



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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Summary of First Ship Lease Trust ("FSL Trust") Consolidated Results

	2Q 2010	2Q 2009	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	28,528	24,841	14.8
(Loss)/Profit for the quarter	(6,106)	2,347	N.M.
Net cash generated from operations	17,256	17,106	0.9
Net Distributable Amount	5,688	12,707	(55.2)
Amount to be distributed	5,688	12,707	(55.2)
Distribution Per Unit ("DPU") (US Cents)			
For the period	0.95	2.45	(61.2)
Annualised	3.80	9.80	(61.2)

INTRODUCTION

First Ship Lease Trust ("FSL Trust") is a provider of leasing services on a bareboat charter basis to the international shipping industry. It has a modern, high quality and diverse portfolio of 23 vessels consisting of seven containerships, nine product tankers, three chemical tankers, two dry bulk carriers and two crude oil tankers. 21 of the vessels are employed on long-term bareboat leases and have a dollar-weighted average remaining lease period of approximately eight years (excluding extension periods and early buy-out options). 2 product tankers were recently re-delivered to FSL Trust. One is currently trading in the product tanker spot market, while the second vessel is currently undergoing routine dry-docking and thereafter will also trade in the product tanker spot market. The combined portfolio of vessels has a dollar-weighted average age of approximately 5 years.

FSL Trust was constituted under a deed of trust dated 19 March 2007 entered with FSL Trust Management Pte. Ltd. as its trustee-manager. FSL Trust aims to be the leading leasing provider on a bareboat charter basis in the international maritime industry. To achieve this, FSL Trust Management Pte. Ltd. will focus on growing the vessel portfolio of FSL Trust through accretive acquisitions with long-term bareboat charters. FSL Trust was listed on 27 March 2007 on the Singapore Exchange Securities Trading Limited ("SGX-ST") with an initial portfolio of 13 vessels.

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1(a)(i) Consolidated Income Statements

Note	Group			Group		
	2Q 2010	2Q 2009	Inc/ (Dec)	1H 2010	1H 2009	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	28,528	24,841	14.8	52,960	49,664	6.6
Depreciation expense on vessels	(15,066)	(15,324)	(1.7)	(30,554)	(30,648)	(0.3)
Impairment loss on vessels	(7,865)	-	100.0	(7,865)	-	100.0
Vessel operating expenses	(219)	-	100.0	(219)	-	100.0
Management fees	(897)	(993)	(9.7)	(1,876)	(1,983)	(5.4)
Trustee fees	(44)	(46)	(4.3)	(89)	(93)	(4.3)
Other trust expenses	(3,861)	(587)	N.M.	(4,412)	(1,219)	N.M.
Finance income	146	50	N.M.	172	113	52.2
Finance expenses	(a) (6,817)	(5,590)	21.9	(13,524)	(11,943)	13.2
(Loss)/Profit before income tax	(b) (6,095)	2,351	N.M.	(5,407)	3,891	N.M.
Income tax expense	(11)	(4)	N.M.	(13)	(9)	44.4
(Loss)/Profit for the quarter/period	(6,106)	2,347	N.M.	(5,420)	3,882	N.M.

Notes:

- (a) The finance expense for 2Q 2010 includes exchange loss of US\$0.3 million arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries (2Q 2009: exchange gain of US\$0.7 million)
- (b) This relates to tax expense on the taxable interest income on bank deposits.

1(a)(ii) Statements of Comprehensive Income

	Group			
	2Q 2010	2Q 2009	1H 2010	1H 2009
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the quarter/period	(6,106)	2,347	(5,420)	3,882
Other comprehensive income:				
Translation differences relating to financial statements of foreign subsidiaries	(1,713)	810	(2,906)	(211)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(3,267)	2,090	(5,349)	(297)
Effective portion of changes in fair value of cash flow hedges	(4,610)	2,631	(7,870)	5,696
Net change in fair value of cash flow hedges transferred to income statement	3,634	2,819	7,416	5,253
Other comprehensive income, net of tax	(5,956)	8,350	(8,709)	10,441
Total comprehensive income	(12,062)	10,697	(14,129)	14,323

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1(a)(iii) Distribution Statements

Note	Group			
	2Q 2010	2Q 2009	1H 2010	1H 2009
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the quarter/period	(6,106)	2,347	(5,420)	3,882
Add: Non-cash adjustments	23,362	14,759	39,005	30,192
Net cash generated from operations	17,256	17,106	33,585	34,074
Less: Repayment of secured bank loans	(8,000)	(4,189)	(16,000)	(8,189)
Income available for distribution	9,256	12,917	17,585	25,885
Add: Utilisation of cash retained from previous periods	-	-	651	-
Less: Cash retained in the current period	(3,568)	(210)	(3,568)	(851)
Net distributable amount	5,688	12,707	14,668	25,034
Add: Income from the previous period to be distributed	-	-	-	3
Amount available for distribution	5,688	12,707	14,668	25,037
Comprising: (i) Tax-exempt distribution	5,553	12,662	14,509	24,933
(ii) Tax-exempt (one-tier) distribution	135	45	159	104
Amount to be distributed	5,688	12,707	14,668	25,037
Units at the end of the period ('000)	598,665	518,665	598,665	518,665
Distribution per unit (US Cents)	0.95	2.45	2.45	4.90

Notes:

- (a) Non-cash adjustments include depreciation expenses, impairment loss, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.
- (b) Total net cash generated for the quarter amounted to US\$17.3 million. The net distributable amount of US\$5.7 million is derived after deducting loan repayments totalling US\$8.0 million and cash retention of US\$3.6 million.

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1(b)(i) Balance Sheets

	30 Jun 2010		31 Dec 2009	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Vessels	797,728	-	845,187	-
Subsidiaries	-	671,584	-	671,584
Derivative assets	1,879	1,879	-	-
	799,607	673,463	845,187	671,584
Current assets				
Inventories	321	-	-	-
Derivative assets	926	926	-	-
Deposits, prepayments and other receivables	8,148	55,270	1,282	96,255
Cash and cash equivalents	52,272	49,778	56,770	56,769
	61,667	105,974	58,052	153,024
Total assets	861,274	779,437	903,239	824,608
Equity attributable to unitholders of FSL Trust				
Units in issue	510,273	510,273	510,273	510,273
Reserves	(161,625)	(239,258)	(129,536)	(205,846)
Total equity	348,648	271,015	380,737	304,427
Non-current liabilities				
Secured bank loans	440,953	440,953	456,292	456,292
Derivative liabilities	18,835	18,835	14,561	14,561
	459,788	459,788	470,853	470,853
Current liabilities				
Trade and other payables	7,247	4,709	4,555	4,393
Lease income received in advance	1,657	-	2,159	-
Derivative liabilities	11,921	11,921	12,935	12,935
Secured bank loan	32,000	32,000	32,000	32,000
Current tax payable	13	4	-	-
	52,838	48,634	51,649	49,328
Total liabilities	512,626	508,422	522,502	520,181
Total equity and liabilities	861,274	779,437	903,239	824,608

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

	Note	30 Jun 2010 US\$'000	31 Dec 2009 US\$'000
Secured bank loans	(a)		
Amount repayable within one year		32,000	32,000
Amount repayable after one year		444,264	460,264
Less: Unamortised debt upfront fees		(3,311)	(3,972)
		472,953	488,292

Note:

- (a) The Trustee-Manager has, on behalf of FSL Trust, put in place total revolving credit facilities of US\$515 million ("combined facility") of which the outstanding loan balance was US\$476.3 million as at 30 June 2010.

The combined facility comprises three tranches:

Tranche	Facility amount (US\$'million)	Amount drawn as at 30 Jun 2010 (US\$'million)	Loan maturity	Margin above US\$ 3-month Libor^
A	250	238.1	27 March 2014	1.70%
B	200	190.4	2 April 2012	1.70%
C	65	47.8	2 April 2012	1.70%

^ This margin applies till 2Q 2011.

As the combined facility is revolving in nature, FSL Trust will be able to re-draw on the committed but undrawn portion of the facility after 2Q 2011.

The combined facility is secured on the following:

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

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

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

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1(c) Consolidated Cash Flow Statements

	Note	Group			
		2Q 2010	2Q 2009	1H 2010	1H 2009
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
(Loss)/Profit before income tax		(6,095)	2,351	(5,407)	3,891
Adjustments for:					
Depreciation expense on vessels		15,066	15,324	30,554	30,648
Impairment loss on vessels		7,865	-	7,865	-
Amortisation of debt upfront fees and initial direct costs		487	401	983	807
Interest income		(146)	(49)	(172)	(113)
Interest expense		6,110	5,812	12,206	11,692
Ineffective portion of changes in fair value of interest rate swaps		-	235	-	345
Unrealised exchange differences		394	(778)	682	(643)
		23,681	23,296	46,711	46,627
Changes in working capital:					
Deposits, prepayments and other receivables	(a)	(6,786)	(2)	(6,775)	(45)
Inventories		(321)	-	(321)	-
Trade and other payables		2,677	(365)	2,661	(180)
Lease income received in advance		(49)	31	(501)	(431)
Cash generated from operations		19,202	22,960	41,775	45,971
Income taxes paid		-	(24)	-	(24)
Cash flows from operating activities		19,202	22,936	41,775	45,947
Investing activities:					
Interest received		31	67	60	139
Costs incurred for dry-docking		(197)	-	(197)	-
Cash flows from investing activities		(166)	67	(137)	139
Financing activities:					
Distribution to unitholders	(b)	(8,980)	(8,515)	(17,960)	(23,954)
Repayment of secured bank loans		(8,000)	(8,000)	(16,000)	(12,000)
Interest paid		(6,013)	(5,931)	(12,176)	(13,291)
Cash flows from financing activities		(22,993)	(22,446)	(46,136)	(49,245)
Net (decrease)/increase in cash and cash equivalents		(3,957)	557	(4,498)	(3,159)
Cash and cash equivalents at beginning of period		56,229	23,000	56,770	26,716
Cash and cash equivalents at end of period		52,272	23,557	52,272	23,557
Comprising:-					
Cash at Bank		30,142	5,253	30,142	5,253
Short-term deposits		22,130	18,304	22,130	18,304
		52,272	23,557	52,272	23,557

Notes:

- (a) Including cash security deposits of US\$6.0 million (see paragraph 8) which were recognized as lease revenue in 2Q 2010 and received on 14 July 2010.
- (b) A total distribution of US\$12.3 million was declared for 1Q 2009. Pursuant to the Distribution Reinvestment Scheme which was applied to the 1Q 2009 distribution, unitholders holding 155,540,770 units or 30.9% of the total number of issued units elected to receive their distribution in the form of new units, in lieu of cash. This amounted to US\$3.8 million. Accordingly, the net cash distribution for 1Q 2009 to unitholders holding the remaining units was US\$8.5 million.

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

2010

Group

At 1 April 2010

Total comprehensive income for the quarter

Contribution by and distribution to unitholders:

Distribution to unitholders

At 30 June 2010

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
510,273	(26,598)	161	(114,146)	369,690
-	(976)	(4,980)	(6,106)	(12,062)
-	-	-	(8,980)	(8,980)
510,273	(27,574)	(4,819)	(129,232)	348,648

Note

2009

Group

At 1 April 2009

Total comprehensive income for the quarter

Contribution by and distribution to unitholders:

Units issued pursuant to Distribution Reinvestment Scheme

Distribution to unitholders

At 30 June 2009

(a)

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
478,232	(32,227)	94	(79,742)	366,357
-	5,450	2,900	2,347	10,697
3,811	-	-	-	3,811
-	-	-	(12,326)	(12,326)
482,043	(26,777)	2,994	(89,721)	368,539

Note:

- (a) 15,554,077 units were issued in May 2009 in lieu of cash pursuant to the Distribution Reinvestment Scheme, which was applied to the distribution declared for the quarter ended 31 March 2009. Unitholders holding 155,540,770 units or 30.9% of the total number of issued units elected to receive their distributions in the form of new units, in lieu of US2.45¢ per unit in cash.

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

2010

Trust

At 1 April 2010

Total comprehensive income for the quarter

Contribution by and distribution to unitholders:

Distribution to unitholders

At 30 June 2010

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
510,273	(26,598)	(194,501)	289,174
-	(976)	(8,203)	(9,179)
-	-	(8,980)	(8,980)
510,273	(27,574)	(211,684)	271,015

2009

Trust

At 1 April 2009

Total comprehensive income for the quarter

Contribution by and distribution to unitholders:

Units issued pursuant to Distribution Reinvestment Scheme

Distribution to unitholders

At 30 June 2009

Note

(a)

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
478,232	(32,227)	(126,502)	319,503
-	5,450	(6,581)	(1,131)
3,811	-	-	3,811
-	-	(12,326)	(12,326)
482,043	(26,777)	(145,409)	309,857

Note:

- (a) 15,554,077 units were issued in May 2009 in lieu of cash pursuant to the Distribution Reinvestment Scheme, which was applied to the distribution declared for the quarter ended 31 March 2009. Unitholders holding 155,540,770 units or 30.9% of the total number of issued units elected to receive their distributions in the form of new units, in lieu of US2.45¢ per unit in cash.

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

	Note	2Q 2010 Units	FY 2009 Units
At the beginning of the period		598,665,077	501,270,000
Units issued during the period	(a)	-	97,395,077
At the end of the period		598,665,077	598,665,077

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

Not applicable.

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

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

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

The Auditors' review report dated 26 July 2010 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 June 2010 is enclosed in the Appendix.

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

Except for the change in the method of computation as disclosed in paragraph 5, FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2009.

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

Following the pre-mature termination of the long-term bareboat charter agreements for 'Nika I' and 'Verona I' during the quarter ended 30 June 2010, the Trust plans to place these vessels under time charter arrangement. With the change in charter arrangement, the expected useful life of the 2 vessels has been revised from 7 years to 25 years and the basis of estimate for residual value has also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates and the effects of the change have been applied from this quarter-end prospectively. The change reduces depreciation expense for the current quarter by US\$0.4 million for both vessels.

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

	2Q 2010	2Q 2009	1H 2010	1H 2009
Basic and diluted earnings per unit is based on:				
(Loss)/Profit for the quarter/period (US\$'000)	(6,106)	2,347	(5,420)	3,882
Weighted average number of issued units (basic and diluted) ('000)	598,665	508,751	598,665	505,540
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(1.02)	0.46	(0.91)	0.77
Number of issued units at end of quarter/period ('000)	598,665	518,665	598,665	518,665
Distribution per unit (US Cents)	0.95	2.45	2.45	4.90

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

	Note	30 Jun 2010		31 Dec 2009	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.58	0.45	0.64	0.51

Note:

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

8. Review of Performance

Consolidated Income Statements

	Group			Group		
	2Q 2010	2Q 2009	Inc/ (Dec)	1H 2010	1H 2009	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	28,528	24,841	14.8	52,960	49,664	6.6
Depreciation expense on vessels	(15,066)	(15,324)	(1.7)	(30,554)	(30,648)	(0.3)
Impairment loss on vessels	(7,865)	-	100.0	(7,865)	-	100.0
Vessel operating expenses	(219)	-	100.0	(219)	-	100.0
Management fees	(897)	(993)	(9.7)	(1,876)	(1,983)	(5.4)
Trustee fees	(44)	(46)	(4.3)	(89)	(93)	(4.3)
Other trust expenses	(3,861)	(587)	N.M.	(4,412)	(1,219)	N.M.
Finance income	146	50	N.M.	172	113	52.2
Finance expenses	(6,817)	(5,590)	21.9	(13,524)	(11,943)	13.2
(Loss)/Profit before income tax	(6,095)	2,351	N.M.	(5,407)	3,891	N.M.
Income tax expense	(11)	(4)	N.M.	(13)	(9)	44.4
(Loss)/Profit for the quarter/period	(6,106)	2,347	N.M.	(5,420)	3,882	N.M.

8. Review of Performance (cont'd)

Re-delivery and arrest of two vessels

In early May 2010, the charterers of two vessels ('Nika I' and 'Verona I'), affiliates of Groda Shipping & Transportation Ltd ("Groda") requested FSL Trust to take delivery of these vessels on the basis that they did not intend to continue to make full lease payments under the lease agreements. The respective lease agreements were structured with certain credit enhancements including a cash security deposit of US\$3.0 million per vessel. The total cash deposit of US\$6.0 million was received by FSL Trust on 14 July 2010 upon expiry of the stipulated default notice period and was recognised as lease revenue in 2Q 2010.

Subsequent to the vessel re-deliveries, Singapore-based Daxin Petroleum Pte Ltd ("Daxin") arrested 'Verona I' at Shimotsu, Japan on 4 June 2010 and 'Nika I' at Qingdao, China on 8 June 2010 on the basis that Daxin has not been paid for bunkers supplied to the vessels. FSL Trust managed to secure the release of 'Verona I' on 17 June 2010 after posting a security deposit of approximately US\$1.6 million with the Japanese court. 'Nika I' was also released on 17 July 2010 after a banker's guarantee of US\$2.8 million was put up as security (see paragraph 11 on subsequent event).

The financial impact in 2Q 2010 arising from the re-delivery and arrest of the vessels is summarized below:

	US\$'million
Loss of bareboat charter lease rentals	(1.889)
Impairment loss on vessels	(7.865)
Recognition of cash security deposits (received on 14 July 2010)	6.000
Net vessel related expenses (non-recurring)	(1.099)
	(4.853)

'Verona I' was renamed 'FSL Singapore' and 'Nika I' is in the process of being renamed 'FSL Hamburg'.

2Q 2010 vs 2Q 2009

Lease revenue increased by 14.8% (+US\$3.7 million) to US\$28.5 million in 2Q 2010 compared to 2Q 2009. Excluding the US\$6.0 million cash security deposits pursuant to the re-delivery of the two vessels by affiliates of Groda, lease revenue fell 9.3% (-US\$2.3 million) and was primarily attributed to the loss of bareboat charter revenue from 'Nika I' and 'FSL Singapore' (see above).

Operating expenditure rose significantly by 64.9% (+US\$11.0 million) to US\$28.0 million in 2Q 2010 compared to 2Q 2009. One of the primary factors for the increase was the impairment loss of US\$7.9 million recognised for 'Nika I' and 'FSL Singapore' when their carrying amounts were assessed to have exceeded their estimated recoverable amounts with the pre-mature termination of the related bareboat charters. The estimated recoverable amount of the vessels is the greater of the value-in-use and their fair value less costs to sell. In assessing the vessels' value-in-use, future cash flows are estimated and discounted to their present value using a rate that reflects current market assessments of time value of money and risks specific to these vessels' estimated cash flows.

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8. Review of Performance (cont'd)

The other contributing factors for the increase in operating expenditure were (i) net vessel related expenses (non-recurring) of US\$1.1 million arising from the re-delivery of the two vessels to FSL Trust, and (ii) higher other trust expenses of US\$2.5 million mainly for professional fees incurred for the aborted senior note offering and legal costs relating to the handling of the re-delivery and arrest of 'Nika I' and 'Verona I'.

Finance expenses (excluding exchange differences arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries) increased 2.9% (+US\$0.2 million) due to higher interest margin on outstanding indebtedness, following the credit facility amendment agreement with the secured lenders in September 2009. The increase was slightly offset by (i) lower interest expense on the floating-rate loans drawn to acquire the Geden vessels and (ii) reduced principal loan quantum arising from partial repayments.

Distribution Statements

Note	Group			
	2Q 2010 US\$'000	2Q 2009 US\$'000	1H 2010 US\$'000	1H 2009 US\$'000
(Loss)/profit for the quarter/period	(6,106)	2,347	(5,420)	3,882
Add: Non-cash adjustments	23,362	14,759	39,005	30,192
Net cash generated from operations	17,256	17,106	33,585	34,074
Less: Repayment of secured bank loans	(8,000)	(4,189)	(16,000)	(8,189)
Income available for distribution	9,256	12,917	17,585	25,885
Add: Utilisation of cash retained from previous periods	-	-	651	-
Less: Cash retained in the current period	(3,568)	(210)	(3,568)	(851)
Net distributable amount	5,688	12,707	14,668	25,034
Add: Income from the previous period to be distributed	-	-	-	3
Amount available for distribution	5,688	12,707	14,668	25,037
Comprising: (i) Tax-exempt distribution	5,553	12,662	14,509	24,933
(ii) Tax-exempt (one-tier) distribution	135	45	159	104
Amount to be distributed	5,688	12,707	14,668	25,037
Units at the end of the period ('000)	598,665	518,665	598,665	518,665
Distribution per unit (US Cents)	0.95	2.45	2.45	4.90

Note:

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

For 2Q 2010, FSL Trust generated a net cash from operations of US\$17.3 million, of which 33% or US\$5.7 million will be distributed to unitholders. This equates to a distribution per unit ("DPU") of US0.95¢ for the current quarter under review. The residual cash was applied towards the quarterly loan repayments totalling US\$8.0 million and cash retention of US\$3.6 million.

The Net Distributable Amount per unit ("DAU") for this quarter is US0.95¢. The Trustee-Manager will not be entitled to any incentive fees for this quarter, as such fees are only payable if the DAU exceeds US2.45¢ (15% above the forecasted DPU of US2.13¢).

Distribution Reinvestment Scheme

For the quarter ended 30 June 2010, the Board has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

9. Variance from Prospect Statement

Save for the financial impact arising from the vessels re-delivery during the quarter under review (see paragraph 8), the results for the current quarter under review are broadly in line with the previous statement made in the financial announcement for the quarter ended 31 March 2010.

10. Outlook and Prospects

FSL Trust's business focus on long-term bareboat leasing remains unchanged notwithstanding the re-delivery of two vessels in June 2010. The revenue from the 21 bareboat leases in our vessel portfolio will continue to underpin the stability of our long-term cash flow. It will also continue to focus strategically on growing and further diversifying the portfolio.

FSL Trust believes the outlook for the tanker and containership sectors are quite positive, but less so for the dry bulk sector given the current market fundamentals. The Trustee-Manager will trade 'Nika I' and 'FSL Singapore' in the product tanker spot market in the near-term and may lock these vessels into charters as and when the tanker market improves.

11. Subsequent Events

Release of 'Nika I'

'Nika I' was arrested at Qingdao, China on 8 June 2010. It was released on 17 July 2010 after a banker's guarantee of US\$2.8 million was put up as security. Following the release, 'Nika I' proceeded immediately for routine dry-docking in China.

Deployment of 'Nika I' and 'FSL Singapore'

FSL Trust has appointed UPT United Product Tankers GmbH & Co. KG as the commercial manager and Prisco (Singapore) Pte Ltd as the technical manager for the two re-delivered product tankers, 'Nika I' and 'FSL Singapore'.

'FSL Singapore' is currently being deployed in the product tanker spot market and 'Nika I' will participate in a similar arrangement upon completion of its dry-docking maintenance. As stipulated in the deed of trust, the Trustee-Manager will be entitled to a management fee of 4% of the bareboat charter equivalent revenue generated by these 2 vessels.

Filing of Writ against Daxin Petroleum Pte Ltd and others

A Writ of Summons was filed on 20 July 2010 in the Supreme Court of Singapore against Daxin Petroleum Pte Ltd (and others) in connection with, amongst others, the arrest of the 2 vessels. The Trustee-Manager is currently unable to ascertain the financial impact arising from this Writ.

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12. Distribution

(a) Current financial period

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

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the previous corresponding period	:	Yes
Amount	:	US\$12,707,294
Distribution Period	:	1 April 2009 to 30 June 2009
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US2.45 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of FSL Trust.

(c) Payment Date : 26 August 2010

(d) Books closure date : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 3 August 2010 for the purposes of determining each unitholder's entitlement to the Distribution of US0.95 cents. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 3 August 2010 will be entitled to the Distribution to be paid on 26 August 2010.

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- (e) Currency election procedures : Unitholders whose units are held directly through CDP will receive their distribution in the Singapore dollar equivalent of the US0.95 cents declared. Unitholders who wish to elect to receive the distribution in US dollars can do so by submitting a "Currency Election Notice" by 16 August 2010.

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

Not applicable.

14. Confirmation by the Board

The Board of FSL Trust Management Pte. Ltd. as Trustee-Manager of First Ship Lease Trust, has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results of the Group for the quarter ended 30 June 2010 to be false or misleading in any material aspect.

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

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

Rebecca Cheng Pei Jiuan
Company Secretary
26 July 2010



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

Our ref KT/DK1/016

Contact Kenny Tan
(+65 6213 2836)

Attention: Mr Cheong Chee Tham

26 July 2010

Dear Sirs

First Ship Lease Trust
Review of Interim Condensed Financial Information

Introduction

We have reviewed the accompanying financial information of First Ship Lease Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Trust as at 30 June 2010, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flow of the Group for the period then ended and certain explanatory notes (the "Interim Condensed Financial Information"). Management is responsible for the preparation and presentation of this Interim Condensed Financial Information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this Interim Condensed Financial Information based on our review.

Scope of review

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

Conclusion

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

Restriction on use

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

Yours faithfully



KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore
26 July 2010