



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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

As at 31 March 2014, FSL Trust has a modern, high quality and diverse portfolio of 23 vessels consisting of seven containerships, 11 product tankers, three chemical tankers and two crude oil tankers. 16 vessels are employed on long-term bareboat charters as at 31 March 2014 and have a dollar-weighted average remaining lease period of approximately four years (excluding extension periods and early buy-out options). The remaining seven vessels are employed on time charter arrangement and in pool. The combined portfolio of 23 vessels has a dollar-weighted average age of approximately eight years.

Summary of FSL Trust Consolidated Results

	1Q 2014	1Q 2013	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	22,436	23,047	(2.7)
Loss for the quarter	(4,952)	(7,067)	(29.9)
Net cash generated from operations	9,084	11,675	(22.2)

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1(a)(i) Consolidated Income Statements

	Group		
	1Q 2014	1Q 2013	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	22,436	23,047	(2.7)
Depreciation expense on vessels	(13,037)	(13,757)	(5.2)
Voyage expenses	37	-	N.M.
Vessel operating expenses	(5,939)	(3,087)	92.4
Management fees	(707)	(806)	(12.3)
Trustee fees	(33)	(39)	(15.4)
Other trust expenses	(820)	(604)	35.8
Results from operating activities	1,937	4,754	(59.3)
Finance income	5	22	(77.3)
Finance expenses	(5,471)	(6,522)	(16.1)
Loss on disposal of vessels	(1,405)		100.0
Impairment loss on available-for-sale financial assets	-	(5,298)	100.0
Loss before tax	(4,934)	(7,044)	(30.0)
Income tax expense	(18)	(23)	(21.7)
Loss for the quarter	(4,952)	(7,067)	(29.9)

Note:

(a) This relates to the disposal of the two dry bulk carrier in March 2014.

1(a)(ii) Statements of Comprehensive Income

	Group	
	1Q 2014	1Q 2013
	US\$'000	US\$'000
Loss for the quarter	(4,952)	(7,067)
Other comprehensive income		
Items that are or may be classified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	55	(740)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(173)	(211)
Effective portion of changes in fair value of cash flow hedges	(2)	442
Net change in fair value of cash flow hedges transferred to income statement	1,985	2,046
Net change in fair value of available-for-sale financial assets	537	(2,810)
Net change in fair value of available-for-sale financial assets reclassified to income statement	-	5,298
Other comprehensive income, net of tax	2,402	4,025
Total comprehensive income	(2,550)	(3,042)

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1(a)(iii) Distribution Statements

		Group	
	Note	1Q 2014	1Q 2013
		US\$'000	US\$'000
Loss for the quarter		(4,952)	(7,067)
Add: Non-cash adjustments		14,036	18,742
Net cash generated from operations		9,084	11,675
Less: Repayment of secured bank loans		(8,500)	(11,000)
Less: Prepayment of secured bank loans	(a)	(22,000)	
Income available for distribution		(21,416)	675
Add: Utilisation of cash retained from previous periods		21,416	-
Less: Cash retained in the current period		-	(675)
Net distributable amount	(b)	-	-
Amount available for distribution		-	-
Comprising: (i) Tax-exempt distribution		-	-
(ii) Tax-exempt (one-tier) distribution		-	-
Amount to be distributed		-	-
Units at the end of the quarter ('000)		654,665	654,665
Distribution per unit (US Cents)		-	-

Notes:

- (a) Balance of net proceeds from the sale of the two dry bulk vessels shall be applied towards reduction of the repayment of the loan in Q2.
- (b) In connection with a loan covenant relaxation from its lenders, FSL Trust is restricted from paying any distributions to unitholders until 31 December 2014. This has been the case since June 2012.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1(b)(i) Statements of Financial Position

		31 Mar 2014		31 Dec 2013	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	Non-current assets				
	Vessels	594,483	-	630,968	-
	Subsidiaries	-	479,750	-	479,750
	Available-for-sale financial assets	5,087	-	4,550	-
	Derivative assets	396	396	233	233
		599,966	480,146	635,751	479,983
	Current assets				
	Inventories	996	-	1,185	-
	Trade and other receivables	6,369	26,508	5,324	64,139
	Cash and cash equivalents	20,640	13,486	20,367	12,091
(a)		28,005	39,994	26,876	76,230
	Total assets	627,971	520,140	662,627	556,213
	Equity attributable to unitholders of FSL Trust				
	Units in issue	525,412	525,412	525,412	525,412
	Reserves	(262,326)	(355,778)	(259,776)	(351,832)
	Total equity	263,086	169,634	265,636	173,580
	Non-current liabilities				
	Secured bank loans	-	-	-	-
	Derivative liabilities	430	430	727	727
	Deferred income	4,650	-	5,011	-
		5,080	430	5,738	727
	Current liabilities				
	Trade and other payables	8,656	909	6,335	1,020
	Lease income received in advance	538	-	2,588	-
	Derivative liabilities	1,871	1,871	3,394	3,394
	Secured bank loans	347,296	347,296	377,492	377,492
	Deferred income	1,444	-	1,444	-
	Current tax payable	-	-	-	-
		359,805	350,076	391,253	381,906
	Total liabilities	364,885	350,506	396,991	382,633
	Total equity and liabilities	627,971	520,140	662,627	556,213

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2014		31 Dec 2013	
	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	7,772	3,393	7,499	1,998
Short-term deposits	2,868	93	2,868	93
Cash and cash equivalents	20,640	13,486	20,367	12,091
Less: Restricted cash	(10,000)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	10,640	3,486	10,367	2,091

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

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

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

	31 Mar 2014	31 Dec 2013
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	351,058	381,558
Amount repayable after one year	-	-
Less: Unamortised debt upfront fees	(3,762)	(4,066)
	347,296	377,492

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\$347.3 million as at 31 March 2014.

In February 2014, the lenders granted a loan covenant relaxation extension until 31 December 2014 ("Relaxation extension"), with the following additional conditions to be adhered to during the Relaxation extension.

- i) a cash sweep mechanism whereby if cash balances are over US\$20 million for two consecutive quarters (e.g. Quarter 1 and Quarter 2), the lesser of i) Quarter 1 cash balance less US\$20 million, or ii) Quarter 2 cash balance less US\$20 million, will be immediately applied against settlement of the loan outstanding.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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

The cash sweep only applies until the end of the relaxation period or when VTL reaches up to 125%, whichever is earlier;

- ii) an upfront fee of 5bps on the loan outstanding; and
- iii) Pledge of the shares of all the vessel-owning subsidiaries.

The loan balance has been classified under current liabilities for 1Q 2014 as the loan agreement was still being documented at 31 March 2014.

The original and relaxed covenants are as follow:

Covenants	Original	After Relaxation			
		1Q 2014	2Q 2014	3Q 2014	4Q 2014
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:

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

For 1Q 2014, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

The term loan is secured on the following:

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

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.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1(c) Consolidated Cash Flow Statements

	Group	
	1Q 2014	1Q 2013
	US\$'000	US\$'000
Operating activities:		
Loss before tax	(4,934)	(7,044)
Adjustments for:		
Depreciation expense on vessels	13,037	13,757
Impairment loss on available-for-sale financial assets	-	5,298
Amortisation of debt upfront fees and initial direct costs	429	486
Amortisation of deferred income	(361)	(361)
Loss on sale of vessels	1,405	
Interest income	(5)	(22)
Interest expense	5,321	6,083
Unrealised exchange differences	(171)	117
	14,721	18,314
Changes in working capital:		
Trade and other receivables	(1,363)	1,187
Inventories	189	(135)
Trade and other payables	2,845	(987)
Lease income received in advance	(2,050)	(1,801)
Cash generated from operations	14,342	16,578
Income tax (paid)/refund	(17)	(40)
Cash flows from operating activities	14,325	16,538
Investing activities:		
Interest received	5	42
Net proceed on disposal of vessels	22,234	-
Costs incurred for dry-docking	(265)	-
Cash flows from investing activities	21,974	42
Financing activities:		
Prepayment of secured bank loans	(22,000)	-
Repayment of secured bank loans	(8,500)	(11,000)
Interest paid	(5,526)	(6,086)
Cash flows from financing activities	(36,026)	(17,086)
Net decrease in cash and cash equivalents	273	(506)
Cash and cash equivalents at beginning of period	10,367	27,488
Cash and cash equivalents at end of period	10,640	26,982
Comprising:-		
Cash at Bank	7,771	4,365
Short-term deposits	2,869	22,617
	10,640	26,982

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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

	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
2014 Group						
At 1 January 2014	525,412	(3,888)	(1,425)	1,723	(256,186)	265,636
Total comprehensive income for the quarter	-	1,983	(118)	537	(4,952)	(2,550)
At 31 March 2014	525,412	(1,905)	(1,543)	2,260	(261,138)	263,086

	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
2013 Group						
At 1 January 2013	525,412	(12,299)	(2,420)	(2,488)	(190,973)	317,232
Total comprehensive income for the quarter	-	2,488	(951)	2,488	(7,067)	(3,042)
At 31 March 2013	525,412	(9,811)	(3,371)	-	(198,040)	314,190

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2014 Trust				
At 1 January 2014	525,412	(3,888)	(347,944)	173,580
Total comprehensive income for the quarter	-	1,983	(5,929)	(3,946)
At 31 March 2014	525,412	(1,905)	(353,873)	169,634

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2013 Trust				
At 1 January 2013	525,412	(12,299)	(317,619)	195,494
Total comprehensive income for the quarter	-	2,488	(6,618)	(4,130)
At 31 March 2013	525,412	(9,811)	(324,237)	191,364

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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

	1Q 2014 Units	FY 2013 Units
At the beginning of the period	654,665,077	654,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	654,665,077

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

Not applicable.

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

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

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

The Auditors' review report on the condensed consolidated interim financial information for the quarter ended 31 March 2014, which contains an emphasis of matter, is enclosed in the Appendix.

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

Except for the change as disclosed in paragraph 5, FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2013.

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 containerships - Ever Radiant and Ever Respect

The residual value of each of the two 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 January 2014. As a result of the change, depreciation expense for 1Q 2014 decreased by US\$0.9 million for the two vessels.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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

	Group	
	1Q 2014	1Q 2013
Basic and diluted earnings per unit is based on:		
Loss for the quarter (US\$'000)	(4,952)	(7,067)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(0.76)	(1.08)
Number of issued units at end of quarter ('000)	654,665	654,665
Distribution per unit (US Cents)	-	-

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

	Note	31 Mar 2014		31 Mar 2013	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.40	0.26	0.48	0.29

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.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014

8. Review of Performance

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

1Q 2014 vs 1Q 2013

	Group		
	1Q 2014 US\$'000	1Q 2013 US\$'000	Inc/(Dec) %
Rentals from vessels on bareboat charter	13,619	17,342	(21.5)
BBCE revenue of vessels on:-			
-Time charter	134	1,160	(88.5)
-Pool	2,642	1,382	91.2
-Spot	26	-	100.0
Total bareboat charter/BBCE revenue	16,421	19,884	(17.4)
Less:			
Depreciation expense on vessels ¹	(12,924)	(13,681)	(5.5)
Management fees	(707)	(806)	(12.3)
Trustee fees	(33)	(39)	(15.4)
Other trust expenses	(820)	(604)	35.8
Other operating expenses	(14,484)	(15,130)	(4.3)
Results from operating activities	1,937	4,754	(59.2)
Finance income	5	22	(77.3)
Finance expenses	(5,471)	(6,522)	(16.1)
Disposal of vessels	(1,405)	-	100.0
Impairment loss on available-for-sale financial assets	-	(5,298)	(100.0)
Loss before tax	(4,934)	(7,044)	(30.0)
Income tax (expense)/write-back	(18)	(23)	(21.7)
Loss for the quarter	(4,952)	(7,067)	(29.9)

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 21.5% (US\$3.7 million) to US\$13.6 million, mainly attributable to:

- i) Pre-mature termination of the bareboat charter lease following the lease default by the subsidiaries of Geden for the two crude oil tankers, *FSL Hong Kong* and *FSL Shanghai* (US\$1.9 million); and
- ii) Pre-mature termination of the bareboat charter lease following the lease default by OMNI Ships for the two dry bulk carriers, *Stella Fomalhaut* and *FSL Durban* (US\$1.0 million).
- iii) Poorer performance of the two LR2 tankers, *TORM Margrethe* and *Torm Marie* from a BBC rate per day of \$10.7k in Q1 2013 to just \$6.1k for the quarter under review. (US\$0.8 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 vessels (*FSL Hamburg* and *FSL Singapore*) are employed on time charter arrangements with Petróleo Brasileiro S.A. *FSL Hamburg* was dry docking from late December 2013 to early March 2014 due to boiler replacement and propeller repairs as a result of poor maintenance historically. These vessels together only generated a net time charter revenue of US\$1.6 million. After deducting vessel operating expenses, these vessels incurred a negligible loss in the quarter under review.

ii) Crude oil tanker

Following its redelivery on 15 July last year, *FSL Shanghai* was deployed on a short-term time charter arrangement and generated a BBCE revenue of \$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 BBCE loss of US\$0.2 million in the quarter under review.

Pool/RSA

i) Chemical tanker

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$3.7 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.7 million in the quarter under review.

8. Review of Performance (cont'd)

ii) Crude oil tanker

FSL Hong Kong, employed on a RSA (Revenue Sharing Agreement) since December 2013, generated a BBCE revenue of US\$0.9 million in the quarter under review despite significant offhire in March 2014.

Spot

No vessel was deployed in the spot market during the quarter under review.

b. Other operating expenses

Other operating expenses declined 4.3% (US\$0.6 million) to US\$14.5 million due mainly to:

- Lower depreciation expenses of US\$0.8 million arising from changes in the expected useful life and residual value for certain vessels taken during the last quarter offset by
- Higher vessel-related expenses US\$0.2 million arising from takeover cost incurred in 1Q 2014 on the Ex-Omni vessel.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$1.9 million in this quarter, a decrease of 59.2% over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2014 excluding exchange gain of US\$166,000 (1Q 2013: exchange loss of US\$96,000) decreased 16.1% (US\$1.1 million) mainly due to:

- lower outstanding indebtedness arising from the quarterly principal repayments of US\$11.0 million and a repayment of US\$10.0 million in June 2013.

For 1Q 2014, FSL Trust incurred a net loss of US\$5.0 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

In February 2014, FSL Trust agreed a loan covenant relaxation from its lenders until 31 December 2014. This marks a significant progress for the Trust. Despite the extremely

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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.

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/recommendeded, a statement to that effect

No distribution has been declared.

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

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

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

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 31 March 2014 to be false or misleading in any material aspect.

<p>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.</p>
--

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
15 May 2014



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

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 YC/ZA/130

Attention: Mr Alan Hatton

15 May 2014

Dear Sirs

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of First Ship Lease Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position of the Group and the Trust as at 31 March 2014, 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"). The Trustee-Manager is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 of the condensed consolidated interim financial information, which indicates that the lenders of the amortising term loan facility, with a carrying amount of US\$347,296,000 as at 31 March 2014, had previously granted the Trust temporary relaxation (“Relaxation”) of two loan covenants, relating to Security Value-to-Loan ratio and Debt Service Coverage ratio (“the Covenants”). The Relaxation expired on 31 December 2013.

In February 2014, the lenders agreed to revise the relaxed Covenants until 31 December 2014 (“Relaxation extension”) on the basis that the Trust meets certain conditions (the ‘Conditions’) during the Relaxation extension period. The agreed Relaxation extension has yet to be executed by the lenders as at 31 March 2014. Accordingly, the loan balance was classified within current liabilities, giving rise to the deficiency in net current assets, amounting to US\$331,800,000 as at 31 March 2014.

If the Trust breaches either of the two loan Covenants upon the expiry of the Relaxation extension, the lenders may have the ability to exercise their remedies under the loan agreement. Management is of the view that the Relaxation extension will be executed and any conditions attached thereto will be met. Management is also of the view that any potential breach of the Covenants, upon expiry of the Relaxation extension, will be resolved and the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments. Accordingly, it is appropriate to continue using the going concern basis for the preparation of the condensed consolidated interim financial information.

The above circumstances indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this material uncertainty. In the event that the Group is unable to continue as a going concern, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

Restriction on use

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

Yours faithfully

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 May 2014