



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

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

FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. 16 vessels are employed on long-term bareboat charters and as at 31 December 2013, had a dollar-weighted average remaining lease period of approximately four years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangements and in pool. The combined portfolio of 25 vessels had a dollar-weighted average age of approximately eight years as at 31 December 2013.

Summary of FSL Trust Consolidated Results

	4Q 2013	4Q 2012	Decrease	FY 2013
	US\$'000	US\$'000	%	US\$'000
Revenue	23,194	24,059	(3.6)	89,993
Loss for the quarter/year	(41,984)	(1,554)	N.M.	(65,213)
Net cash generated from operations	7,622	12,294	(38.0)	36,035

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1(a)(i) Consolidated Income Statements

	Note	Group					
		4Q 2013	4Q 2012	Inc/ (Dec)	FY 2013	FY 2012	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		23,194	24,059	(3.6)	89,993	106,107	(15.2)
Depreciation expense on vessels		(13,343)	(14,233)	(6.3)	(54,482)	(57,196)	(4.7)
Impairment loss on vessels	(a)	(36,635)	-	100.0	(43,408)	-	100.0
Voyage expenses		(1,517)	147	N.M.	(3,248)	(10,545)	(69.2)
Vessel operating expenses		(5,732)	(3,303)	73.5	(16,354)	(10,439)	56.7
Management fees		(617)	(798)	(22.7)	(2,794)	(3,365)	(17.0)
Trustee fees		(36)	(39)	(7.7)	(149)	(160)	(6.9)
Other trust expenses		(1,392)	(878)	58.5	(4,888)	(5,122)	(4.6)
Results from operating activities		(36,078)	4,955	N.M.	(35,330)	19,280	N.M.
Finance income		7	30	(76.7)	63	124	(49.2)
Finance expenses		(5,917)	(6,529)	(9.4)	(24,628)	(27,782)	(11.4)
Impairment loss on available-for-sale financial assets		-	-	-	(5,298)	-	100.0
Loss before tax		(41,988)	(1,544)	N.M.	(65,193)	(8,378)	N.M.
Income tax write-back/(expense)		4	(10)	N.M.	(20)	(9)	N.M.
Loss for the quarter/period		(41,984)	(1,554)	N.M.	(65,213)	(8,387)	N.M.

Note:

(a) This relates to impairment cost recognised over the Year (see paragraph 8).

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1(a)(ii) Statements of Comprehensive Income

	Group			
	4Q 2013	4Q 2012	FY 2013	FY 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/period	(41,984)	(1,554)	(65,213)	(8,387)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Translation differences relating to financial statements of foreign subsidiaries	447	617	1,105	368
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(5)	312	(110)	155
Effective portion of changes in fair value of cash flow hedges	(420)	(402)	164	(4,728)
Net change in fair value of cash flow hedges transferred to income statement	2,123	2,020	8,247	8,642
Net change in fair value of available-for-sale financial assets	(427)	(2,488)	(1,087)	(2,488)
Net change in fair value of available-for-sale financial assets reclassified to income statement	-	-	5,298	-
Other comprehensive income, net of tax	1,718	59	13,617	1,949
Total comprehensive income	(40,266)	(1,495)	(51,596)	(6,438)

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1(a)(iii) Distribution Statements

	Note	Group			
		4Q 2013	4Q 2012	FY 2013	FY 2012
		US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/period		(41,984)	(1,554)	(65,213)	(8,387)
Add: Non-cash adjustments	(a)	49,606	13,848	101,248	55,995
Net cash generated from operations		7,622	12,294	36,035	47,608
Less: Repayment of secured bank loans		(11,000)	(11,000)	(44,000)	(44,000)
Prepayment of secured bank loans		-	-	(10,000)	-
Income available for distribution		(3,378)	1,294	(17,965)	3,608
Add: Utilisation of cash retained from previous periods		3,378	-	17,965	1,810
Less: Cash retained in the current period		-	(1,294)	-	(4,764)
Net distributable amount		-	-	-	654
Amount available for distribution		-	-	-	654
Comprising: (i) Tax-exempt distribution		-	-	-	617
(ii) Tax-exempt (one-tier) distribution		-	-	-	37
Amount to be distributed		-	-	-	654
Units at the end of the period ('000)		654,665	654,665	654,665	654,665
Distribution per unit (US Cents)		-	-	-	0.10

Note:

- (a) Non-cash adjustments include depreciation expenses, impairment losses, translation exchange differences and amortisation of deferred income and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.

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1(b)(i) Statements of Financial Position

		31 Dec 2013		31 Dec 2012	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	Non-current assets				
	Vessels	630,968	-	727,517	-
	Subsidiaries	-	484,052	-	523,253
	Available-for-sale financial assets	4,550	-	5,637	-
	Derivative assets	233	233	47	47
		635,751	484,285	733,201	523,300
	Current assets				
	Inventories	1,185	-	519	-
	Derivative assets	-	-	185	185
	Trade and other receivables	5,324	64,139	3,542	85,838
(a)	Cash and cash equivalents	20,367	12,091	37,488	29,604
		26,876	76,230	41,734	115,627
	Total assets	662,627	560,515	774,935	638,927
	Equity attributable to unitholders of FSL Trust				
	Units in issue	525,412	525,412	525,412	525,412
	Reserves	(259,776)	(347,530)	(208,180)	(329,918)
	Total equity	265,636	177,882	317,232	195,494
	Non-current liabilities				
(b)	Secured bank loans	-	-	386,218	386,218
	Derivative liabilities	727	727	4,492	4,492
	Deferred income	5,011	-	6,455	-
		5,738	727	397,165	390,710
	Current liabilities				
	Trade and other payables	6,335	1,020	4,134	684
	Lease income received in advance	2,588	-	2,903	-
	Derivative liabilities	3,394	3,394	8,039	8,039
(b)	Secured bank loans	377,492	377,492	44,000	44,000
	Deferred income	1,444	-	1,444	-
	Current tax payable	-	-	18	-
		391,253	381,906	60,538	52,723
	Total liabilities	396,991	382,633	457,703	443,433
	Total equity and liabilities	662,627	560,515	774,935	638,927

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

Notes:

(a) Cash and cash equivalents comprise:

	31 Dec 2013		31 Dec 2012	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash [^]	10,000	10,000	10,000	10,000
Cash at Bank	7,499	1,998	5,723	608
Short-term deposits	2,868	93	21,765	18,996
Cash and cash equivalents	20,367	12,091	37,488	29,604
Less: Restricted cash	(10,000)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	10,367	2,091	27,488	19,604

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

(b) Secured bank loans

The non-current portion of the secured bank loans has been classified within current liabilities. Please see page 6 for further details.

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

	31 Dec 2013	31 Dec 2012
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	381,558	44,000
Amount repayable after one year	-	391,558
Less: Unamortised debt upfront fees	(4,066)	(5,340)
	377,492	430,218

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising term loan facility in December 2011 and the outstanding loan balance was US\$381.6 million as at 31 December 2013.

The lenders of the term loan had previously granted FSL Trust temporary relaxation of two loan covenants relating to security value-to-loan ("VTL") ratio and debt service coverage ("DSC") ratio which expired on 30 June 2013.

As FSL Trust did not fully comply with the relaxed covenants between 1 July 2013 and 31 December 2013, the entire bank loan may have been called for repayment at any time upon notification by the lenders. Accordingly, this loan balance was classified within current liabilities giving rise to the deficiency in net current assets, amounting to US\$364,377,000 as at 31 December 2013.

In February 2014, the lenders agreed to grant a loan covenant relaxation extension until 31 December 2014 ("Relaxation extension"), subject to compliance with certain conditions ("Conditions"). As a result of this Relaxation extension, the relevant loan balance classified within current liabilities will be reclassified to non-current liabilities from 1Q 2014.

The original and relaxed covenants are as follow:

<u>Covenants</u>	<u>Original</u>	<u>After Relaxation</u>			
		<u>1Q 2014</u>	<u>2Q 2014</u>	<u>3Q 2014</u>	<u>4Q 2014</u>
VTL ratio	125%	105%	105%	110%	110%
Debt Service Coverage ratio	at least 1.10:1	at least 0.90:1	at least 0.95:1	at least 1.00:1	at least 1.10:1

Other Conditions imposed during the period of Relaxation extension include the retention of a US\$10 million security deposit with the security agent, and a levy of 2% per annum imposed on the shortfall amount. The shortfall amount is the difference between the outstanding loan balance and the theoretical loan balance assuming VTL ratio is 125%.

The interest margin of the term loan:

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

For 4Q 2013, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

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

The term loan is secured on the following:

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

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

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1(c) Consolidated Cash Flow Statements

	Group			
	4Q 2013	4Q 2012	FY 2013	FY 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Loss before tax	(41,988)	(1,544)	(65,193)	(8,378)
Adjustments for:				
Depreciation expense on vessels	13,343	14,233	54,482	57,196
Impairment loss on vessels	36,635	-	43,408	-
Impairment loss on available-for-sale financial assets	-	-	5,298	-
Amortisation of debt upfront fees and initial direct costs	436	492	1,844	2,002
Amortisation of deferred income	(361)	(225)	(1,444)	(225)
Interest income	(7)	(30)	(63)	(124)
Interest expense	5,674	6,233	23,467	26,218
Unrealised exchange differences	(105)	(79)	(417)	(126)
	13,627	19,080	61,382	76,563
Changes in working capital:				
Trade and other receivables	231	(125)	(1,804)	223
Inventories	1,324	122	(666)	479
Trade and other payables	2,091	(42)	2,142	(25)
Lease income received in advance	2,060	2,400	(315)	1,416
Cash generated from operations	19,333	21,435	60,739	78,656
Income tax (paid)/refund	(1)	-	(38)	8
Cash flows from operating activities	19,332	21,435	60,701	78,664
Investing activities:				
Interest received	9	16	87	100
Costs incurred for dry-docking	(498)	-	(498)	-
Cash flows from investing activities	(489)	16	(411)	100
Financing activities:				
Distribution to unitholders	-	-	-	(1,309)
Repayment of secured bank loans	(11,000)	(11,000)	(44,000)	(33,000)
Prepayment of secured bank loans	-	-	(10,000)	-
Interest paid	(5,560)	(6,154)	(23,411)	(28,271)
Security deposit	-	-	-	(10,000)
Cash flows from financing activities	(16,560)	(17,154)	(77,411)	(83,580)
Net increase/(decrease) in cash and cash equivalents	2,283	4,297	(17,121)	(4,816)
Cash and cash equivalents at beginning of period	8,084	23,191	27,488	32,304
Cash and cash equivalents at end of period	10,367	27,488	10,367	27,488
Comprising:-				
Cash at Bank	7,499	5,723	7,499	5,723
Short-term deposits	2,868	21,765	2,868	21,765
	10,367	27,488	10,367	27,488

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

**2013
Group**

At 1 October 2013
Total comprehensive income for the
quarter
At 31 December 2013

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(5,591)	(1,867)	2,150	(214,202)	305,902
-	1,703	442	(427)	(41,984)	(40,266)
525,412	(3,888)	(1,425)	1,723	(256,186)	265,636

**2012
Group**

At 1 October 2012
Total comprehensive income for the
quarter
At 31 December 2012

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(13,917)	(3,349)	-	(189,419)	318,727
-	1,618	929	(2,488)	(1,554)	(1,495)
525,412	(12,299)	(2,420)	(2,488)	(190,973)	317,232

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

2013
Trust
At 1 October 2013
Total comprehensive income for the quarter
At 31 December 2013

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(5,591)	(337,365)	182,456
-	1,703	(13,372)	(11,669)
525,412	(3,888)	(350,737)	170,787

2012
Trust
At 1 October 2012
Total comprehensive income for the quarter
At 31 December 2012

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(13,917)	(311,056)	200,439
-	1,618	(6,563)	(4,945)
525,412	(12,299)	(317,619)	195,494

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

	4Q 2013 Units	FY 2012 Units
At the beginning of the period	654,665,077	654,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	654,665,077

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

Not applicable.

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

Except for the change as disclosed in paragraph 5, FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2012.

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

Depreciation on dry bulk carriers- *Stella Fomalhaut* and *FSL Durban* (previously known as *Stella Eitanin*)

i) Changes prior to termination of the bareboat charter operating lease arrangements

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

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from January 2013 to 30 September 2013. As a result of the changes, depreciation expense for YTD Sep 2013 reduced by US\$1.4 million for the two vessels.

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Depreciation on dry bulk carriers- *Stella Fomalhaut* and *FSL Durban* (previously known as *Stella Eltanin*) (cont'd)

ii) Changes after termination of the bareboat charter operating lease arrangements

Following the lease default by OMNI Ships in September 2013, both vessels were redelivered to FSL Trust in October 2013. With the pre-mature termination of the bareboat charter operating lease arrangements, the expected useful life of each of the two vessels was revised from 12 years to 25 years and the basis of estimating the respective residual values was also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from October 2013. As a result of the changes, depreciation expense for 4Q 2013 reduced by US\$0.7 million for the two vessels.

In total, the changes in estimates for the two vessels reduced depreciation expense by US\$2.1 million in Year 2013.

Depreciation on vessels on bareboat charters

The residual value of each of the following vessels was reviewed and revised. The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from the date the change was made.

Vessel	Change effective from	Depreciation increase/(decrease)	
		4Q 2013	FY 2013
		US\$'million	US\$' million
<i>Cumbrian Fisher</i>	October 2013	(0.2)	(0.2)
<i>Clyde Fisher</i>	October 2013	(0.2)	(0.1)
<i>Cape Ferro*</i>	April 2013/October 2013	(0.1)	0.4
<i>Cape Falcon*</i>	April 2013/October 2013	(0.1)	0.4
<i>Ever Radiant</i>	October 2013	0.3	0.3
<i>Ever Respect</i>	October 2013	0.1	0.1
<i>Speciality</i>	October 2013	0.2	0.2
<i>Senority</i>	October 2013	0.2	0.2
<i>Superiority</i>	October 2013	0.1	0.1
<i>Total</i>		0.3	1.4

* The residual value for these vessels was reviewed and revised in April 2013 and October 2013.

Depreciation on crude oil tankers-*FSL Hong Kong* and *FSL Shanghai* (previously known as *Aqua* and *Action*, respectively)

Following the lease default by the subsidiaries of Geden Holdings Ltd. ("Geden") for the two crude oil tankers in June 2013, these vessels were redelivered to FSL Trust; *FSL Hong Kong* is currently employed on a Revenue Sharing Agreement ("RSA") while *FSL Shanghai* is currently deployed on a short-term variable rate time charter. With the pre-mature termination of the bareboat charter operating lease arrangements, the expected useful life of each of the two vessels was revised from 10 years to 25 years and the basis of estimating the respective residual values was also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from July

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Depreciation on crude oil tankers- FSL Hong Kong and FSL Shanghai (previously known as Aqua and Action respectively) (cont'd)

2013. As a result of the changes, depreciation expense for 4Q 2013 reduced by US\$0.8 million (YTD Dec 2013: US\$1.5 million) for the two vessels.

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

	Group			
	4Q 2013	4Q 2012	FY 2013	FY 2012
Basic and diluted earnings per unit is based on:				
Loss for the quarter/period (US\$'000)	(41,984)	(1,554)	(65,213)	(8,387)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(6.41)	(0.24)	(9.96)	(1.28)
Number of issued units at end of quarter ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	-	-	0.10

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

	Note	31 Dec 2013		31 Dec 2012	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.41	0.27	0.48	0.30

Note:

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

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8. Review of Performance

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

4Q 2013 vs 4Q 2012

	Group		
	4Q 2013	4Q 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	13,792	18,747	(26.4)
BBCE revenue of vessels on:-			
-Time charter	1,126	980	14.9
-Pool/RSA	535	1,094	(51.1)
-Spot	416	6	N.M.
Total bareboat charter/BBCE revenue	15,869	20,827	(23.8)
Less:			
Depreciation expense on vessels ¹	(13,267)	(14,157)	(6.3)
Impairment loss on vessels	(41,984)	-	100.0
Management fees	(617)	(798)	(22.7)
Trustee fees	(36)	(39)	(7.7)
Other trust expenses	(1,392)	(878)	58.5
Other operating expenses	(51,947)	(15,872)	N.M.
Results from operating activities	(36,078)	4,955	N.M.
Finance income	7	30	(76.7)
Finance expenses	(5,917)	(6,529)	(9.4)
Loss before tax	(41,988)	(1,544)	N.M.
Income tax write-back/(expense)	4	(10)	N.M.
Loss for the quarter	(41,984)	(1,554)	N.M.

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

8. Review of Performance (cont'd)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals declined by 26.4% (-US\$5.0 million) to US\$13.8 million, mainly attributable to:

- i) lease default by the subsidiaries of Geden for the two crude oil tankers, *FSL Hong Kong* and *FSL Shanghai* (-US\$3.0 million); and
- ii) lease default by OMNI Ships for the two dry bulk carriers, *Stella Fomalhaut* and *FSL Durban* (-US\$1.8 million).

The rentals derived from the remaining 16 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

Time charter

i) Product tanker

The two product tankers, *FSL Hamburg* and *FSL Singapore* are employed on time charter arrangements with Petróleo Brasileiro S.A. ('Petrobras'). Together, these vessels generated net time charter revenue of US\$2.3 million. After deducting vessel operating expenses, these vessels generated BBCE revenue of US\$0.7 million in the quarter under review. In the same quarter last year, these vessels earned a BBCE revenue of US\$1.0 million.

ii) Crude oil tanker

Following its redelivery on 15 July 2013, *FSL Shanghai* was deployed on a short-term time charter arrangement and generated a BBCE revenue of US\$0.5 million in the quarter under review.

iii) Dry bulk carrier

Following the redeliveries from OMNI Ships in October 2013, *Stella Fomalhaut* and *FSL Durban* were deployed on short-term time charter arrangements and incurred a marginal BBCE loss of US\$14,000 in the quarter under review.

Pool/ RSA

i) Chemical tanker

The three chemical tankers, *FSL New York*, *FSL London* and *FSL Tokyo* are employed in the 'Nordic Tankers 19,000 Stainless Steel Pool' ('Nordic Pool'). Collectively, these vessels generated net pool revenue of US\$2.6 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.4 million in the quarter under review.

ii) Crude oil tanker

FSL Hongkong, employed on a RSA in December 2013 (prior to RSA, *FSL Hongkong* was deployed in the spot market), generated a BBCE revenue of US\$0.2 million in the quarter under review.

Spot

Following its redelivery on 4 July 2013, *FSL Hong Kong* was deployed in the spot market and generated US\$2.3 million of freight income in the quarter under review. After deducting voyage and vessel operating expenses, *FSL Hong Kong* generated BBCE revenue of US\$0.4 million in the quarter under review.

8. Review of Performance (cont'd)

In the same quarter last year, there were no vessels deployed in the spot market. However, there were minor adjustments from previous spot charter transactions that were recognised in 4Q 2012.

b. Impairment loss on vessels

Upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of Ever Radiant, Ever Respect, Stella Fomalhaut, FSL Durban, FSL Hong Kong, FSL Shanghai, FSL Singapore, FSL Hamburg, TORM Margrethe and TORM Marie had exceeded the recoverable amount and an impairment loss of US\$36.6 million for the 10 vessels was recognized.

c. Depreciation expense on vessels

Depreciation expense on vessels declined by 6.3% (-US\$0.9 million) due to the revision of expected useful life and residual value of certain vessels. Please see paragraph 5 for details.

d. Other trust expenses

Other trust expenses increased by 58.5% (+US\$0.5 million) due to:

- i) higher non-recurring vessel-related expenses (+US\$0.3 million) arising from change in technical manager for the redelivered crude oil tankers and dry bulk carriers; and
- ii) higher professional fees (+US\$0.2 million)

e. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$36 million in this quarter compared to an operating profit of US\$5.0 million for the same period last year.

f. Finance expenses

Finance expenses decreased by 9.4% (-US\$0.6 million) mainly due to lower outstanding indebtedness.

For 4Q 2013, FSL Trust incurred a net loss of US\$42 million.

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8. Review of Performance (cont'd)

FY 2013 vs FY 2012

	Group		
	FY 2013	FY 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	60,681	76,347	(20.5)
BBCE revenue of vessels on:-			
-Time charter	4,403	2,270	94.0
-Pool/RSA	4,394	2,531	73.6
-Spot	610	3,672	(83.4)
Total bareboat charter/BBCE revenue	70,088	84,820	(17.4)
Less:			
Depreciation expense on vessels ²	(54,179)	(56,893)	(4.8)
Impairment loss on vessels	(43,408)	-	100.0
Management fees	(2,794)	(3,365)	(17.0)
Trustee fees	(149)	(160)	(6.9)
Other trust expenses	(4,888)	(5,122)	(4.6)
Other operating expenses	(105,418)	(65,540)	60.8
Results from operating activities	(35,330)	19,280	N.M.
Finance income	63	124	(49.2)
Finance expenses	(24,628)	(27,782)	(11.3)
Impairment loss on available-for-sale financial assets	(5,298)	-	100.0
Loss before tax	(65,193)	(8,378)	N.M.
Income tax expense	(20)	(9)	N.M.
Loss for the year	(65,213)	(8,387)	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2013, rentals from vessels on bareboat charter fell 20.5% (-US\$15.7 million) to US\$60.7 million due to:

- i) lease default by the subsidiaries of Geden for the two crude oil tankers since 2Q 2013 (-US\$9.7 million);
- ii) lower rentals from OMNI Ships for the two dry bulk carriers due to restructured leases from January 2013 and lease default since 3Q 2013 (-US\$4.7 million); and
- iii) lease default by the subsidiaries of Berlian Laju Tanker for the three chemical tankers since February 2012 (-US\$1.2 million).

Time charter

i) Product tanker

FSL Singapore and *FSL Hamburg* entered into time charter arrangements with Petrobras on 16 May 2012 and 23 August 2012 respectively, at a gross daily time charter rate of US\$14,000. On a combined basis, these two vessels contributed net time charter revenue of US\$9.7 million (FY 2012: US\$4.8 million) and BBCE revenue of US\$4.0 million (FY 2012: US\$2.3 million) in FY 2013.

² For this analysis, depreciation expense on dry-docking costs is included in vessel operating expenses in deriving BBCE revenue.

8. Review of Performance (cont'd)

ii) Crude oil tanker

Following its redelivery on 15 July 2013, *FSL Shanghai* was deployed on a short-term time charter arrangement and generated a BBCE revenue of US\$0.4 million for the year ended 31 December 2013.

iii) Dry bulk carrier

The two redelivered dry bulk carriers were deployed on short-term time charter arrangements and incurred a marginal BBCE loss of US\$14,000 for the year ended 31 December 2013.

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tanker

The three chemical tankers entered the 'Nordic Pool' on a staggered basis in 3Q 2012; two vessels entered the pool in July 2012 while the third vessel joined the pool in August 2012.

Collectively, these vessels generated net pool revenue of US\$12.2 million in FY 2013 (FY 2012: US\$5.9 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$4.2 million in FY 2013 (FY 2012: US\$2.5 million).

ii) Crude oil tanker

FSL Hongkong, deployed on a RSA in December 2013, generated a BBCE revenue of US\$0.2 million for the year ended 31 December 2013.

Spot

Following its redelivery on 4 July 2013, *FSL Hong Kong* was deployed in the spot market and generated US\$4.8 million of freight income for the year ended 31 December 2013. After deducting voyage and vessel operating expenses, *FSL Hong Kong* generated BBCE revenue of US\$0.6 million for the year ended 31 December 2013.

b. Impairment loss on vessels

Upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of Ever Radiant, Ever Respect, Stella Fomalhaut, FSL Durban, FSL Hong Kong, FSL Shanghai, FSL Singapore, FSL Hamburg, TORM Margrethe and TORM Marie had exceeded the recoverable amount and an impairment loss of US\$43.4 million for the 10 vessels was recognized.

c. Depreciation expense on vessels

Depreciation expense on vessels declined by 4.8% (-US\$2.7 million) due to the revision of expected useful life and residual value of certain vessels. Please see paragraph 5 for details.

8. Review of Performance (cont'd)

d. Other trust expenses

Other trust expenses decreased by 4.6% (-US\$0.2 million) due to lower non-recurring vessel-related expenses (FY 2013: US\$2.3 million; FY 2012: US\$2.5 million). The non-recurring vessel-related expenses incurred in FY 2013 were for the redelivered crude oil tankers and dry bulk carriers whereas the expenses incurred in FY 2012 were for the redelivered chemical tankers and change in technical manager for *FSL Hamburg* and *FSL Singapore*.

e. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$35.3 million in FY 2013 before accounting for net finance expenses.

f. Finance expenses

Finance expenses decreased by 11.3% (-US\$3.2 million) mainly due to lower outstanding indebtedness and lower swap costs arising from the expiry of certain interest rate swaps.

For the year ended 31 December 2013, FSL Trust incurred a net loss of US\$65.2 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

In February 2014, FSL Trust secured a loan covenant relaxation from its lenders until 31 December 2014. This marks significant progress for the Trust. Despite the extremely challenging year the Trust has faced due to lessee defaults, with the agreement of a loan covenant relaxation and improving performance due to ongoing restructuring efforts, the Trust is now in a stronger position to move forward.

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11. Distribution

(a) Current financial period

Any distributions declared for the : No
current financial period

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the : No
previous corresponding period

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

No distribution has been declared

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

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

14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2013	FY 2012	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	44,341	55,328	(19.9)
(b) Net loss after tax reported for first half year	(14,299)	(6,647)	N.M.
(c) Revenue reported for second half year	45,652	50,779	(10.1)
(d) Net loss after tax reported for second half year	(50,914)	(1,740)	N.M.

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17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2013

	FY 2013	FY 2012
	US\$	US\$
In respect of the period:		
1 July 2013 to 30 September 2013	-	
1 April 2013 to 30 June 2013	-	
1 January 2013 to 31 March 2013	-	
1 October 2012 to 31 December 2012	-	
1 July 2012 to 30 September 2012		-
1 April 2012 to 30 June 2012		-
1 January 2012 to 31 March 2012		654,665
1 October 2011 to 31 December 2011		654,665

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust, or any of its principal subsidiaries who is related to a director, chief executive officer or substantial shareholder of FSLTM.

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

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the unaudited financial results of the Group for the fourth quarter and year ended 31 December 2013 to be false or misleading in any material aspect.

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

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

Alan Hatton
 Chief Executive Officer
 28 February 2014