Pro Forma as at Listing Date US$ '000
Non-current assets	
Prepayments	1,412
Current assets	
Other receivables	713
Prepayments	213
	926
	2,338

Other receivables relates to goods and services tax assumed to be recoverable from the tax authorities.

4. Units in Issue

	Pro Forma as at Listing Date '000
Creation of new units arising from:	
- the Offering	220,000
- Sponsor's Units*	160,000
- Cornerstone Units	120,000
	500,000

* Assuming that the over-allotment option is not exercised.

Each unit in FSL Trust represents an undivided interest in the Trust. The rights and interests of unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the units held;
- receive audited accounts and the annual report of FSL Trust; and
- participate in the termination of FSL Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of FSL Trust less any liabilities, in accordance with their proportionate interests in FSL Trust.

The restrictions of a Unitholder include the following:

- a Unitholder has no right to request the Trustee-Manager to transfer to him any asset of FSL Trust; and
- a Unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:
    - FSL Trust ceasing to comply with applicable laws and regulations; or
    - the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.

A Unitholder's liability is limited to the amount paid or payable for any units in FSL Trust. The provisions of the Trust Deed provide that no unitholders will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of FSL Trust exceed its assets.

5. Unit Issue Costs

Issue costs (excluding goods and services tax) comprise the following:

	Pro Forma as at Listing Date US$'000
Professional and other fees(1)	2,303
Underwriting and selling commission(2)	9,996
Miscellaneous issue expenses(3)	997
	13,296

Issue costs have been deducted directly against the proceeds from the issuance of units.

1 *Includes financial advisory fee, solicitors' fees, fees for the reporting accountants, tax consultant and independent valuers and other professional fees in connection with the Offering.*

2 *Based on the Offering Price being US$0.98 and assuming that the over-allotment option is not exercised and that underwriting and selling commissions are payable on the units under the Offering and the subscription of the Cornerstone Units.*

3 *Includes cost of prospectus production and other expenses in connection with the Offering and the subscription of the Cornerstone Units.*

6. Borrowings

FSL Trust has in place a seven year US$250 million secured credit facility commencing from the listing date which can be used to acquire additional vessels ("Additional Vessels"). The terms of the facility require that each Additional Vessel purchased must be subject to a bareboat charter with at least seven years of its original term remaining. All amounts outstanding under the facility are repayable in one instalment on the maturity date.

The facility requires payments of interest quarterly on the drawn amount of the facility, at a rate of 1.0% per annum above the three-month LIBOR. A commitment fee is also payable quarterly, at a rate of 0.30% per annum on the available but undrawn facility amount.

As at the Listing Date, the credit facility is not utilised.

The Credit Facility is secured by the following:

- a first priority mortgage over each of the 13 vessels initially acquired by FSL Trust (the "Initial Trust Vessels") (to be completed no later than the first drawdown date under the facility);
- a first priority mortgage over each of the Additional Vessels (to be completed no later than three months after the acquisition of the respective vessel);
- a first priority assignment of the lease agreement and earnings thereunder (including all rights under any charter guarantees) of each of the Initial Trust Vessels and the Additional Vessels (together, the "Collateral Vessels"), with the proviso that all earnings are paid to the Trustee-Manager or the owners prior to an event of default under the Credit Facility; and
- a first priority assignment of all insurances and requisition compensation of each of the Collateral Vessels.

The Credit Facility also contains financial covenants requiring the Trustee-Manager to ensure that:

- the fair market value of all the Collateral Vessels (excluding the fair market value of any Collateral Vessel for which the relevant lessee is in material default under the relevant lease agreement) during the term of the credit facility must at all times be not less than 145% of the outstanding amounts under the Credit Facility;
- the earnings (excluding the earnings from any Collateral Vessel for which the relevant lessee is in material default under the relevant lease agreement) before interest, tax, depreciation and amortization to interest expense ratio must be greater than 2:1 for the most recent quarter, tested quarterly;
- FSL Trust maintain unitholder equity greater than or equal to US$200 million at all times, tested quarterly; and
- the projected average age (weighted by the book value) of the Collateral Vessels at the maturity of the Credit Facility shall not exceed 15 years, tested quarterly.

7. Financial Risk Management

Risk management is integral to the whole business of FSL Trust. FSL Trust has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Trustee-Manager monitors FSL Trust's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

FSL Trust's income is derived from the lease income on its vessels. Accordingly, FSL Trust is dependent on the due performance by the lessees of their respective obligations under the bareboat charters, and a default or delay by a lessee in the payment of the lease income, or other failure by a lessee to perform its obligations under a bareboat charter, could result in a loss of income by FSL Trust.

Credit evaluations are performed by the Trustee-Manager before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk

FSL Trust's exposure to changes in interest rates relate primarily to FSL Trust's long-term credit facility with floating interest rates.

The Trustee-Manager's strategy is to actively manage the risk of potential interest rate volatility through the use of interest rate swaps to swap the floating interest rates to fixed rates.

Foreign currency risk

FSL Trust's policy is to hedge all non-US dollar denominated leases into US dollar to achieve a stable US dollar denominated income stream. Based on the initial portfolio, nine out of 13 leases are denominated in US dollar, whilst the remaining leases are denominated in Euro. In order to mitigate the foreign currency risk upon conversion of the Euro lease rentals to US dollar throughout the lease term, FSL Trust enters into cross currency swaps to convert the Euro lease rentals into US dollars.

Liquidity risk

The Trustee-Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance FSL Trust's operations.

Fair values

The Trustee-Manager believes that the carrying amounts of the financial assets and liabilities approximate their fair values at the balance sheet date.

8. Commitments

FSL Trust leases out its vessels. Non-cancellable operating lease rentals are receivable as follows:

	Pro Forma As at Listing Date US$'000
Receivable	
– within 1 year	46,339
– after 1 year but within 5 years	185,357
– after 5 years	214,666
	446,362

FSL Trust leases out all its vessels under bareboat charter agreements for periods ranging from nine to 12 years, where certain leases have an option for the lessees to extend the respective lease periods for periods ranging from three to five years on terms to be mutually agreed between FSL Trust and the respective lessees. The terms of the bareboat charter agreements provide that the charter rates are fixed for the entire base lease period.

(F) TRUSTEE-MANAGER'S FEES

Under the Trust Deed, the Trustee-Manager is entitled to receive the following remuneration:

(a) Trustee's Fee

Under the Trust Deed, the Trustee-Manager is entitled to receive a trustee fee of 0.02% per annum of the value of the Trust Property (being all the assets of FSL Trust, as stipulated in the Trust Deed), or such higher percentage as may be fixed by an Extraordinary Resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed. The trustee fee is payable out of the Trust Property of FSL Trust in cash on quarterly basis. Each quarterly payment shall be determined based on the value of the Trust Property as at the last day of the immediately preceding financial quarter and as reflected in the quarterly financial statements of the Trust for that quarter. The Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

(b) Management Fee

Under the Trust Deed, the Trustee-Manager is entitled to receive a management fee of 4.0% per annum of the cash lease rentals in the relevant financial year, net of any commissions or deductions by third parties.

Any increase in the rate or change in structure of the management fee must be approved by an Extraordinary Resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

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

(c) Incentive Fees

The Trustee-Manager will receive incentive fees ("Incentive Fees"), payable quarterly and calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates.

The Incentive Fees shall be determined on the basis of comparing the Net Distributable Amount (as defined under "Distributions and Subordination" in this Prospectus) (less any Retained Distributable Amount (as defined under "Distributions and Subordination" in this Prospectus) and excluding non-recurring income and related costs) as at the end of the relevant quarter per Unit then in issue ("DAU") against a benchmark annualized quarterly DPU of 2.13 US Cents, in accordance with the formula described in the Trust Deed.

(d) Other Fees

Under the Trust Deed, the Trustee-Manager is also entitled to the following:

- An acquisition fee amounting to 1.0% of the acquisition price of any investments acquired directly or indirectly by the Trust, pro-rated if applicable, to the proportion of FSL Trust's interest in the investments acquired. The acquisition fee is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable and made before the payment of the acquisition fee).

- No acquisition fee is payable on the initial acquisition of the SPCs by FSL Trust.

- A divestment fee amounting to 0.5% of the sale price of any investments, excluding proceeds from exercise of the original purchase or early buy out options, sold or divested directly or indirectly by FSL Trust. The divestment fee is payable in the form of cash.

Any increase in the rate or change in structure of the acquisition or divestment fee must be approved by an Extraordinary Resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

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The Board of Directors
FSL Trust Management Pte Ltd
(as Trustee-Manager of First Ship Lease Trust)
8 Temasek Boulevard
Suntec Tower 3 #15-02A
Singapore 038988

16 February 2007

Dear Sirs

INDEPENDENT TAXATION REPORT

This report has been prepared at the request of the Trustee-Manager for inclusion in the prospectus to be issued in relation to the initial public offering for subscription of Units in First Ship Lease Trust (FSL Trust) on the Main Board of the Singapore Exchange Securities Trading Limited.

The purpose of this report is to provide prospective investors of FSL Trust's Units (the Units) with an overview of certain tax consequences in Singapore with respect to purchase, ownership and disposal of the Units. This report addresses principally the Singapore tax consequences of prospective investors who intend to hold the Units for long-term investment purposes. Those prospective investors who are in the trade or business of dealing in investments should consult their own tax advisers for the Singapore tax consequences applicable to their particular situations.

This report is not a tax advice and does not attempt to describe comprehensively and exhaustively all the Singapore tax consequences that may be relevant to prospective investors in making a decision to purchase, own or dispose of the Units. Prospective investors should consult their own tax advisers regarding Singapore tax consequences and, should they be non-Singapore tax residents, the tax consequences in the applicable tax jurisdictions, of owing and disposing the Units to their particular situations.

This report is prepared based on the relevant provisions of the Singapore income tax legislations, stamp duties legislations, goods and services tax legislations, as amended, the regulations issued thereunder, and judicial and administrative interpretations thereof, which are current as at the date of this report. These authorities are subject to changes, retroactively and/or prospectively.

TAXATION OF A BUSINESS TRUST REGISTERED UNDER THE BUSINESS TRUST ACT 2004

The present tax treatment for trusts will not apply to a registered business trust. For Singapore income tax purposes, a registered business trust is treated as a taxable entity, much like a company. This means that the income derived by the registered business trust will be subject to Singapore income tax. For this purpose, the trustee-manager is appointed as an agent of the registered business trust to ensure that the registered business trust fulfils its statutory obligations.

As with any other company, a registered business trust is subject to tax on:-

- Income accruing in or derived from Singapore; and
- Income accruing in or derived outside Singapore to the extent that such income is received in or deemed to be received in Singapore, unless otherwise exempted, either by legislative exemption or specific ministerial exemption.

As Singapore does not impose tax on capital gains, only gains of a revenue nature will be subject to Singapore income tax. However, there are no specific laws or regulations which deal with the characterization of capital gains. Generally, gains or profits arising from the disposal of assets held for long-term investment purposes would not be subject to Singapore income tax. Conversely, gains or profits derived from the disposal of assets held for short-term trading purposes would be taxable.

The taxable income of a registered business trust, after deduction of revenue expenses and capital allowances on qualifying capital expenditures incurred in the production of the income, will be subject to Singapore income tax in the name of the trustee-manager at the prevailing corporate tax rate of 18%, after taking into account the partial tax exemption applicable to companies. Where a registered business trust is a tax resident of Singapore and derives foreign sourced income which has suffered tax in a country which Singapore has concluded an Avoidance of Double Tax Agreement (DTA), double tax relief (DTR) will be granted to the registered business trust. Where the foreign sourced income is derived from a country which does not have a DTA with Singapore, unilateral tax relief will be granted on specific foreign sourced income. For a registered business trust to be regarded as tax resident of Singapore, the trustee-manager has to carry on the business or trade of the registered business trust in Singapore and the management and control of the business is in Singapore.

Since registered business trusts are treated no differently from companies, the one-tier corporate tax regime is also applicable to a registered business trust. Under the one-tier corporate tax regime, distributions made to the holders of the units in the registered business trust are not subject to any tax deduction or withholding tax.

Similarly, the holders of units in the registered business trust are not subject to tax on all distributions received from the registered business trust. As such, the holders of units in the registered business trust will not be entitled to any tax credit in respect of the income tax paid by the registered business trust on its income out of which the distributions are made.

TAXATION OF FSL TRUST

FSL Trust is a business trust registered under the Business Trust Act 2004, holding investments in Marshall Islands and Singapore-incorporated special purpose companies (SPCs). Each SPC owns a vessel and derives lease income from the chartering or finance leasing of the vessel.

The income of FSL Trust will comprise substantially dividend income for its investments in these SPCs. FSL Trust may also receive interest income from the placement of funds, if any, in fixed deposits with banks located in Singapore or offshore banks. Other receipts of FSL Trust may include proceeds from disposal, if any, of its investments in the SPCs, and receipts from the SPCs arising from share buy backs, if any, by the SPCs.

In addition, FSL Trust may, where necessary, extend loans to the SPCs for their working capital purposes. Should such loans be granted by FSL Trust, FSL Trust will receive regular loan repayments from the SPCs. Such receipt of loan repayment, if any, would not attract Singapore income tax.

Dividend income

FSL Trust has been awarded Approved Ship Investment Enterprise (ASIE) status under the Maritime Finance Incentive (MFI) scheme with effect from 22 February 2007, the date of registration of FSL Trust under the BTA, for a period of 10 years subject to a review of performance at the end of the 5th year. With the ASIE status, the existing Singapore-incorporated SPCs, being the Approved Special Purpose Vehicles (ASPVs) of FSL Trust, would be able to enjoy tax exemption on income derived from current and future leases that are structured as finance or operating leases for the remaining life of the respective vessels they acquire during the incentive period of 10 years which is pegged to the ASIE status of FSL Trust. The Marshall Islands SPVs would not be subject to tax on their finance or operating lease income in the Marshall Islands.

In connection with the ASIE status under the MFI scheme, FSL Trust received a ministerial exemption under Section 13(12) of the Singapore Income Tax Act (Chapter 134) of its foreign-sourced dividend income received from the existing Marshall Islands SPCs, being the Marshall Islands ASPVs carrying on the business of chartering or finance leasing of vessels. Accordingly, the dividend income received by FSL Trust from the Marshall Islands ASPVs declared out of the Marshall Islands ASPVs income derived on or after the date of registration of FSL Trust would be exempt from Singapore income tax. Dividend income declared out of the Marshall Islands ASPVs' income derived before the date of registration of FSL Trust would be subject to Singapore income tax in the hands of FSL Trust at the prevailing corporate tax rate, currently 18%. The dividend income received from the Singapore-incorporated ASPVs would be tax exempt under the one-tier corporate tax system.

Share buy back

The amount distributed by the SPC to FSL Trust pursuant to a share buy back, if any, on an off-market basis may be regarded as a payment of dividend should it be made out of the SPC's distributable revenue reserves that are available for payment of dividends. Conversely, share buy back made out of contributed capital of the SPC should be regarded as a return of capital by the SPC to FSL Trust.

Where the above-mentioned share buy back, if any, by SPC constitutes an off-market purchase made in accordance with an authorized equal access scheme, the Singapore tax consequences of receiving distributions pursuant to a share buy back made out of the SPC's distributable revenue reserves would be the same as that of Singapore sourced dividend income (for share buy back made out of Singapore incorporated SPC's distributable revenue reserves) and foreign sourced dividend income (for share buy back made out of the Marshall Islands SPC's distributable revenue reserves).

In the event that the share buy back was made out of the SPC's contributed capital, the amount distributed by the SPC should be regarded as a return of capital and not taxable in Singapore, unless FSL Trust is regarded as holding its investments in the SPC for short-term trading purposes, in which case, the distributions would be taxable at the prevailing corporate tax rate.

Interest income

FSL Trust is subject to Singapore income tax on Singapore sourced interest income at the prevailing corporate tax rate of 18%. In the absence of any specific ministerial exemption to FSL Trust on foreign sourced interest income received or deemed to be received in Singapore, such foreign sourced interest income will be subject to Singapore income tax at the prevailing corporate tax rate. In the event that FSL Trust suffered foreign tax on such income, foreign tax credit may be applicable.

Gains or profits from the sale of investments in SPCs

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterization of capital gains. Hence, the gains or profits arising from the disposal of shares in the SPCs would not be taxable in Singapore unless FSL Trust is regarded by the IRAS as holding its investments in the SPCs for short-term trading purposes, in which case, the gains or profits derived therefrom would be subject to Singapore income tax at the prevailing corporate tax rate of 18%.

Such gains or profits, whether of capital or revenue nature, may subsequently be distributed to the Unitholders as tax exempt (one-tier) dividends without attracting any Singapore income tax or withholding tax.

TAXATION OF FSL TRUST'S UNITHOLDERS

Distributions

As FSL Trust is regarded as a company under the one-tier corporate tax system, all distributions made out of its cash surplus to Unitholders will take the form of tax exempt (one-tier) dividends. Such distribution will be exempt from Singapore income tax or withholding tax in the hands of the Unitholders, whether corporate or individual, regardless of their nationality, corporate identity or residence status.

The Unitholders will not be able to claim corresponding tax credit / refund for the tax paid by the Trustee-Manager on FSL Trust's taxable income, net of expenses, from which the distribution was made out of.

Gain on disposal of Units

Singapore does not have a capital gains tax regime. However, there are no specific laws or regulations which deal with the characterization of capital gains. The IRAS will examine the facts and circumstances of each disposal to determine whether a particular gain is a revenue or capital gain. The gains derived by Unitholders who are not in the trade or business of dealing in investments from the disposal of Units would more likely be regarded as capital gains and not subject to Singapore income tax. Conversely, Unitholders who are in the trade or business of dealing in investments would be subject to Singapore income tax on the gains on disposal of Units at the prevailing corporate tax rate of 18%.

Unitholders are strongly encouraged to seek specific advice from their tax advisers to determine the Singapore tax consequences of purchasing, owning and disposal of their investments in the Units.

Stamp duty

No stamp duty is payable on the allotment, holding or transfer of the Units.

Goods and Services Tax (GST)

The sale of the Units by a GST-registered Unitholder belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt sale not subject to GST. Generally, any GST directly or indirectly incurred by the GST-registered Unitholder in respect of this exempt sale will become an additional cost to the Unitholder.

Where the Units are sold by a GST-registered Unitholder to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered Unitholder in the making of this taxable supply in the course of furtherance of a business may be recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding or the Units will be subject to GST at the current standard-rate of 5%. Similar services rendered to an investor belonging outside Singapore would generally be subject to GST at zero-rate.

Yours faithfully,

Toh Boon Ngee
Executive Director, Tax
For and on behalf of
KPMG Tax Services Pte Ltd

The Vessels were valued by the Independent Valuers as at 7 February 2007. Among other factors, the Independent Valuers considered recent comparable sales (i.e. vessels of similar age and type) which they were aware of through their own practice or derived from open market reports as well as current market interest and activity at the date of the valuation.

The valuation of each vessel acquired or to be acquired by FSL Trust was not performed after physical inspection or examination of the Vessels' classification records, instead, the valuations were based on various assumptions including, but not limited to, that a sale is on a "willing buyer, willing seller" basis with the relevant Vessel being in good and seaworthy condition with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation was made on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time, there is no guarantee that the valuation would be applicable. The above valuation methodology is based on customary methods used in the shipping industry which is different from methodology commonly used in valuing other asset classes, for example, real estate property. As the net book values of vessels are not taken into account when valuing vessels, the valuation of the vessels will be different from their net book values. For the full terms and methodology of each of the Independent Valuers, please see their Valuation Certificates which are reproduced in full on pages E-3 to E-75 of this document. The terms and methodology in the Valuation Certificates are material to the valuations and should be fully understood.

Further there can be no assurance that the valuations prepared by the Independent Valuers reflect the true value of the vessels, or that other independent valuers will arrive at the same valuation.

The valuations of the Vessels have been prepared on a "charter free" basis (that is, the valuations do not take into account the value of the charter income that may be expected to be received in respect of the Vessels). The Trustee-Manager believes that such basis of valuation is appropriate in view of the availability of sales data on a "willing-buyer, willing-seller" basis for vessels that are comparable to the initial Vessels. Moreover, the preparation of valuation reports on a "with charter" basis may not be possible or, even if possible, may not reflect an accurate valuation for the reasons described below.

- Each of the bareboat charter agreements relating to the 13 Vessels is unique and has different parameters with regards to the various features including the currency of lease rentals, the base lease period, the extension lease period, early buyout options ("EBO"), and pricing of end-of-lease period purchase options. Not all of these bareboat charter agreements are structured in the same way: in some instances, the option price is fixed, while in other instances, the option prices may be at a fair market value or subject to a pricing formula. While such lease structures are not uncommon, the existence of these possible features would give rise to multiple scenarios that may emerge for each lease, for instance:

  - the EBO may be exercised at the EBO date, which is typically a few years prior to the lease expiry date,

  - the lease may be terminated at the lease expiry date, and the end-of-lease-period purchase option may be exercised upon such termination,

  - the lease may be terminated at the lease expiry date, and the lessee may choose not to exercise the end-of-lease-period purchase option,

  - the lease may be extended for the extension period at the lease expiry date, and the lessee may have the option to purchase the Vessel; or

  - the lease may be extended for the extension period at the lease expiry date, and the lessee may not have the option to purchase the Vessel.

- If the leases were to be valued "with charter", such valuation of the leases could vary significantly depending on which of the above scenarios, or other possible combinations of scenarios, materialize. In addition, the valuers would also be required to make subjective judgments about the discount rate for the cash flows over the lease period and residual values of the Vessels at the end of the lease terms.

- The Trustee-Manager believes that it is not appropriate, and very subjective to assign probabilities to the occurrence of the various possible scenarios as discussed above, given that it is not possible to predict the behaviour of the lessees or the prevailing market conditions as at the various option dates.

- There are numerous factors and conditions which may influence a lessee's decision to exercise such options, including but not limited to the following:

  - the then market value of the vessel compared to the EBO price or purchase option price;

  - the lessee's ability to seek financing to acquire the vessel when they exercise the options;

  - the extension charter rates compared to the prevailing market rates;

  - the lessee's projected operating capacity beyond the base lease term; and

  - the lessee's then allocation strategy between its owned and leased assets.

  Given the numerous factors that may affect the lessee's decisions, it is not possible to accurately predict whether or not a lessee will exercise its options.

For the reasons set above, the Trustee-Manager has obtained "charter-free" valuations for the initial fleet of 13 Vessels to reflect the value that would be obtained from selling these vessels in the market on a "willing buyer, willing seller" basis without the charter agreements in place. The valuations could be materially affected should any of the vessels be tendered for sale with a pre-existing charter attached.

The appraised value of each of the Vessels is set out in the following table:

Summary of charter-free valuation of vessels of FSL

FSL	Vessel	Valuation (US$)	Note
FSL-1	Cumbrian Fisher	25,000,000	1
FSL-2	Clyde Fisher	25,000,000	1
FSL-3	Shannon Fisher	20,000,000	1
FSL-4	Solway Fisher	20,000,000	1
FSL-5	YM Subic	23,000,000	2,3
FSL-6	Cape Falcon	23,000,000	2
FSL-7	Ever Renown	42,000,000	2
FSL-8	Ever Repute	44,000,000	2
FSL-9	Pertiwi	45,000,000	1
FSL-10	Pujawati	45,000,000	1
FSL-11	Prita Dewi	45,000,000	1
FSL-12	Fomalhaut	35,000,000	1
FSL-13	Eltanin	35,000,000	1
Total based on valuation performed:		**427,000,000**	

Note

1) Valuations of these vessels were performed by Compass Maritime Services, LLC.

2) Valuations of these vessels were performed by Howe Robinson Marine Evaluations Limited.

3) Previously named Cape Ferro.

INDEPENDENT VALUATION REPORTS

COMPASS MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
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Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MT CUMBRIAN FISHER" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MT CUMBRIAN FISHER" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 25,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MT CUMBRIAN FISHER

12,933 DWT, Chemical & Oil Carrier, Built 2004
Double Hull, Bahamas Flagged, LR Classed, IMO Number 9298404

VESSEL CHARACTERISTICS:
Yard: Samho Tongyoung,
Length Overall (LOA): 127.20 m.
Length between Perpendiculars (LPP): 119.00 m.
Draught: 8.71 m.; Moulded Depth: 11.50 m.
Beam of 20.40 m., 22.93 Tonnes per Centimetre Immersion,
Gross Tonnage: 8,446 tonnes.

CARGO: Cargo Capacity of 13,768 cu.m., 12 Tanks, 12 Pumps with a total Capacity of 7,200 cu.m., Epoxy Tank Coating, IMO Class 2, IMO Class 3, Heating Coils, Maximum heating capacity of 80 degrees Celsius, 7 Cargo Separations 7 Cargo Separations, 12 Wing Tanks with a capacity of 13,768 cu.m., all of which are fitted with heating coils, 3 Cargo Manifolds, Stern Discharge, Closed Loading System, Cargo connections have diameters of 12 inches, Manifold height above deck of 2.79 m., Distance from bow to centre manifold is 54.95 m., 12 Centrifugal Pump(s), Maximum operating capacity of cargo pumps is 7,200 t/hr, S/Steel cargo lines.

ENGINE: B. & W. Engine, 2 S.A. 6-cyl., Engine Model 6S35MC, Speed of 13.40,
Horsepower of 6,060B at 173.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 2

In respect of the valuation of "MT CUMBRIAN FISHER", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

COMPASS
MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

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and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MT CLYDE FISHER" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MT CLYDE FISHER" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
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2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 25,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

APPENDIX 1

VESSEL PROFILE DETAILS

MT CLYDE FISHER

12,985 DWT, Chemical & Oil Carrier, Built 2005
Double Hull, Bahamas Flagged, LR Classed, IMO Number 9298416

VESSEL CHARACTERISTICS:
Yard: Samho Tongyoung,
Length Overall (LOA): 127.20 m.
Length between Perpendiculars (LPP): 119.00 m.
Draught: 8.71 m.; Moulded Depth: 11.50 m.
Beam of 20.40 m., 22.93 Tonnes per Centimetre Immersion,
Gross Tonnage: 8,446 tonnes.

CARGO: Cargo Capacity of 13,768 cu.m., 12 Tanks, 12 Pumps with a total Capacity of 7,200 cu.m., Epoxy Tank Coating, IMO Class 2, IMO Class 3, Heating Coils, Maximum heating capacity of 80 degrees Celsius, 7 Cargo Separations 7 Cargo Separations, 12 Wing Tanks with a capacity of 13,768 cu.m., all of which are fitted with heating coils, 3 Cargo Manifolds, Stern Discharge, Closed Loading System, Cargo connections have diameters of 12 inches, Manifold height above deck of 2.79 m., Distance from bow to centre manifold is 54.95 m., 12 Centrifugal Pump(s), Maximum operating capacity of cargo pumps is 7,200 t/hr, S/Steel cargo lines.

ENGINE: B. & W. Engine, 2 S.A. 6-cyl., Engine Model 6S35MC, Speed of 13.40,
Horsepower of 6,060B at 173.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MT CLYDE FISHER", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS
MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
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CLSA Singapore Pte Ltd
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and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MT SHANNON FISHER" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MT SHANNON FISHER" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 **Method of Valuation**

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 **OPINION OF VALUE**

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 20,000,000.00.

3. **CERTIFICATION AND AUTHENTICATION**

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. **CONSENT**

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MT SHANNON FISHER

5,421 DWT, Product Carrier, Built 2006
Double Hull, Bahamas Flagged, LR Classed, IMO Number 9320489

Built at Damen Galati,
Length Overall of 85.32 m.,
Length Between Perpendiculars of 81.12 m.,
Draught of 6.31 m.,
Beam of 17.20 m., 13.36 Tonnes per Centimetre Immersion,
Gross Tonnage of 3,575,
Moulded Depth of 8.95 m., Lightship air draft of 23.80 m., Keel to mast air draft of 28.40 m.,
Tonnage of 2,857 Suez Canal Net, 1,444 International Net and 5,335 Dwt (long).

Cargo Capacities of 5,728 cu.m. and 36,000 Barrels, Segregated Ballast Tanks, 10 Tanks, 10 Pumps with a total Capacity of 2,000 cu.m., Epoxy Tank Coating.

ENGINE DETAILS: M.a.K. Engine, Speed of 12.00, Heavy Fuel Oil, Horsepower of 3,589B, Bunker Capacity of 193 tonnes. Engine Description 4 S.A. 8-cyl., Engine Model 8M25, 1 Variable pitch Propellor, Bow Thruster. CARGO HANDLING: 5 Cargo Separations, 10 Wing Tanks with a capacity of 5,728 cu.m., 3 Cargo Manifolds, Stern Discharge, Closed Loading System, Cargo connections have diameters of 8 inches, Manifold height above deck of 2.15 m., Distance from bow to centre manifold is 34.80 m., 10 Centrifugal Pump(s) in 1 Pumproom(s), Maximum operating capacity of cargo pumps is 2,000 t/hr, S/Steel cargo lines. SAFETY AND OTHER DETAILS: Last known special survey in January 2006, Ballast Capacity of 2,524 tonnes, Marpol Certificate, Solas Certificate, High Level Alarms, Automatic Ullaging, Vapour Return Ashore, Centre Line Bulkhead.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MT SHANNON FISHER", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

INDEPENDENT VALUATION REPORTS

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

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One Raffles Quay #16-00 South Tower
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9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MT SOLWAY FISHER" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MT SOLWAY FISHER" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 20,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

APPENDIX 1

VESSEL PROFILE DETAILS

MT SOLWAY FISHER

5,435 DWT, Product Carrier, Built 2006
Double Hull, Bahamas Flagged, LR Classed, IMO Number 9320491

Built at Damen Galati,
Length Overall of 85.32 m.,
Length Between Perpendiculars of 81.12 m.,
Draught of 6.31 m.,
Beam of 17.20 m., 13.36 Tonnes per Centimetre Immersion,
Gross Tonnage of 3,575,
Moulded Depth of 8.95 m., Lightship air draft of 23.80 m., Keel to mast air draft of 28.40 m.,
Tonnage of 2,857 Suez Canal Net, 1,444 International Net and 5,335 Dwt (long).

Cargo Capacities of 5,728 cu.m. and 36,000 Barrels, Segregated Ballast Tanks, 10 Tanks, 10 Pumps with a total Capacity of 2,000 cu.m., Epoxy Tank Coating.

ENGINE DETAILS: M.a.K. Engine, Speed of 12.00, Heavy Fuel Oil, Horsepower of 3,589B, Bunker Capacity of 193 tonnes. Engine Description 4 S.A. 8-cyl., Engine Model 8M25, 1 Variable pitch Propellor, Bow Thruster. CARGO HANDLING: 5 Cargo Separations, 10 Wing Tanks with a capacity of 5,728 cu.m., 3 Cargo Manifolds, Stern Discharge, Closed Loading System, Cargo connections have diameters of 8 inches, Manifold height above deck of 2.15 m., Distance from bow to centre manifold is 34.80 m., 10 Centrifugal Pump(s) in 1 Pumproom(s), Maximum operating capacity of cargo pumps is 2,000 t/hr, S/Steel cargo lines. SAFETY AND OTHER DETAILS: Last known special survey in January 2006, Ballast Capacity of 2,524 tonnes, Marpol Certificate, Solas Certificate, High Level Alarms, Automatic Ullaging, Vapour Return Ashore, Centre Line Bulkhead.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

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APPENDIX 2

In respect of the valuation of "MT SOLWAY FISHER", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

HOWE ROBINSON MARINE EVALUATIONS LIMTED

77 Mansell Street
London E1 8AF

Telephone 020 · 7488 3444
Facsimile 020 · 7457 8499

INDEPENDENT VALUATION REPORT

February 7th 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the "Trustee-Manager")

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

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A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

VALUATION CERTIFICATE FOR THE VALUATION OF "M.V. YM Subic" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

P B Kerr-Dineen, D M Lewis, G R Hulse, G C B Hindley
D H Duxton, N J Bailey, P F Dowell, D I A Hall

Reg No 5624420 England
Reg Office 77 Mansell Street London E1 8AF

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "M.V. YM Subic" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in conjunction with the initial public offering of units of the Trust ("IPO").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO. No responsibility whatsoever can be accepted in any context other than for its use in the Prospectus.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th 2007 ("Date of Valuation"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation can be sustained or would be realisable in an actual transaction.

2. 3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition. Any person, however, contemplating to enter a transaction should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements which this valuation contains.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification. Any discrepancy between the figures used in this valuation and the vessels actual specifications can materially affect the valuations given.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation is on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time there is no guarantee that this

valuation would be applicable. This valuation could be materially affected should the vessel be tendered for sale with a pre existing charter attached. Historically, ship values have been subject to considerable fluctuation.

2.6 Method of Valuation

Our valuation is arrived at after considering all relevant market information known to us, at the date of valuation, in our capacity as professional brokers who are regularly involved in the sale and purchase markets for ships of this type.

We have taken into account recent sales, known to us through our own practice or derived from open market reports, as well as current market interest and activity at the date of valuation. We have applied our professional judgment to assess the monetary value of any differences in the descriptions of other ships, the terms of any relevant contracts (in so far as they are known to us), and any other relevant market sensitive data including the timing and dates attaching to other transactions and negotiations.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 23,000,000.00 (United States Dollars Twenty Three Million).

2.8 CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of
HOWE ROBINSON MARINE EVALUATIONS LIMITED

Nicholas Bailey
Director

77 Mansell Street
London E1 8AF

Telephone 020 · 7488 3444
Facsimile 020 · 7457 8499

APPENDIX 1

VESSEL PROFILE DETAILS

MV. "YM SUBIC"

SEE ATTACHMENTS

Fairplay Vessel Detail Report

Name	Cape Ferro	Flag	Marshall Islands	IMO Number	9248954

Call Sign	V7FH5	Operator	Regional Container	Thailand
Dwt	16,439	Owner	Hanse Bereederungs	Germany
Due or Delivered	01 Oct 2003	Manager	Columbia Shipmanagement Ltd	Cyprus
Status	Delivered	Registered Owner	Cape Ferro Shipping Co Ltd	Marshall Islands
Main Vessel Type	Container	Port Of Registry	Majuro	Acquired Mar 2004

Original Name	CAPE FERRO	Flag	Marshall Islands
Manager	Columbia Shipmanagement Lt	Cyprus	
Operator	Columbia Shipmanagement Lt	Cyprus	
Owner	Schoeller Holdings	Cyprus	

Builder	Peene-Werft GmbH	Germany	Hull 505
Main Hull Contractor	Peene-Werft GmbH	Germany	Hull 505
Main Newbuild Contractor	Peene-Werft GmbH	Germany	Hull 505
Shipyard	Wolgast	Germany	Hull
Standard Design	PW 1200	Newbuilding Price	
Contract Date	01 Mar 2001	Newbuilding Price USD	
Keel Laid	10 Mar 2003	Conversion	
Launched	12 Aug 2003	Conversion Date	
Due or Delivered	01 Oct 2003	Converted By	
Construction Details			

Deadweight Tonnage	16,439	Length Overall	154.50	Beam	25.00
Gross Tonnage	14,308	Length Between Perpendiculars	146.70	Draft	9.00
Net Registered Tonnage	4,650			Depth	14.20
Compensated Gross Tonnage	12,877				

Builder	Alpha	Type	Motor Diesel	Thrusters	
Engine Make	B&W	Number	1	Propulsion Type	FP Propeller
Model	7S50MC-C	Engine Layout	In Line	Propulsion Units	1
Total HP	15,036	Engine RP	127	Cylinder Bore	500
Total Kw	11,060	Engine Speed	Slow	Cylinder Stroke	2000
Consumption HFO		Engine Stroke	2		
Consumption MDO		Consumption Speed			
Engine Details					

P & I Club			
Sub Type	Container Ship		
Classed By	Germanischer Lloyd	Ice Strengthened	☐
Class Date	01 Oct 2003	Heavy Cargo Strengthened	☐
Classification ID		Hull Type	
Class Notation			

TEU	1,200	Lash
Reefer TEU	150	Temperature Maximum
Reefer Capacity		Temperature Minimum
Container Arrangement		

Produced by Fairplay World Shipping Encyclopaedia on Monday, June 06, 2005

1 VESSEL'S PARTICULARS

1.1 PARTICULARS

1.1.1	Ship's name:	YM Subic
1.1.2	Ex. Names:	Cape Ferro
1.1.3	IMO No:	9248954
1.1.4	Flag/Port of registry:	Marshall Islands / Majuro
1.1.5	Year built:	2003
1.1.6	Builder:	Peene-Werft GmbH, Wolgast, Germany
1.1.7	Class society:	Germanischer Lloyd
1.1.8	Class notations:	+ 100 A5 E with freeboard 5.215m IW NAV-OC SOLAS-II-2, Reg. 19 C2P52 Container Ship + MC E Aut
1.1.9	Ship type:	Gearless Cellular Containership
1.1.10	GT:	14308
1.1.11	Summer DWT:	16421
1.1.12	Last docking:	14.06.2006
1.1.13	Last Class Special Survey:	N/A Vessel delivered on 29.10.2003.
1.1.14	Ship's trading pattern:	Far East (Japan – Taiwan – Hong Kong)
1.1.15	Master's name:	Andrzej Skucha
1.1.16	Name of owner's representative attending survey:	Capt. Philip J. Brown
1.1.17	Time under present management:	Since 05.07.2005 (1.25 years under new owners)
1.1.18	Owners:	FSL-5, Inc. of Marshall Islands
1.1.19	Managers (crewing, technical & operational):	Columbia Shipmanagement Ltd., Cyprus.

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APPENDIX 2

In respect of the valuation of "M.V YM Subic", Howe Robinson Marine Evaluations Limited have acted as an independent valuer. In the usual course of business, other companies owned by the same group as Howe Robinson Marine Evalautions Limited may have acted as shipbrokers to transactions which involved the vessels subject to the valuation.

Yours sincerely,

Nicholas Bailey
Director
Howe Robinson Marine Evaluations Limited

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INDEPENDENT VALUATION REPORT

February 7th 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the "Trustee-Manager")

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

VALUATION CERTIFICATE FOR THE VALUATION OF "M.V. Cape Falcon" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "M.V. Cape Falcon" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in conjunction with the initial public offering of units of the Trust ("IPO").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO. No responsibility whatsoever can be accepted in any context other than for its use in the Prospectus.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th 2007 ("Date of Valuation"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation can be sustained or would be realisable in an actual transaction.

2. 3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition. Any person, however, contemplating to enter a transaction should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements which this valuation contains.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification. Any discrepancy between the figures used in this valuation and the vessels actual specifications can materially affect the valuations given.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation is on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time there is no guarantee that this

valuation would be applicable. This valuation could be materially affected should the vessel be tendered for sale with a pre existing charter attached. Historically, ship values have been subject to considerable fluctuation.

2.6 Method of Valuation

Our valuation is arrived at after considering all relevant market information known to us, at the date of valuation, in our capacity as professional brokers who are regularly involved in the sale and purchase markets for ships of this type.

We have taken into account recent sales, known to us through our own practice or derived from open market reports, as well as current market interest and activity at the date of valuation. We have applied our professional judgment to assess the monetary value of any differences in the descriptions of other ships, the terms of any relevant contracts (in so far as they are known to us), and any other relevant market sensitive data including the timing and dates attaching to other transactions and negotiations.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 23,000,000.00 (United States Dollars Twenty Three Million).

2.8 CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of
HOWE ROBINSON MARINE EVALUATIONS LIMITED

Nicholas Bailey
Director

HOWE ROBINSON MARINE EVALUATIONS LIMTED

77 Mansell Street
London E1 8AF

Telephone 020 · 7488 3444
Facsimile 020 · 7457 8499

APPENDIX 1

VESSEL PROFILE DETAILS

MV. "CAPE FALCON"

SEE ATTACHMENTS

P B Kerr-Dineen, D M Lewis, G R Hulse, G C B Hindley
D H Duxton, N J Bailey, P F Dowell, D I A Hall

Reg No 5624420 England
Reg Office 77 Mansell Street, London E1 8AF

Fairplay Vessel Detail Report

Name	Cape Falcon	Flag	Marshall Islands	IMO Number	9248928

Call Sign	V7EK6	Operator	P&O Nedlloyd Ltd	United Kingdom
Dwt	16,421	Owner	Cape Falcon Shipping	Marshall Islands
Due or Delivered	01 Mar 2003	Manager	Columbia Shipmanagement Ltd	Cyprus
Status	Delivered	Registered Owner	Cape Falcon Shipping Co Ltd	Marshall Islands
Main Vessel Type	Container	Port Of Registry	Majuro Acquired	Aug 2003

Original Name	CAPE FALCON	Flag	Marshall Islands
Manager	MPC Steamship GmbH		Germany
Operator	MPC Steamship GmbH		Germany
Owner	MPC Steamship GmbH		Germany

Builder	Hegemann Rolandwerft GmbH	Germany	Hull 211
Main Hull Contractor	Hegemann Rolandwerft GmbH	Germany	Hull 211
Main Newbuild Contractor	Peene-Werft GmbH	Germany	Hull 502
Shipyard	Wolgast	Germany	Hull
Standard Design	PW 1200	Newbuilding Price	
Contract Date	01 Mar 2001	Newbuilding Price USD	
Keel Laid	25 Jun 2002	Conversion	
Launched	11 Dec 2002	Conversion Date	
Due or Delivered	01 Mar 2003	Converted By	
Construction Details			

Deadweight Tonnage	16,421	Length Overall	155.60	Beam	25.00
Gross Tonnage	14,308	Length Between Perpendiculars	148.70	Draft	9.00
Net Registered Tonnage	4,650			Depth	14.20
Compensated Gross Tonnage	12,877				

Builder	Alpha	Type	Motor Diesel	Thrusters	
Engine Make	B&W	Number	1	Propulsion Type	FP Propeller
Model	7S50MC-C	Engine Layout	In Line	Propulsion Units	1
Total HP	15,037	Engine RP	127	Cylinder Bore	500
Total Kw	11,060	Engine Speed	Slow	Cylinder Stroke	2000
Consumption HFO		Engine Stroke	2		
Consumption MDO		Consumption Speed			
Engine Details					

P & I Club	Standard Steamship Owners'		
Sub Type	Container Ship		
Classed By	Germanischer Lloyd	Ice Strengthened	☑
Class Date	01 Jun 2003	Heavy Cargo Strengthened	☐
Classification ID		Hull Type	Double Bottom
Class Notation			

TEU	1,200	Lash	
Reefer TEU	150	Temperature Maximum	
Reefer Capacity		Temperature Minimum	
Container Arrangement	476H,724D		

Produced by Fairplay World Shipping Encyclopaedia on Monday, June 06, 2005

1 VESSEL'S PARTICULARS

1.1 PARTICULARS

1.1.1	Ship's name:	Cape Falcon
1.1.2	Ex. Names:	Nil
1.1.3	IMO No:	9248928
1.1.4	Flag/Port of registry:	Marshall Islands / Majuro
1.1.5	Year built:	2003
1.1.6	Builder:	Detlef Hefemann Rolandwerft GmbH, Berne, Germany.
1.1.7	Class society:	Germanischer Lloyd
1.1.8	Class notations:	+ 100 A5 E with freeboard 5.215m IW NAV-OC SOLAS II-2, Reg. 19 C2P52 Container Ship +MC E AUT
1.1.9	Ship type:	Gearless Cellular Container Ship
1.1.10	GT:	14308
1.1.11	Summer DWT:	16370.6
1.1.12	Last docking:	In-water survey 05.02.2006
1.1.13	Last Class Special Survey:	N/A, vessel delivered on 28.03.2003.
1.1.14	Ship's trading pattern:	Far East and South East Asia (Thailand)
1.1.15	Master's name:	Jutrovic Ivo
1.1.16	Name of owner's representative attending survey:	Not available
1.1.17	Time under present management:	3.5 years. (Since delivery)
1.1.18	Owners:	FSL-6 Inc. of Marshall Islands
1.1.19	Managers (crewing, technical & operational):	Columbia Shipmanagement Ltd., Cyprus.

HOWE ROBINSON MARINE EVALUATIONS LIMTED

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APPENDIX 2

In respect of the valuation of "M.V Cape Falcon", Howe Robinson Marine Evaluations Limited have acted as an independent valuer. In the usual course of business, other companies owned by the same group as Howe Robinson Marine Evalautions Limited may have acted as shipbrokers to transactions which involved the vessels subject to the valuation.

Yours sincerely,

Nicholas Bailey
Director
Howe Robinson Marine Evaluations Limited

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INDEPENDENT VALUATION REPORT

February 7th 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the "Trustee-Manager")

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
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A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

VALUATION CERTIFICATE FOR THE VALUATION OF "M.V. Ever Renown" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "M.V. Ever Renown" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in conjunction with the initial public offering of units of the Trust ("IPO").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO. No responsibility whatsoever can be accepted in any context other than for its use in the Prospectus.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th 2007 ("Date of Valuation"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation can be sustained or would be realisable in an actual transaction.

2. 3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition. Any person, however, contemplating to enter a transaction should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements which this valuation contains.

2.4 Description of the Vessel

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2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation is on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time there is no guarantee that this

valuation would be applicable. This valuation could be materially affected should the vessel be tendered for sale with a pre existing charter attached. Historically, ship values have been subject to considerable fluctuation.

2.6 Method of Valuation

Our valuation is arrived at after considering all relevant market information known to us, at the date of valuation, in our capacity as professional brokers who are regularly involved in the sale and purchase markets for ships of this type.

We have taken into account recent sales, known to us through our own practice or derived from open market reports, as well as current market interest and activity at the date of valuation. We have applied our professional judgment to assess the monetary value of any differences in the descriptions of other ships, the terms of any relevant contracts (in so far as they are known to us), and any other relevant market sensitive data including the timing and dates attaching to other transactions and negotiations.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 42,000,000.00 (United States Dollars Forty Two Million).

2.8 CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of
HOWE ROBINSON MARINE EVALUATIONS LIMITED

Nicholas Bailey
Director

HOWE ROBINSON MARINE EVALUATIONS LIMTED

77 Mansell Street
London E1 8AF

Telephone 020 · 7488 3444
Facsimile 020 · 7457 8499

APPENDIX 1

VESSEL PROFILE DETAILS

MV. "EVER RENOWN"

SEE ATTACHMENTS

船舶明細表

PARTICULARS

船 名 Ship Name EVER RENOWN
船 東 Owner GREENCOMPASS MARINE S.A.
國 籍 Nationality PANAMA
船 型 Type FLUSH DECKER (WITH F'CLE)
IMO NO. 9055474
MMSI NO. 353396000

註 冊 Official No. 21509-94-C
註冊港 Port of Registy PANAMA
呼 號 Call Letters 3FFR4
衛星通訊呼號 Inmarsat ID.No.F TEL 764154750
FAX 600547751
C 435339610

船 級 Class No. NK NO.941740
Class Notation NS* ,MNS*(MO)
建造年 Built Keel Laid NOV.10.1993
Launched MAR.02.1994
Delivered JUN.14.1994
建造廠 Builder MITSUBISHI HEAVY INDUSTRIES, LTD,(SN-1198)
材 質 Material STEEL
定 檢 Special Survey

		Designed	Registered
總 長	Length O.A.	294.13 M	
法 長	Length B.P.	281.00 M	281.63 M
船 寬	Breadth MLD.	32.22 M	32.22 M
船 深	Depth MLD.	21.25 M	17.40 M
吃 水	Draft Designed	12.50 M	
	Summer	12.60 M	12.632 M
總船高	Air Draft	50.05 M	
總噸數	Gross Tonnage		53,103
純噸數	Net Tonnage		29,431
載貨重量	Dead Weight		58,912 MT
排水量	Displacement		79,156 MT
輕排水量	Light Displacement		20,244 MT
船 速	Speed Sea Trial		26.04 Knots
	Service		23.20 Knots
貨櫃容積	Container	4 tier	3,904 TEU
		4&5 tier	4,229 TEU
		(REF.450 Sockets)	

載貨容積 Capacity
燃油艙 Fuel Oil "C" : 5,489.9 Cub.M
"A" : 399.3 Cub.M
淡水艙 Fresh Water : 227.7 Cub.M
壓水艙 Ballast Water : 24,446.1 Cub.M
巴拿馬噸位 Panama Tonnage: 55,277.87 T
(PC/UMS NET TONNAGE) 42,005.09 T
蘇伊士噸位 Sues Tonnage :G/T 54,295.91 T
N/T 47,859.01 T
加拿大噸位 Canadian Tonnage: G/T
N/T

甲 板 Deck Plan 1
艙 壁 Bulkhead 11
貨 艙 Holds 9
艙口蓋 Hatch Covers 53
吊貨機 Crane(Provisions) 7/2T x 7/14 X 1 Set
吊桿/絞機 Derricks/Winches NIL
主 機 Main Engine Type MITSUBISHI SULZER 9RTA84C
製造廠 Engine Maker MITSUBISHI HEAVY INDUSTRIES,LTD
主機位置 Engine Place Semi-Aft
馬力 x 轉數 BHPxRPM MCO: 46,800 PS x 100 RPM
NOR: 42,120 PS x 96.5 RPM
耗油量 Consumption at Port A/C 14.8 M.T./DAY
at Sea C 131.8 M.T./DAY
艏推進器 BOW THRUSTER TC-280N(TECHNO NAKASHIMA)
馬力 x 轉速 KWxRPM 2000 KW x 880 RPM
輔助鍋爐 Aux. Boiler Type Vertical, Water Tube Boiler
製造廠 Boiler Maker OSAKA BOILER
壓 力 Boiler Working Pressure 7 Kg/cm2
發電機 Gen. Eng. MAN B&W HOLEBY 7L28/32H
MAN DEMP D0226MLE
發電量 Gen. Capacity 1,700 KVA. AC450V x 4 SETS
125 KVA. AC450V x 1 SET
無線電 Wireless MF/HF INSTALLATION 800W
INMARSAT-C,LR,GPS,DECCA
航海儀器 Nav. Equipments GP,ES,DS,DSL,RDF,FAX
特別設備 Special Equipments INMARSAT-F
艙 口 蓋 Hatch Cover Sizes(m):

NO.1 BAY C.H	12.80 M x 5.376	M (P&S)
	12.80 M x 10.432	M (C)
NO.2 BAY C.H	12.64 M x 5.376	M (P&S)
	12.64 M x 10.432	M (C)
NO.3~13 BAY	12.80 M x 7.944	M (P&S)
&16,17 BAY	12.80 M x 10.432	M (C)
NO.14 BAY C.H	12.64 M x 7.944	M (P&S)

	12.64 M x 10.432	M (C)
NO.15 BAY C.H	12.64 M x 7.944	M (P&S)
NO.18 BAY C.H	12.78 M x 7.944	M (P&S)
	12.78 M x 10.432	M (C)

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APPENDIX 2

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Yours sincerely,

Nicholas Bailey
Director
Howe Robinson Marine Evaluations Limited

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INDEPENDENT VALUATION REPORT

February 7th 2007

FSL Trust Management Pte. Ltd.
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Suntec Tower Three
Singapore 038988
(the "Trustee-Manager")

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
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A Member of the Macquarie Group
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9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

VALUATION CERTIFICATE FOR THE VALUATION OF "M.V. Ever Repute" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "M.V. Ever Repute" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "SGX-ST") in conjunction with the initial public offering of units of the Trust ("IPO").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO. No responsibility whatsoever can be accepted in any context other than for its use in the Prospectus.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th 2007 ("Date of Valuation"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation can be sustained or would be realisable in an actual transaction.

2. 3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition. Any person, however, contemplating to enter a transaction should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements which this valuation contains.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification. Any discrepancy between the figures used in this valuation and the vessels actual specifications can materially affect the valuations given.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone. The valuation is on the basis of a sale of an individual vessel. Should more than one vessel of the same type be tendered for sale at the same time there is no guarantee that this

valuation would be applicable. This valuation could be materially affected should the vessel be tendered for sale with a pre existing charter attached. Historically, ship values have been subject to considerable fluctuation.

2.6 Method of Valuation

Our valuation is arrived at after considering all relevant market information known to us, at the date of valuation, in our capacity as professional brokers who are regularly involved in the sale and purchase markets for ships of this type.

We have taken into account recent sales, known to us through our own practice or derived from open market reports, as well as current market interest and activity at the date of valuation. We have applied our professional judgment to assess the monetary value of any differences in the descriptions of other ships, the terms of any relevant contracts (in so far as they are known to us), and any other relevant market sensitive data including the timing and dates attaching to other transactions and negotiations.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 44,000,000.00 (United States Dollars Forty Four Million).

2.8 CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of
HOWE ROBINSON MARINE EVALUATIONS LIMITED

Nicholas Bailey
Director

APPENDIX 1

VESSEL PROFILE DETAILS

MV. "EVER REPUTE"

SEE ATTACHMENTS

船舶明細表

PARTICULARS

船　名 Ship Name EVER REPUTE	註　冊 Official No. 22590-96-C
船　東 Owner GREENCOMPASS MARINE S.A.	註冊港 Port of Registy PANAMA
國　籍 Nationality PANAMA	呼　號 Call Letters 3FRZ4
船　型 Type FLUSH DECKER (WITH F'CLE)	衛星通訊呼號 Inmarsat ID.No.F TEL 764154748
	FAX 600547747
IMO NO. 9061136	C 435448910
MMSI NO. 354489000	

船　級 Class No. NK NO.954117	甲　板 Deck Plan 1
Class Notation NS* ,MNS*(MO)	艙　壁 Bulkhead 11
	貨　艙 Holds 9
建造年 Built Keel Laid JAN.12.1995	艙口蓋 Hatch Covers 53
Launched JUL.18.1995	吊貨機 Crane(Provisions) 7/2T x 7/14 X 1 Set
Delivered NOV.22.1995	吊桿/絞機 Derricks/Winches NIL
建造廠 Builder MITSUBISHI HEAVY INDUSTRIES, LTD,(SN-1206)	主　機 Main Engine Type MITSUBISHI SULZER 9RTA84C
材　質 Material STEEL	製造廠 Engine Maker MITSUBISHI HEAVY INDUSTRIES,LTD
定　檢 Special Survey	主機位置 Engine Place Semi-Aft
Designed / Registered	馬力 x 轉數 BHPxRPM MCO: 46,800 PS x 100 RPM
總　長 Length O.A. 294.13 M	NOR: 42,120 PS x 96.5 RPM
法　長 Length B.P. 281.00 M / 281.63 M	耗油量 Consumption at Port A/C 14.8 M.T./DAY
船　寬 Breadth MLD. 32.22 M / 32.22 M	at Sea C 131.8 M.T./DAY
船　深 Depth MLD. 21.25 M / 17.40 M	艏推進器 BOW THRUSTER TC-280N(TECHNO NAKASHIMA)
吃　水 Draft Designed 12.50 M	
Summer 12.60 M / 12.632 M	馬力 x 轉速 KWxRPM 2000 KW x 880 RPM
總船高 Air Draft 50.05 M	輔助鍋爐 Aux. Boiler Type Vertical, Water Tube Boiler
總噸數 Gross Tonnage 53,103	
純噸數 Net Tonnage 29,431	製造廠 Boiler Maker OSAKA BOILER
載貨重量 Dead Weight 58,912 MT	壓　力 Boiler Working Pressure 7 Kg/cm2
排水量 Displacement 79,156 MT	發電機 Gen. Eng. MAN B&W HOLEBY 7L28/32H
輕排水量 Light Displacement 20,244 MT	
船　速 Speed Sea Trial 25.33 Knots	MAN DEMP D0226MLE
Service 23.20 Knots	發電量 Gen. Capacity 1,700 KVA. AC450V x 4 SETS
貨櫃容積 Container 4 tier 3,904 TEU	125 KVA. AC450V x 1 SET
4&5 tier 4,229 TEU (REF.450 Sockets)	無線電 Wireless MF/HF INSTALLATION 800W
載貨容積 Capacity	INMARSAT-C,LR,GPS,DECCA
燃油艙 Fuel Oil "C" : 5,489.9 Cub.M	航海儀器 Nav. Equipments GP,ES,DS,DSL,RDF,FAX
"A" : 399.3 Cub.M	特別設備 Special Equipments INMARSAT-F
淡水艙 Fresh Water : 227.7 Cub.M	艙口蓋 Hatch Cover Sizes(m):
壓水艙 Ballast Water : 24,446.1 Cub.M	NO.1 BAY C.H 12.80 M x 5.376 M (P&S)
巴拿馬噸位 Panama Tonnage: 43,729 T	12.80 M x 10.432 M (C)
(PC/UMS NET TONNAGE)	NO.2 BAY C.H 12.64 M x 5.376 M (P&S)
蘇伊士噸位 Sues Tonnage :G/T 54,295.91 T	12.64 M x 10.432 M (C)
N/T 47,859.01 T	NO.3~13 BAY 12.80 M x 7.944 M (P&S)
加拿大噸位 Canadian Tonnage: G/T	&16,17 BAY 12.80 M x 10.432 M (C)
N/T	NO.14 BAY C.H 12.64 M x 7.944 M (P&S)

	12.64 M x 10.432	M (C)
NO.15 BAY C.H	12.64 M x 7.944	M (P&S)
NO.18 BAY C.H	12.78 M x 7.944	M (P&S)
	12.78 M x 10.432	M (C)

HOWE ROBINSON MARINE EVALUATIONS LIMTED

77 Mansell Street
London E1 8AF

Telephone 020 · 7488 3444
Facsimile 020 · 7457 8499

APPENDIX 2

In respect of the valuation of "M.V Ever Repute", Howe Robinson Marine Evaluations Limited have acted as an independent valuer. In the usual course of business, other companies owned by the same group as Howe Robinson Marine Evalautions Limited may have acted as shipbrokers to transactions which involved the vessels subject to the valuation.

Yours sincerely,

Nicholas Bailey
Director
Howe Robinson Marine Evaluations Limited

INDEPENDENT VALUATION REPORTS

COMPASS
MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MT PERTIWI" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MT PERTIWI" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 45,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MT PERTIWI

19,970 DWT, Chemical & Oil Carrier, Built 2006
Double Hull, Singapore Flagged, NK Classed, IMO Number 9340453

Built at Usuki Zosensho,
Length Overall of 145.53 m.,
Length Between Perpendiculars of 137.00 m.,
Draught of 9.60 m., Beam of 23.70 m.,
Gross Tonnage of 11,587,
B. & W. Engine, Speed of 15.10, Unspecified Fuel Oil, Horsepower of 8,362B at 136, Bunker Capacity of 972 tonnes.

Cargo Capacity of 22,186 cu.m., 12 Tanks, 12 Pumps with a total Capacity of 3,600 cu.m., Stainless Steel Tank Coating, IMO Class 2, IMO Class 3.

DIMENSIONS/TONNAGES: Moulded Depth of 13.35 m., Tonnage of 6,061 International Net and 19,655 Dwt (long). ENGINE DETAILS: Engine Description 2 S.A. 6-cyl., Engine Model 6S42MC, 1 Propellor. CARGO HANDLING: 12 Wing Tanks with a capacity of 22,186 cu.m., Maximum operating capacity of cargo pumps is 3,600 t/hr. SAFETY AND OTHER DETAILS: Last known special survey in June 2006, Ballast Capacity of 7,797 tonnes.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MT PERTIWI", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS
MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

Dear Sirs,

FSL TRUST (THE “TRUST”)

VALUATION CERTIFICATE FOR THE VALUATION OF “MT PUJAWATI” (THE “VESSEL”) FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of “MT PUJAWATI” whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in conjunction with the initial public offering of units of the Trust (“**IPO**”).

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the “Prospectus”) to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel’s classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 45,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of
COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

APPENDIX 1

VESSEL PROFILE DETAILS

MT PUJAWATI

19,996 DWT, Chemical & Oil Carrier, Built 2006
Double Hull, Singapore Flagged, NK Classed, IMO Number 9340465

Built at Usuki Zosensho,
Length Overall of 145.53 m.,
Length Between Perpendiculars of 137.00 m.,
Draught of 9.60 m., Beam of 23.70 m.,
Gross Tonnage of 11,587,
B. & W. Engine, Speed of 15.10, Unspecified Fuel Oil, Horsepower of 8,362B at 136, Bunker Capacity of 972 tonnes.

Cargo Capacity of 22,186 cu.m., 12 Tanks, 12 Pumps with a total Capacity of 3,600 cu.m., Stainless Steel Tank Coating, IMO Class 2, IMO Class 3.

DIMENSIONS/TONNAGES: Moulded Depth of 13.35 m., Tonnage of 6,061 International Net and 19,655 Dwt (long). ENGINE DETAILS: Engine Description 2 S.A. 6-cyl., Engine Model 6S42MC, 1 Propellor. CARGO HANDLING: 12 Wing Tanks with a capacity of 22,186 cu.m., Maximum operating capacity of cargo pumps is 3,600 t/hr. SAFETY AND OTHER DETAILS: Last known special survey in June 2006, Ballast Capacity of 7,797 tonnes.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MT PUJAWATI", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

INDEPENDENT VALUATION REPORTS

COMPASS MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

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168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

FSL TRUST (THE “TRUST”)

VALUATION CERTIFICATE FOR THE VALUATION OF “MT PRITA DEWI” (THE “VESSEL”) FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of “MT PRITA DEWI” whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in conjunction with the initial public offering of units of the Trust (“**IPO**”).

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the “Prospectus”) to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel’s classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 45,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MT PRITA DEWI

19,996 DWT, Chemical & Oil Carrier, Built 2006
Double Hull, Singapore Flagged, NK Classed, IMO Number 9349643

Built at Usuki Zosensho,
Length Overall of 145.53 m.,
Length Between Perpendiculars of 137.00 m.,
Draught of 9.60 m., Beam of 23.70 m.,
Gross Tonnage of 11,587,
B. & W. Engine, Speed of 15.10, Unspecified Fuel Oil, Horsepower of 8,362B at 136, Bunker Capacity of 972 tonnes.

Cargo Capacity of 22,186 cu.m., 12 Tanks, 12 Pumps with a total Capacity of 3,600 cu.m., Stainless Steel Tank Coating, IMO Class 2, IMO Class 3.

DIMENSIONS/TONNAGES: Moulded Depth of 13.35 m., Tonnage of 6,061 International Net and 19,655 Dwt (long). ENGINE DETAILS: Engine Description 2 S.A. 6-cyl., Engine Model 6S42MC, 1 Propellor. CARGO HANDLING: 12 Wing Tanks with a capacity of 22,186 cu.m., Maximum operating capacity of cargo pumps is 3,600 t/hr. SAFETY AND OTHER DETAILS: Last known special survey in June 2006, Ballast Capacity of 7,797 tonnes.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MT PRITA DEWI", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

INDEPENDENT VALUATION REPORTS

COMPASS MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MV FOMALHAUT" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MV FOMALHAUT" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 **Method of Valuation**

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 **OPINION OF VALUE**

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 35,000,000.00.

3. **CERTIFICATION AND AUTHENTICATION**

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. **CONSENT**

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche
Partner

Basil M Karatzas
Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MV FOMALHAUT (EX:BRAVE IMPERIALE)
Singapore Flagged, AB Classed, IMO Number 9169330
46,693 DWT, Bulk Carrier, Built 1999

Built at Siba Ships, Built at Sanoyas, Length Overall of 187.30 m., Length Between Perpendiculars of 180.00 m., Draught of 11.36 m., Beam of 32.20 m., Gross Tonnage of 26,862, Sulzer Engine, Speed of 14.00 kts at 26.00 tonnes per day, Intermediate Fuel Oil, Horsepower of 9,800B at 110, Bunker Capacity of 1,760 tonnes.

Specialised Details Grain Capacity of 59,830 cu.m., Fore & aft hatches, Hydraulically operated, 5 Holds, 5 Hatches, Strengthened for Heavy Cargo, 4 Crane(s) with a safe working load of 30 tonnes.

Additional Information IDENTIFICATION: Exnames are Brave Imperiale, Denise C., Grey Hawk. Handymax Bulker, Call Sign 9VEZ5,. DIMENSIONS/TONNAGES: Moulded Depth of 16.10 m., Tonnage of 22,004 Suez Canal Net, 15,730 International Net and 45,956 Dwt (long). ENGINE DETAILS: Engine Description 2 S.A. 6-cyl., Engine Model 6RTA48. CARGO HANDLING: Bale Capacity of 58,135 cu.m., Hatch Dimensions are 4 @ 20.80 x 18.30 m., 1 @ 20.00 x 15.00 m. SAFETY AND OTHER DETAILS: Last known special survey in February 2004.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MV FOMALHAUT", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

INDEPENDENT VALUATION REPORTS

COMPASS
MARITIME SERVICES, LLC

February 7th, 2007

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988
(the 'Trustee-Manager')

Deutsche Bank AG, Singapore Branch
One Raffles Quay #16-00 South Tower
Singapore 048583

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

Macquarie Securities (Asia) Pte Limited
A Member of the Macquarie Group
23 Church Street
#11-11 Capital Square
Singapore 049481

CLSA Singapore Pte Ltd
9 Raffles Place
#19-20/21 Republic Plaza II
Singapore 048619

and

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-03 OCBC Centre East
Singapore 049514

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

Dear Sirs,

FSL TRUST (THE "TRUST")

VALUATION CERTIFICATE FOR THE VALUATION OF "MV ELTANIN" (THE "VESSEL") FOR THE PURPOSE OF THE PROSPECTUS TO BE ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST

1. INTRODUCTION

We have been instructed by the Trustee-Manager to undertake the valuation of "MV ELTANIN" whose details are listed in **Appendix 1** attached herewith for the purpose of submission to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in conjunction with the initial public offering of units of the Trust ("**IPO**").

2. SALIENT TERMS OF THE VALUATION

2.1 Purpose of Valuation

The valuation has been undertaken for the sole purpose of the prospectus (the "Prospectus") to be issued in connection with the IPO.

2.2 Material Date of Valuation

The valuation was undertaken on February 7th, 2007 ("**Date of Valuation**"). The valuation given in this report is accurate as at the date of the valuation based on the assumptions contained herein and should not be taken to apply at any other date. In addition, no assurance can be given that the valuation will be sustained in the future or is realizable in an actual transaction.

2.3 No Inspection

We have not made a physical inspection of the Vessel, nor have we inspected the Vessel's classification records and we have assumed for purposes of this valuation that the Vessel is in a good and seaworthy condition.

2.4 Description of the Vessel

The description (including the certifications and classifications) of the subject Vessel is included in **Appendix 1** as provided by First Ship Lease which we assumed to be correct and we have not undertaken any independent verification.

2.5 Basis of Valuation

The valuation figure provided is given based on the market value of the Vessel as at February 7th, 2007 on a willing buyer and willing seller basis, with delivery in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever, clean and ready to load any permissible cargo and prepared for prompt charter free delivery in a commercial loading zone.

2.6 Method of Valuation

We have used recent comparable sales (i.e. vessels of similar age/type and condition or else factor in difference in condition here) which we are aware of through our own direct contacts as well as from open market reports which we have received from others.

Having noted these we have then analyzed in detail the differences between the Vessel and those vessels reported as sold and calculated the differences into monetary value in each case, whether plus or minus, in order to reach our final valuation figure for this Vessel.

2.7 OPINION OF VALUE

We are of the opinion that the value of the vessel as at the Date of Valuation is USD 35,000,000.00.

3. CERTIFICATION AND AUTHENTICATION

The Valuation has been prepared for inclusion in the Prospectus and we believe that it is reasonably accurate subject to the assumptions contained in this report. However, all statements made above are statements of opinion and are not to be taken as representations of fact.

We hereby submit our declaration of independence as a valuer in **Appendix 2** attached herewith.

4. CONSENT

In connection with the inclusion of the valuation in the Prospectus, we will give our written consent in such form and content as required under the Securities and Futures Act (Chapter 289) of Singapore.

For and behalf of

COMPASS MARITIME SERVICES LLC

Sophus A Schanche Partner	Basil M Karatzas Vice President

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

APPENDIX 1

VESSEL PROFILE DETAILS

MV ELTANIN (EX:BRAVE SV)
Singapore Flagged, AB Classed, IMO Number 9169342
46,693 DWT, Bulk Carrier, Built 1999

Built at Siba Ships, Built at Sanoyas, Length Overall of 187.30 m., Length Between Perpendiculars of 180.00 m., Draught of 11.36 m., Beam of 32.20 m., Gross Tonnage of 26,862, Sulzer Engine, Speed of 14.00 kts at 26.00 tonnes per day, Intermediate Fuel Oil, Horsepower of 9,800B at 110, Bunker Capacity of 1,760 tonnes.

Grain Capacity of 59,830 cu.m., Fore & aft hatches, Hydraulically operated, 5 Holds, 5 Hatches, Strengthened for Heavy Cargo, 4 Crane(s) with a safe working load of 30 tonnes.

Additional Information IDENTIFICATION: Exnames are Brave Imperiale, Denise C., Grey Hawk. Handymax Bulker, Call Sign 9VEZ5,. DIMENSIONS/TONNAGES: Moulded Depth of 16.10 m., Tonnage of 22,004 Suez Canal Net, 15,730 International Net and 45,956 Dwt (long). ENGINE DETAILS: Engine Description 2 S.A. 6-cyl., Engine Model 6RTA48. CARGO HANDLING: Bale Capacity of 58,135 cu.m., Hatch Dimensions are 4 @ 20.80 x 18.30 m., 1 @ 20.00 x 15.00 m. SAFETY AND OTHER DETAILS: Last known special survey in February 2004.

All Details are offered in Good Faith but Without Guarantee for Accuracy or Completeness

APPENDIX 2

In respect of the valuation of "MV ELTANIN", we hereby confirm that we are acting as an independent valuer.

Yours sincerely,

Terry E Chance
Partner

COMPASS MARITIME SERVICES, LLC * FORT LEE, NJ 07024 USA
Phone: 201-585-9999 * Facsimile: 201-585-9998 * Email: SHIPS@CompassMar.com * Web: www.CompassMar.com

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The current and past principal directorships held by the Directors and Executive Officers in the last five years preceding the Latest Practicable Date are as follows:

Directors of the Trustee-Manager

Name	Current Directorships	Past Directorships
	Group Companies	*Group Companies*
Wong Meng Meng	None	None
	Other Companies	*Other Companies*
	Antara Koh Development (V) Pte Ltd The Dynasty Corporation (S) Pte Ltd United Overseas Bank Ltd Far Eastern Bank Limited ICB (2002) Limited Sembcorp Utilities Pte Ltd Mapletree Investments Pte Ltd Mapletree Logistics Trust Management Limited	Hi-P International Ltd WOPA Services Pte Ltd WOPA Services Limited (in voluntary liquidation)
	Group Companies	*Group Companies*
Phang Thim Fatt	None	None
	Other Companies	*Other Companies*
	Apex Leasing Corporation Avocet Leasing Limited Bluebell Leasing Limited Caladborg Lease Limited Emerald Four Limited Emerald One Limited Emerald Three Limited Emerald Two Limited Excalibur Express Limited Goldfinch Limited Kite Leasing Limited Knight Leasing Limited Nexus Leasing Limited Nimue Leasing Limited Quartet Four Limited Quartet Three Limited Quartet Two Limited S.A.L.E. (Bermuda) Limited S.A.L.E. (Labuan) Pte. Ltd. S.A.L.E. (UK) Limited (in liquidation) S.A.L.E. (USA) Corporation Sale Cayman (35073) Limited Sale Cayman (35075) Limited Sale Cayman (35076) Limited Sale Cayman (35077) Limited Sale Cayman (Lvg1) Limited Sale Cayman (Lvg2) Limited	None

Name	Current Directorships	Past Directorships
	Sale Cayman (Mp1) Limited Sale Cayman (Mp2) Limited Sale Cayman (Vle1) Limited Sale Cayman (Vle2) Limited Solitaire Capital Limited Stamford Leasing Limited Yasashi Leasing Limited	
	Group Companies	*Group Companies*
Michael John Montesano III	None	None
	Other Companies	*Other Companies*
	None	None
	Group Companies	*Group Companies*
Philip Clausius	FSL-1, Inc. FSL-2, Inc. FSL-3, Inc. FSL-4, Inc. FSL-5, Inc. FSL-6, Inc. FSL-7, Inc. FSL-8, Inc. FSL-9 Pte. Ltd. FSL-10 Pte. Ltd. FSL-11 Pte. Ltd. FSL-12 Pte. Ltd. FSL-13 Pte. Ltd.	None
	Other Companies	*Other Companies*
	First Ship Lease (S) Pte. Ltd. First Ship Lease (USA) Inc. First Ship Lease Ltd. First Ship Lease Pte. Ltd.	Schoeller Holdings Ltd FSL Acquisition Corp. (liquidated)
	Group Companies	*Group Companies*
Cheong Chee Tham	FSL-1, Inc. FSL-2, Inc. FSL-3, Inc. FSL-4, Inc. FSL-5, Inc. FSL-6, Inc. FSL-7, Inc. FSL-8, Inc. FSL-9 Pte. Ltd. FSL-10 Pte. Ltd. FSL-11 Pte. Ltd. FSL-12 Pte. Ltd. FSL-13 Pte. Ltd.	None
	Other Companies	*Other Companies*
	First Ship Lease (S) Pte. Ltd. First Ship Lease (USA) Inc.	None

Executive Officers of the Trustee-Manager

Name	Current Directorships	Past Directorships
	Group Companies	*Group Companies*
Ronald Anthony Dal Bello	None	None
	Other Companies	*Other Companies*
	None	None
	Group Companies	*Group Companies*
Kwa Lay San	None	None
	Other Companies	*Other Companies*
	None	None

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FSL TRUST

TRUSTEE-MANAGER

FSL Trust Management Pte. Ltd.
8 Temasek Boulevard #15-02A
Suntec Tower Three
Singapore 038988

SOLE GLOBAL CO-ORDINATOR, JOINT LEAD MANAGER AND JOINT BOOKRUNNER

Deutsche Bank AG, Singapore Branch
One Raffles Quay
South Tower #16-00
Singapore 048583

JOINT LEAD MANAGER AND JOINT BOOKRUNNER

J.P. Morgan (S.E.A.) Limited
168 Robinson Road
17th Floor Capital Tower
Singapore 068912

CO-LEAD MANAGERS

CLSA Merchant Bankers Limited
9 Raffles Place, #19-20/21
Republic Plaza II
Singapore 048619

Macquarie Securities (Asia) Pte Limited
A member of the Macquarie Group
23 Church Street #11-11
Capital Square
Singapore 049481

MANAGER AND CO-ORDINATOR OF THE PUBLIC OFFER

Oversea-Chinese Banking Corporation Limited
65 Chulia Street #29-02/04
OCBC Centre
Singapore 049513

LEGAL ADVISERS

Legal Advisers to the Offering, the Sponsor and the Trustee-Manager

Allen & Gledhill
One Marina Boulevard #28-00
Singapore 018989

Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004

Legal Adviser to the Initial Purchasers and Co-Lead Managers as to United States Federal and New York Law

Clifford Chance Wong Pte Ltd
One George Street
19th Floor
Singapore 049145

Legal Adviser to the Initial Purchasers, Co-Lead Managers and Singapore Underwriters as to Singapore Law

WongPartnership
One George Street #20-01
Singapore 049145

RECEIVING BANKER

Oversea-Chinese Banking Corporation Limited
65 Chulia Street #29-02/04
OCBC Centre
Singapore 049513

INDEPENDENT ACCOUNTANTS

KPMG
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

INDEPENDENT TAX ADVISER

KPMG Tax Services Pte. Ltd.
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

INDEPENDENT VALUERS

Compass Maritime Services, LLC
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77 Mansell Street
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48 Marney Road
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England
and
Marine Money International
One Stamford Landing, Suite 214
62 Southfield Avenue
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United States

REGISTRAR AND UNIT TRANSFER OFFICE

Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

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FSL TRUST