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**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

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**FIRST SHIP LEASE TRUST**  
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**Summary of First Ship Lease Trust ("FSL Trust") Consolidated Results**

	3Q 2010	3Q 2009	Decrease
	US\$'000	US\$'000	%
Revenue	23,421	24,628	(4.9)
Profit for the quarter	649	2,737	(76.3)
Net cash generated from operations	14,077	17,628	(20.1)
Net Distributable Amount	5,687	7,964	(28.6)
Amount to be distributed	5,687	7,964	(28.6)
Distribution Per Unit ("DPU") (US Cents)			
For the period	0.95	1.50	(36.7)
Annualised	3.80	6.00	(36.7)

**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 vessels are employed on long-term bareboat leases and have a dollar-weighted average remaining lease period of approximately seven and a half years (excluding extension periods and early buy-out options). The remaining 2 product tankers are currently trading in the product tanker spot market. The combined portfolio of vessels has a dollar-weighted average age of approximately five and a half 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		
		3Q 2010	3Q 2009	Inc/ (Dec)	YTD Sep 2010	YTD Sep 2009	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		23,421	24,628	(4.9)	76,381	74,292	2.8
Depreciation expense on vessels		(14,221)	(15,324)	(7.2)	(44,775)	(45,972)	(2.6)
Impairment loss on vessels		-	-	-	(7,865)	-	N.M.
Vessel operating expenses		(2,129)	-	N.M.	(2,348)	-	N.M.
Management fees		(832)	(989)	(15.9)	(2,708)	(2,972)	(8.9)
Trustee fees		(43)	(45)	(4.4)	(132)	(138)	(4.3)
Other trust expenses	(a)	443	(624)	N.M.	(3,969)	(1,843)	N.M.
Finance income		44	24	83.3	216	137	57.7
Finance expenses	(b)	(6,030)	(4,931)	22.3	(19,554)	(16,874)	15.9
<b>Profit/(Loss) before income tax</b>		<b>653</b>	<b>2,739</b>	<b>(76.2)</b>	<b>(4,754)</b>	<b>6,630</b>	<b>N.M.</b>
Income tax expense	(c)	(4)	(2)	100.0	(17)	(11)	54.5
<b>Profit/(Loss) for the quarter/period</b>		<b>649</b>	<b>2,737</b>	<b>(76.3)</b>	<b>(4,771)</b>	<b>6,619</b>	<b>N.M.</b>

Notes:

- (a) Other trust expenses include recovery of certain vessel related expenses of US\$0.9 million relating to the re-delivery of 'FSL Hamburg' and 'FSL Singapore'.
- (b) The finance expense for 3Q 2010 includes exchange gain of US\$0.6 million arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries (3Q 2009: exchange gain of US\$0.5 million). In 3Q 2009, finance expense also included exchange gain of US\$0.5 million from sale of SGD denominated equity placement proceeds to USD.
- (c) This relates to tax expense on the taxable interest income on bank deposits.

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

	Group			
	3Q 2010	3Q 2009	YTD Sep 2010	YTD Sep 2009
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Profit/(Loss) for the quarter/period</b>	649	2,737	(4,771)	6,619
<b>Other comprehensive income:</b>				
Translation differences relating to financial statements of foreign subsidiaries	1,659	833	(1,247)	622
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	3,393	1,374	(1,956)	1,077
Effective portion of changes in fair value of cash flow hedges	(8,142)	(6,990)	(16,012)	(1,294)
Net change in fair value of cash flow hedges transferred to income statement	3,391	3,570	10,807	8,823
<b>Other comprehensive income, net of tax</b>	<b>301</b>	<b>(1,213)</b>	<b>(8,408)</b>	<b>9,228</b>
<b>Total comprehensive income</b>	<b>950</b>	<b>1,524</b>	<b>(13,179)</b>	<b>15,847</b>

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1(a)(iii) Distribution Statements

	Note	Group			
		3Q 2010	3Q 2009	YTD Sep 2010	YTD Sep 2009
		US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/period		649	2,737	(4,771)	6,619
Add: Non-cash adjustments	(a)	13,428	14,891	52,433	45,083
<b>Net cash generated from operations</b>		14,077	17,628	47,662	51,702
Less: Repayment of secured bank loans		(8,000)	(816)	(24,000)	(9,005)
<b>Income available for distribution</b>		6,077	16,812	23,662	42,697
Less: Cash retained in the current period		(390)	(8,848)	(3,307)	(9,699)
<b>Net distributable amount</b>	(b)	5,687	7,964	20,355	32,998
Add: Income from the previous period to be distributed		-	-	-	3
<b>Amount available for distribution</b>		5,687	7,964	20,355	33,001
Comprising: (i) Tax-exempt distribution		5,647	7,942	20,156	32,875
(ii) Tax-exempt (one-tier) distribution		40	22	199	126
<b>Amount to be distributed</b>		5,687	7,964	20,355	33,001
Units at the end of the period ('000)		598,665	598,665	598,665	598,665
<b>Distribution per unit (US Cents)</b>		0.95	1.50	3.40	6.40

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\$14.1 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\$0.4 million.

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1(b)(i) Balance Sheets

	30 Sep 2010		31 Dec 2009	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>				
Vessels	789,611	-	845,187	-
Subsidiaries	-	671,584	-	671,584
Derivative assets	210	210	-	-
	789,821	671,794	845,187	671,584
<b>Current assets</b>				
Inventories	1,001	-	-	-
Derivative assets	15	15	-	-
Deposits, prepayments and other receivables	3,169	30,602	1,282	96,255
Cash and cash equivalents	57,229	53,353	56,770	56,769
	61,414	83,970	58,052	153,024
<b>Total assets</b>	<b>851,235</b>	<b>755,764</b>	<b>903,239</b>	<b>824,608</b>
<b>Equity attributable to unitholders of FSL Trust</b>				
Units in issue	510,273	510,273	510,273	510,273
Reserves	(166,362)	(256,377)	(129,536)	(205,846)
<b>Total equity</b>	<b>343,911</b>	<b>253,896</b>	<b>380,737</b>	<b>304,427</b>
<b>Non-current liabilities</b>				
Secured bank loans	434,115	434,115	456,292	456,292
Derivative liabilities	19,979	19,979	14,561	14,561
	454,094	454,094	470,853	470,853
<b>Current liabilities</b>				
Trade and other payables	7,369	3,634	4,555	4,393
Lease income received in advance	1,712	-	2,159	-
Derivative liabilities	12,947	12,947	12,935	12,935
Secured bank loan	31,184	31,184	32,000	32,000
Current tax payable	18	9	-	-
	53,230	47,774	51,649	49,328
<b>Total liabilities</b>	<b>507,324</b>	<b>501,868</b>	<b>522,502</b>	<b>520,181</b>
<b>Total equity and liabilities</b>	<b>851,235</b>	<b>755,764</b>	<b>903,239</b>	<b>824,608</b>

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

	Note	30 Sep 2010 US\$'000	31 Dec 2009 US\$'000
<b>Secured bank loans</b>	(a)		
Amount repayable within one year		31,184	32,000
Amount repayable after one year		437,080	460,264
Less: Unamortised debt upfront fees		(2,965)	(3,972)
		465,299	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\$468.3 million as at 30 September 2010.

The combined facility comprises three tranches:

Tranche	Facility amount (US\$'million)	Amount drawn as at 30 Sep 2010 (US\$'million)	Loan maturity	Margin above US\$ 3-month Libor <sup>^</sup>
A	250	234.1	27 March 2014	1.70%
B	200	187.2	2 April 2012	1.70%
C	65	47.0	2 April 2012	1.70%

<sup>^</sup> 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			
		3Q 2010	3Q 2009	YTD	YTD
		US\$'000	US\$'000	Sep 2010	Sep 2009
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>					
Profit/(Loss) before income tax		653	2,739	(4,754)	6,630
Adjustments for:					
Depreciation expense on vessels		14,221	15,324	44,775	45,972
Impairment loss on vessels		-	-	7,865	-
Depreciation expense on dry-docking		24	-	24	-
Amortisation of debt upfront fees and initial direct costs		462	405	1,445	1,212
Interest income		(44)	(24)	(216)	(137)
Interest expense		6,231	5,641	18,437	17,333
Ineffective portion of changes in fair value of interest rate swaps		-	31	-	376
Unrealised exchange differences		(664)	(560)	18	(1,203)
		20,883	23,556	67,594	70,183
<b>Changes in working capital:</b>					
Deposits, prepayments and other receivables		4,871	20	(1,904)	(25)
Inventories		(680)	-	(1,001)	-
Trade and other payables		41	(41)	2,702	(221)
Lease income received in advance		54	23	(447)	(408)
<b>Cash generated from operations</b>		25,169	23,558	66,944	69,529
Income taxes paid		-	(12)	-	(36)
<b>Cash flows from operating activities</b>		25,169	23,546	66,944	69,493
<b>Investing activities:</b>					
Interest received		153	24	213	163
Costs incurred for dry-docking		(528)	-	(725)	-
<b>Cash flows from investing activities</b>		(375)	24	(512)	163
<b>Financing activities:</b>					
Net proceeds from issuance of units	(a)	-	28,304	-	28,304
Distribution to unitholders		(5,687)	(12,708)	(23,647)	(36,662)
Repayment of secured bank loans		(8,000)	(816)	(24,000)	(12,816)
Interest paid		(6,150)	(5,771)	(18,326)	(19,062)
<b>Cash flows from financing activities</b>		(19,837)	9,009	(65,973)	(40,236)
Net increase in cash and cash equivalents		4,957	32,579	459	29,420
Cash and cash equivalents at beginning of period		52,272	23,557	56,770	26,716
Cash and cash equivalents at end of period		57,229	56,136	57,229	56,136
<b>Comprising:-</b>					
Cash at Bank		15,584	20,429	15,584	20,429
Short-term deposits		38,845	35,707	38,845	35,707
Short-term deposit (restricted)	(b)	2,800	-	2,800	-
		57,229	56,136	57,229	56,136

Notes:

- (a) Pursuant to an equity placement exercise conducted in September 2009, 80 million new units were allotted and issued on 17 September 2009 at the issue price of S\$0.525 per unit (11% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$28.3 million (or S\$40.8 million).
- (b) This relates to a fixed deposit collateralised for a banker's guarantee issued for the release of 'FSL Hamburg' (Ex-'Nika I') from arrest at Qingdao, China on 17 July 2010.

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

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2010 Group					
At 1 July 2010	510,273	(27,574)	(4,819)	(129,232)	348,648
Total comprehensive income for the quarter	-	(4,751)	5,052	649	950
Contribution by and distribution to unitholders:					
Distribution to unitholders	-	-	-	(5,687)	(5,687)
At 30 September 2010	510,273	(32,325)	233	(134,270)	343,911

Note	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2009 Group					
At 1 July 2009	482,043	(26,777)	2,994	(89,721)	368,539
Total comprehensive income for the quarter	-	(3,420)	2,207	2,737	1,524
Contribution by and distribution to unitholders:					
Units issued pursuant to equity placement (a)	28,304	-	-	-	28,304
Distribution to unitholders	-	-	-	(19,294)	(19,294)
At 30 September 2009	510,347	(30,197)	5,201	(106,278)	379,073

Note:

- (a) Pursuant to an equity placement exercise conducted in September 2009, 80 million new units were allotted and issued on 17 September 2009 at the issue price of S\$0.525 per unit (11% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$28.3 million (or S\$40.8 million).



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

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

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2009				
Trust				
At 1 July 2009	482,043	(26,777)	(145,409)	309,857
Total comprehensive income for the quarter	-	(3,420)	(5,922)	(9,342)
Contribution by and distribution to unitholders:				
Units issued pursuant to equity placement	28,304	-	-	28,304
Distribution to unitholders	-	-	(19,294)	(19,294)
At 30 September 2009	510,347	(30,197)	(170,625)	309,525

Note

(a)

Note:

- (a) Pursuant to an equity placement exercise conducted in September 2009, 80 million new units were allotted and issued on 17 September 2009 at the issue price of S\$0.525 per unit (11% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$28.3 million (or S\$40.8 million).

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

	Note	3Q 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 22 October 2010 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 September 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 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**

Depreciation of vessels

Following the pre-mature termination of the long-term bareboat charter agreements, 'FSL Hamburg' and 'FSL Singapore' are currently employed in the product tanker spot market, with a view to place these vessels under time charter. 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 June 2010 prospectively. The change reduces depreciation expense for the current quarter by US\$1.3 million for both vessels.

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

Depreciation of dry-docking

Dry-docking costs were incurred post-delivery of 'FSL Hamburg'. These costs are capitalised and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally 5 years.

Revenue recognition for freight income

For the vessels deployed in the product tanker spot market generating freight income, freight income is recognised based on percentage of completion method calculated on a discharge-to-discharge basis.

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

	3Q 2010	3Q 2009	YTD Sep 2010	YTD Sep 2009
Basic and diluted earnings per unit is based on:				
Profit/(Loss) for the quarter/period (US\$'000)	649	2,737	(4,771)	6,619
Weighted average number of issued units (basic and diluted) ('000)	598,665	530,839	598,665	514,066
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.11	0.52	(0.80)	1.29
Number of issued units at end of quarter/period ('000)	598,665	598,665	598,665	598,665
Distribution per unit (US Cents)	0.95	1.50	3.40	6.40

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

	Note	30 Sep 2010		31 Dec 2009	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.57	0.42	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.

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8. Review of Performance

Consolidated Income Statements

	Group			Group		
	3Q 2010	3Q 2009	Inc/ (Dec)	YTD Sep 2010	YTD Sep 2009	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	23,421	24,628	(4.9)	76,381	74,292	2.8
Depreciation expense on vessels	(14,221)	(15,324)	(7.2)	(44,775)	(45,972)	(2.6)
Impairment loss on vessels	-	-	-	(7,865)	-	N.M.
Vessel operating expenses	(2,129)	-	N.M.	(2,348)	-	N.M.
Management fees	(832)	(989)	(15.9)	(2,708)	(2,972)	(8.9)
Trustee fees	(43)	(45)	(4.4)	(132)	(138)	(4.3)
Other trust expenses	443	(624)	N.M.	(3,969)	(1,843)	N.M.
Finance income	44	24	83.3	216	137	57.7
Finance expenses	(6,030)	(4,931)	22.3	(19,554)	(16,874)	15.9
<b>Profit/(Loss) before income tax</b>	<b>653</b>	<b>2,739</b>	<b>(76.2)</b>	<b>(4,754)</b>	<b>6,630</b>	<b>N.M.</b>
Income tax expense	(4)	(2)	100.0	(17)	(11)	54.5
<b>Profit/(Loss) for the quarter/period</b>	<b>649</b>	<b>2,737</b>	<b>(76.3)</b>	<b>(4,771)</b>	<b>6,619</b>	<b>N.M.</b>

3Q 2010 vs 3Q 2009

Revenue decreased by 4.9% (-US\$1.2 million) to US\$23.4 million in 3Q 2010 compared to 3Q 2009. The decrease was primarily attributed to the loss of bareboat charter revenue from 'FSL Hamburg' and 'FSL Singapore' of US\$3.8 million following their re-deliveries.

Subsequent to the re-deliveries, 'FSL Singapore' and 'FSL Hamburg' were arrested in Japan and China, respectively. Upon their release, 'FSL Singapore' was deployed in the product tanker spot market whilst 'FSL Hamburg' proceeded immediately for routine dry-docking. Thereafter, she joined 'FSL Singapore' and traded in the product tanker spot market. For 3Q 2010, the bareboat charter equivalent revenue generated from these two vessels from the product tanker spot market amounted to US\$0.4 million:

	US\$ million
Freight income	2.537
Voyage expenses	(0.938)
Time charter equivalent revenue	1.599
Less: Crew cost, vessel maintenance and others	(1.191)
Bareboat charter equivalent revenue	0.408

Voyage expenses comprise mainly bunkers and port charges.

Excluding the vessel operating expenses of US\$2.1 million relating to the 2 vessels above, total operating expenditure fell 13.7% (-US\$2.3 million) to US\$14.7 million. The contributing factors for the lower expenditure were (i) lower depreciation expense of US\$1.3 million arising from change in expected useful life and residual value of 'FSL Hamburg' and 'FSL Singapore' and (ii) recovery of net vessel related expenses (non-recurring) of US\$0.9 million arising from the re-delivered vessels.

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**8. Review of Performance (cont'd)**

Finance expenses (excluding exchange gains of US\$0.6 million (3Q 2009: US\$1.0 million)) increased 11.5% (+US\$0.7 million) to US\$6.6 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			
		3Q 2010	3Q 2009	YTD Sep 2010	YTD Sep 2009
		US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/period		649	2,737	(4,771)	6,619
Add: Non-cash adjustments	(a)	13,428	14,891	52,433	45,083
<b>Net cash generated from operations</b>		<b>14,077</b>	<b>17,628</b>	<b>47,662</b>	<b>51,702</b>
Less: Repayment of secured bank loans		(8,000)	(816)	(24,000)	(9,005)
<b>Income available for distribution</b>		<b>6,077</b>	<b>16,812</b>	<b>23,662</b>	<b>42,697</b>
Less: Cash retained in the current period		(390)	(8,848)	(3,307)	(9,699)
<b>Net distributable amount</b>		<b>5,687</b>	<b>7,964</b>	<b>20,355</b>	<b>32,998</b>
Add: Income from the previous period to be distributed		-	-	-	3
Amount available for distribution		5,687	7,964	20,355	33,001
Comprising: (i) Tax-exempt distribution		5,647	7,942	20,156	32,875
(ii) Tax-exempt (one-tier) distribution		40	22	199	126
<b>Amount to be distributed</b>		<b>5,687</b>	<b>7,964</b>	<b>20,355</b>	<b>33,001</b>
Units at the end of the period ('000)		598,665	598,665	598,665	598,665
<b>Distribution per unit (US Cents)</b>		<b>0.95</b>	<b>1.50</b>	<b>3.40</b>	<b>6.40</b>

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 3Q 2010, FSL Trust generated a net cash from operations of US\$14.1 million, of which 40% 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\$0.4 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 September 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

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 30 June 2010.

10. Outlook and Prospects

During Q3 2010, the two product tankers, 'FSL Hamburg' and 'FSL Singapore', were successfully introduced to the product tanker spot market and gained approvals from several oil majors. Despite volatile freight rates in the spot market, the Trustee-Manager believes the vessels are now well-positioned to attain their full earnings potential. As the tanker market improves, the Trustee-Manager will also explore various mid-to-long-term employment options for these two vessels.

With regard to the other 21 vessels, FSL Trust continues to generate stable cashflow from its bareboat lease portfolio, which is underpinned by long-term fixed-rate bareboat contracts and healthy remaining contracted revenue.

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**11. Distribution**

**(a) Current financial period**

Any distributions declared for the current financial period	:	Yes
Amount	:	US\$5,687,318
Distribution Period	:	1 July 2010 to 30 September 2010
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US0.95 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and 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 for period from 1 July 2009 to 16 September 2009	:	US\$6,587,046
Amount for period from 17 September 2009 to 30 September 2009	:	US\$1,376,930
Distribution Period	:	1 July 2009 to 30 September 2009
Distribution Type	:	Cash, Tax-exempt Distribution
Stub Distribution Rate for period from 1 July 2009 to 16 September 2009	:	US1.27 cents per unit
Distribution Rate for period from 17 September 2009 to 30 September 2009	:	US0.23 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 November 2010

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- (d) Books closure date : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 1 November 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 1 November 2010 will be entitled to the Distribution to be paid on 26 November 2010.
- (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 11 November 2010.

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

Not applicable.

13. Confirmation by the Board

The Board of FSL Trust Management Pte. Ltd. as Trustee-Manager of First Ship Lease Trust, has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results of the Group for the quarter ended 30 September 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  
22 October 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/FM1/116

Contact Kenny Tan  
(+65 6213 2836)

Attention: Mr Cheong Chee Tham

22 October 2010

Dear Sirs

**First Ship Lease Trust**  
**Independent auditors' report on review of condensed consolidated interim**  
**financial information for the period ended 30 September 2010**

*Introduction*

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

***Scope of review***

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

***Conclusion***

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

***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  
22 October 2010