FIRST SHIP LEASE TRUST

ANNUAL REPORT 2015

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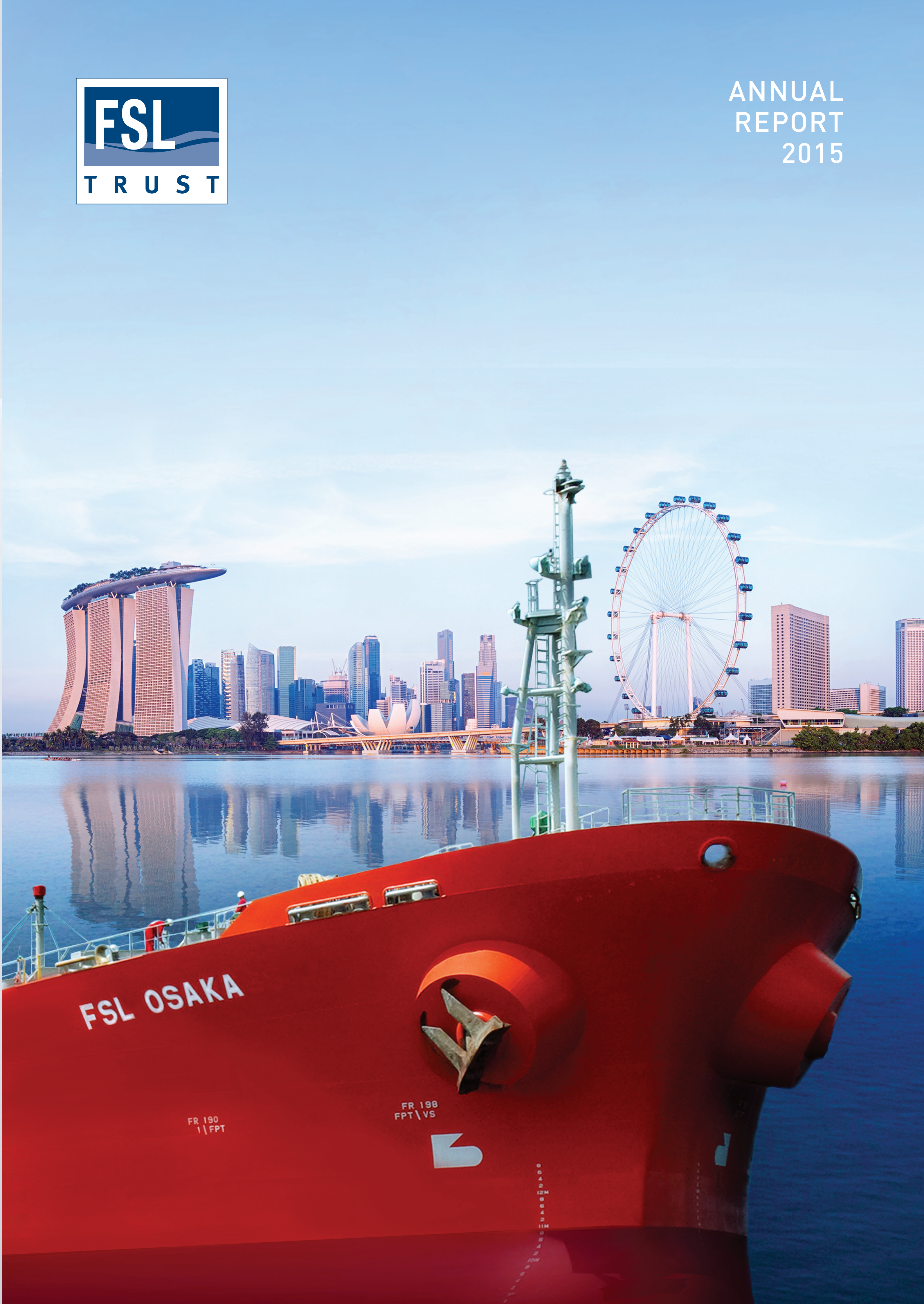


CONTENTS

"FSL Trust has achieved a more than threefold increase in its full year 2015 net profit over the previous year, aided by higher revenue from increased vessel charter income"

SEATRADE ASIA
24 February 2016

CORPORATE PROFILE

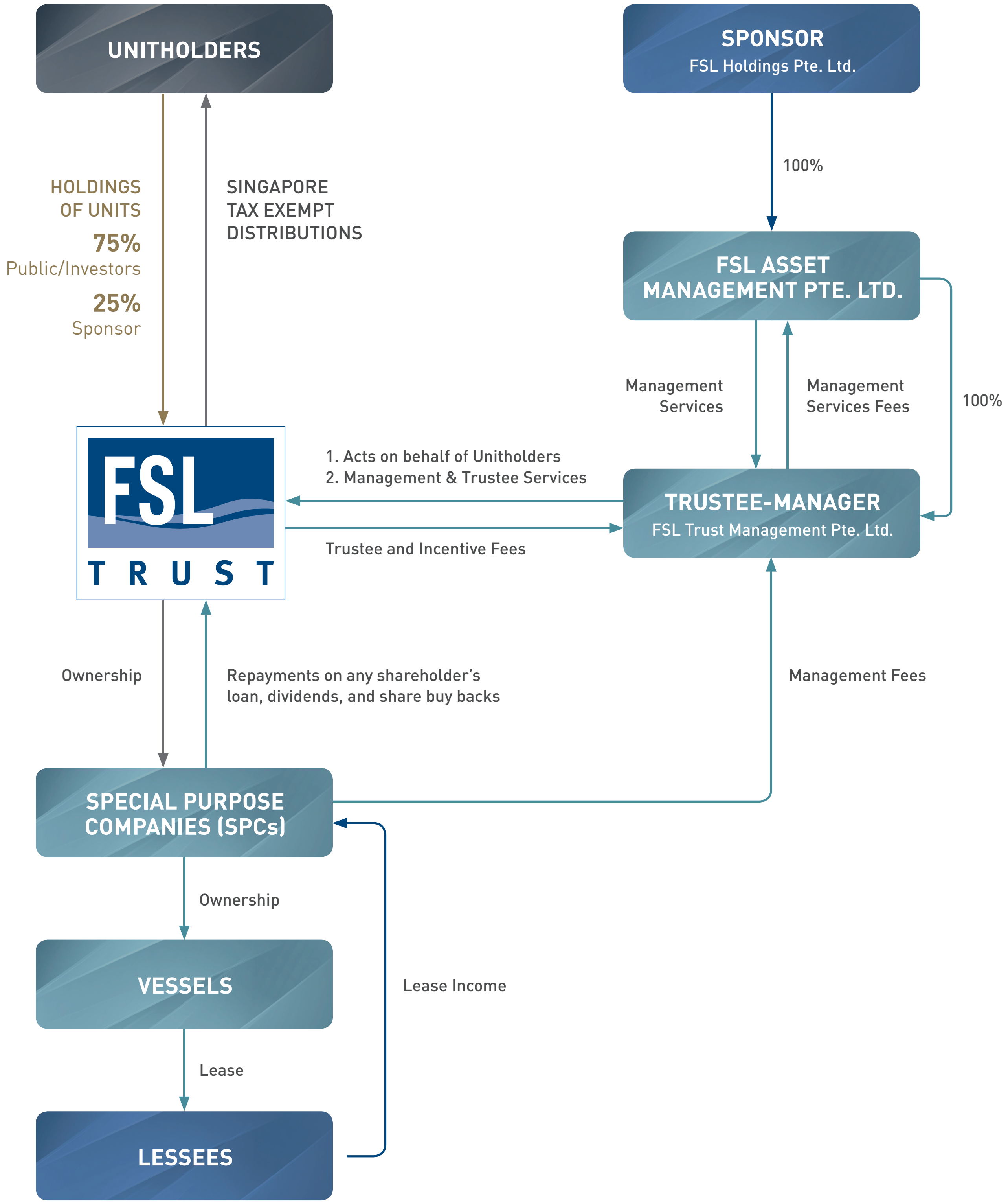
First Ship Lease Trust ("FSL Trust" or the "Trust") is a Singapore-based business trust which owns a fleet of vessels across major shipping sub-sectors. FSL Trust presently has a diversified portfolio of 22 modern and high quality oceangoing vessels comprising containerships and a variety of tankers. Of these, 12 vessels are leased to international shipping companies on long-term bareboat charters. The remaining 10 vessels are employed on short-term time charters or in pools.

The bulk of the Trust's revenue is derived from the rentals received from fixed-rate bareboat charters. The fixed-rate charters provide the Trust with stable and predictable long-term revenue and cash flow, while the vessels employed on market-rate charters allow the Trust to position the business to benefit from positive market developments.

FSL Trust is managed by FSL Trust Management Pte. Ltd. ("FSLTM"), the Trustee-Manager. The Trustee-Manager is responsible for safeguarding the interests of unitholders and for FSL Trust's investment and financing strategies, asset acquisition and disposal policies, and the overall management of FSL Trust's portfolio. The Trustee-Manager aims to optimise the returns on the Trust's vessel portfolio by ensuring that the vessels are well run, managing the various risks and opportunities of the Trust and improving cash flow generation for unitholders of the Trust.

FSL Trust (D8DU) is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST) and its American Depository Receipts (ADR) are quoted on the PrimeQX tier of International OTCQX.

CORPORATE STRUCTURE



CORPORATE INFORMATION

TRUSTEE-MANAGER

FSL Trust Management Pte. Ltd.

BOARD OF DIRECTORS

Tim Reid
Non-Independent
& Non-Executive Chairman

Simon Davidson
Lead Independent Director

Michael Gray
(appointed on 11 May 2015)
Independent Director
& Chairman of the Audit
and Risk Committee

Michael Oliver
Independent Director

Esben Poulsson
Independent Director

Alan Hatton
Executive Director,
Chief Executive Officer

SENIOR MANAGEMENT TEAM

Alan Hatton
Executive Director,
Chief Executive Officer

Roger Woods
Chief Operating Officer

AUDIT AND RISK COMMITTEE

Michael Gray (Chairman)
Michael Oliver
Simon Davidson
Esben Poulsson

CORPORATE DIRECTORY

UEN/Company Registration
No. 200702265R
Corporate website:
www.FSLTrust.com

REGISTERED OFFICE

9 Temasek Boulevard
#19-03 Suntec Tower Two
Singapore 038989
Phone: +65 6836 3000
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Company Secretary
Elizabeth Krishnan

UNIT REGISTRAR OF FIRST SHIP LEASE TRUST

Boardroom Corporate & Advisory Services Pte. Ltd.
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Phone: +65 6536 5355
Fax: +65 6536 1360

AUDITORS OF FIRST SHIP LEASE TRUST

Moore Stephens LLP
10 Anson Road
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Singapore 079903
Telephone: +65 6221 3771
Fax: +65 6221 3815

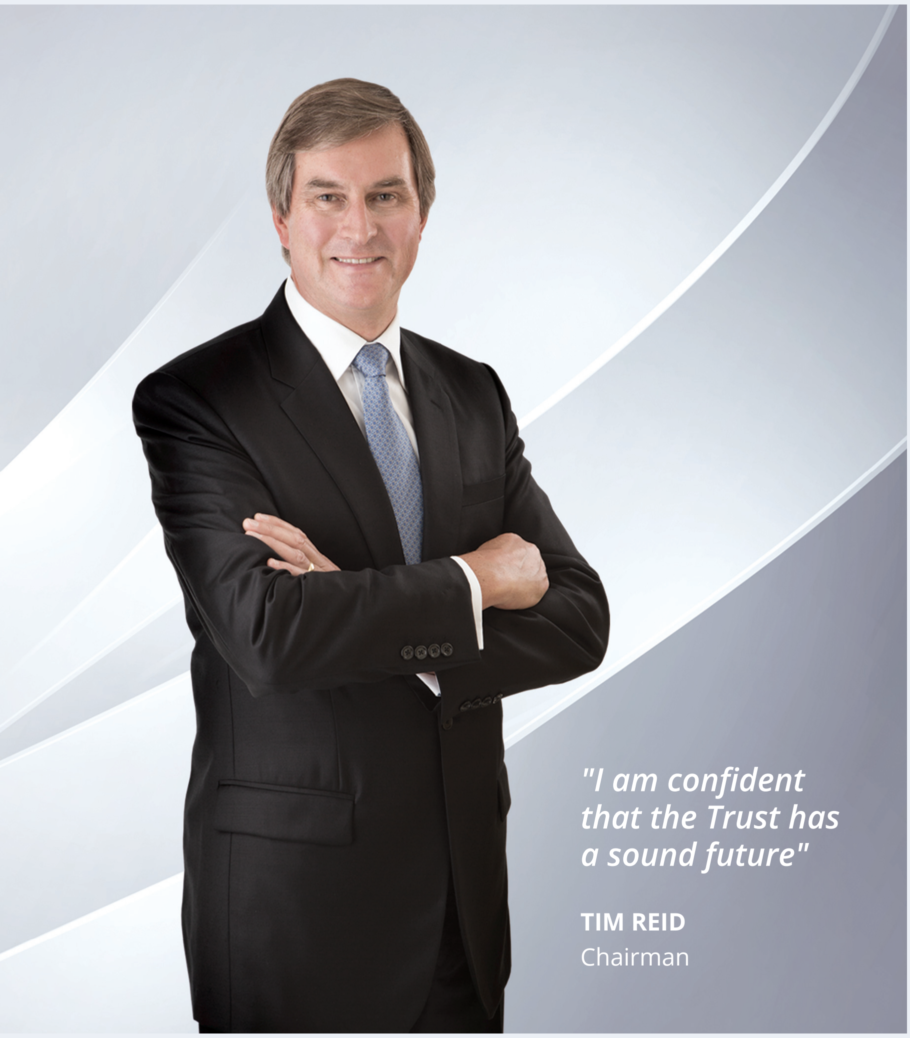
Partner-in-charge
Neo Keng Jin

Date of appointment
29 April 2015

PRINCIPAL BANKERS

- ABN AMRO Bank N.V., Singapore Branch
- Deutsche Bank AG, Singapore Branch
- ITF International Transport Finance Suisse AG
- Goldman Sachs Holdings (Singapore) Pte. Ltd.
- Oversea-Chinese Banking Corporation Limited
- Sumitomo Mitsui Banking Corporation, Singapore Branch
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Korean Development Bank
- UniCredit Bank AG, Singapore Branch

CHAIRMAN'S
LETTER TO UNITHOLDERS



Dear Unitholders,

The Trust recorded a solid financial result for the 2015 year which is pleasing, given the uncertain and volatile state of the global shipping market. Revenue increased 14.1% from 2014 which reflects the efforts that have been made to deploy vessels returned to the Trust in an efficient and effective manner, and this assisted in increasing net profit by in excess of 200% to US$14.1m.

Two Panamax container vessels were returned to the Trust in early 2016, and last year I noted that the Board was considering various strategies to develop a level of cash flow that was reliable and sustainable enough to allow projected financial obligations to be met with a high degree of certainty and, at the same time, not placing at risk potential regular distributions to unitholders.

The purchase of *FSL Osaka* in 2015 resulted in partly replacing the charter revenue that will be lost from the return and scrapping of the two container vessels. Given the significant volatility of vessel values, the Board formed the view that it was prudent for the purchase of *FSL Osaka* to be funded solely from cash within the Trust as opposed to securing financing for a portion of the purchase price.

In my view, currently, the factor that potentially has the greatest impact on the Trust is the volatility of vessel values. In 2014, the Board decided to sell the Trust's two dry bulk vessels as it was concerned about the fundamentals of the dry bulk sector of the shipping market. The two vessels were sold for a combined price of US$23.55m in March 2014. These two vessels are assessed to have a combined current value of US$6.5m. Retaining these vessels would have had serious implications on the Trust's efforts to become compliant with the covenants of its loan agreement and would have negatively impacted profitability and cash generation from that date forward.

This demonstrates that the decision to sell the two dry bulk vessels in 2014 has proved to be a sound decision and that adopting a cautious position regarding debt levels and cash resources provides a greater ability to avoid a reoccurrence of the Trust being in breach of its loan covenants in a time of vessel value volatility.

The Syndicated Loan Facility is due to be repaid in December 2017. The Board is exploring the possibility of securing refinancing of this facility sooner than at its expiry as it sees that a refinanced facility with a longer maturity will provide the Trust a stronger foundation to develop strategies for enhancing unitholder value.

small part due to the efforts of the Board, Alan Hatton, Roger Woods and the FSL team.

During the year we strengthened the Board with the appointment of Mike Gray, an independent director and Chairman of the Audit and Risk Committee, which has increased in scope to address risk management as well as audit and reporting functions.

I am confident that the Trust has a sound future. That confidence does not however persuade me that it is prudent at this time of vessel value volatility to recommence

NET PROFIT

US$14.1m

REVENUE INCREASED

14.1%

"The Trust recorded a solid financial result for the 2015 year which is pleasing, given the uncertain and volatile state of the global shipping market"

I am acutely mindful of the fact that we have not recommenced distributions to unitholders despite the significantly stronger performance of the Trust and the end of the distribution moratorium following the Trust becoming compliant with its Loan covenants. In my view, it is appropriate for the Board to adopt a very prudent attitude towards preserving cash until such time as refinancing is secured.

The turnaround of the Trust has attracted significant attention in international shipping circles and the media. While many shipping companies in Singapore and internationally are facing dire financial difficulties, the Trust has significantly improved its financial position and performance over the last two years. This has been achieved in no

distributions. Similarly, I am not supporting the Trust undertaking further unit buybacks at this time. A conservative approach will be taken in 2016 to ensure that the Trust remains well positioned for the future and the opportunities that will arise in this market.

Tim Reid
Chairman

CEO'S STATEMENT

Dear Unitholders,

FSL Trust built on its improved performance of 2014, becoming compliant with its loan covenants in early January and posting good results for the full financial year. In 2015, the Trust recorded four quarters of profitability and positive cash generation, allowing the Trust to purchase the *FSL Osaka* in November 2015 on a fully cash financed basis. This was the first acquisition made by the Trust since 2011 and comes after several years of financial issues and non-compliance with loan covenants. It was a significant milestone in the turnaround of the Trust since I joined in August 2013.

MARKET OVERVIEW

The shipping markets have continued to be challenging for owners, operators and investors alike, with some sectors enjoying strong performance, primarily in the tanker space, while others suffered from rates at levels that do not cover the operational cost of running their vessels. We have to face the reality that the super-cycle of the mid-2000s will cast a long shadow over the majority of the shipping markets. The aggressive vessel expansion through newbuild ordering that was a result of short term, supernormal profits during this period, will take many years to overcome. We live in a world of vessel oversupply and until more vessels leave the global fleet, this will continue.

As our Chairman points out in his letter to unitholders, the developments within the dry bulk shipping market in 2015 highlight that the decision to exit the sector in 1Q2014 was the right one. Freight rates and vessel valuations have fallen further to all-time lows. The BDI fell to 471 on 16 December 2015 and has since reached its nadir of 290 on 10 February 2016. Despite recent, modest improvements in commodity prices and the BDI moving up to almost 400, these remain difficult times for the dry bulk market.

FSL Trust's exposure to the container market remains limited in the near term. We have strong bareboat charters in place with *Yang Ming* on three panamax containership vessels and our two feeder containership vessels, *FSL Santos* and *FSL Busan*, continue to contribute to group revenues and are cash flow positive.

The tanker market provided some respite to the shipping industry. Crude and product tanker freight rates performed well and enabled the Trust to achieve time charter coverage on its two aframax vessels and two of its MR tankers at improved rates. OPEC's decision not to curb production has meant a significant amount of crude oil cargoes have been transported over longer distances. The product tanker market has been supported by stronger refinery margins driving increased product cargo output and, among other factors, increasing gasoline demand in the U.S. and China.

FINANCIAL HIGHLIGHTS

The Trust reported full year 2015 revenues of US$106.6m, 14.1% higher than the previous year, on the basis of 23 ships for most of the year and the addition of the *FSL Osaka* from late November 2015. Net cash generated from operations increased by 18.0% to US$62.8m and net profit for the year was US$14.1m, compared to US$4.1m in 2014.

The Trust continued to reduce its indebtedness during 2015, improving the gearing of the business. Balance sheet gearing was down to 49.4% at the end of 2015, from 54.4% at the end of 2014. Following compliance with the Value-To-Loan (VTL) covenant in January 2015, by 4Q2015 the Trust had attained a VTL level of above 140% and benefitted from a reduction in margin on its outstanding debt from 3.0% to 2.8%.

VESSEL EMPLOYMENT

14 of the Trust's vessels remained on original bareboat charters during 2015. *Yang Ming*, *Evergreen* and *James Fisher* performed as expected and bareboat charter income provided a solid base of revenue for the Trust.

The Trust had positioned some of its tanker tonnage to be available to enter medium-term charter agreements in 2015, in the expectation of improving markets. This strategy was successful and two aframax tankers were deployed on two year contracts at significantly improved rates. Two MR tankers, *FSL Hamburg* and *FSL Singapore,* were also successfully redeployed to take advantage of their Ice Class 1A Super notation, having previously been chartered out to Petrobras and employed in Brazilian coastal trading. This enabled the Trust to benefit from ice premiums and improved charter rates, with the new contracts adding US$4,000 per day per vessel before ice premiums.

Management time and effort continued to be expended to optimise the operational performance of the fleet. Working closely with our technical managers, we have maintained a focus on vessel availability and utilisation, retaining oil major approvals where applicable and maintaining our ships to the highest standards.

2015: BUILDING ON THE PLATFORM OF FINANCIAL COMPLIANCE

The year saw the Trust build on last year's improved performance. Important milestones in 2015 were:

- January: announced resumed compliance with the original 2011 loan agreement
- January: gain of US$1.7m from the disposal of TORM shares
- April to December: Unit buy-back programme – 17.2m (2.6%) units purchased and cancelled at a cost of US$2.1m
- April: secured a new two-year time charter at an improved rate for *FSL Hong Kong*
- July: secured new time charters with a leading global commodities trader at improved rates for *FSL Shanghai*, *FSL Hamburg* and *FSL Singapore*
- November: cash purchase of *FSL Osaka*, a 2007 Japanese-built MR tanker, for US$21.8m

THE START OF 2016

The New Year has brought a change in sentiment in the tanker market as asset values have come under pressure and rates have softened. Major listed shipping companies across the world have been affected by a downward shift in investor sentiment, led by the poor performance of companies in the dry bulk, container and offshore sectors.

Commodity prices also fell and the steel and demolition markets fell considerably in January, during which period FSL Trust disposed of its older panamax containerships that had been on bareboat charter to *Evergreen*. This saw the Trust recognise a US$4.2m loss on disposal of those assets.

One objective in 2015 was to replace the lost revenue we foresaw upon redelivery of the two *Evergreen* container vessels. By achieving strong rates on the aframaxes and MR time charter fixtures, as well as adding the *FSL Osaka* to the fleet, the loss of a BBCE of US$32,000 per day from the *Evergreen* container vessels will be significantly mitigated during 2016.

The fleet remains positioned to provide consistent revenues during 2016 and we look to the new vessel, the *FSL Osaka*, to demonstrate how the Trust can make vessel acquisitions that deliver a stronger return than the sale and leaseback deals that the Trust solely focused on in the past.

ACKNOWLEDGEMENTS

The past year was perhaps less tumultuous than the two previous and that is in no small way due to the efforts of the Board and the team at FSL Trust Management. We have a small team in the Trustee-Manager focused upon delivering good value to unitholders. The strong performance of the Trust in 2015 was built on all members of the team contributing well.

We are also grateful for the efforts of others: our technical managers and the crews they provide, who safely and efficiently run our vessels; our commercial managers, our time charter and bareboat charter customers. All have contributed to FSL Trust enjoying such a good year. In our asset heavy industry and in these challenging times, it is important to get good support from the institutions providing debt finance. Our lenders have remained supportive during 2015 and recognise the improvements that have been made at the Trust. I would also like to thank you, our unitholders, for your continued faith.

The Trust is now well positioned to embrace the challenges ahead of it and I strongly believe that with the right access to capital, the best days of FSL Trust lie ahead of us.

Alan Hatton
Executive Director &
Chief Executive Officer

PERFORMANCE HIGHLIGHTS

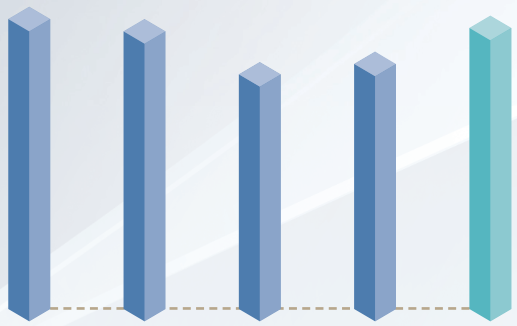
	FY2015 US$'000	FY2014 US$'000	FY2013 US$'000	FY2012 US$'000	FY2011 US$'000	FY2010 US$'000
Income Statement						
Revenue	106,583	93,414	89,993	106,107	110,714	100,494
Results from Operating Activities	23,348	16,797	(40,628)	19,280	3,404	19,964
Profit/ (Loss) for the Year	14,147	4,051	(65,213)	(8,387)	(17,066)	(5,699)
Net Cash Generated from Operations	**62,823**	**53,225**	**36,035**	**47,608**	**63,846**	**60,479**
Financial Position						
Total Assets	560,206	594,916	662,627	774,935	822,415	836,029
Total Liabilities	282,024	328,183	396,991	457,703	497,436	493,581
Shareholder's Equity	278,182	266,733	265,636	317,232	324,979	342,448
Financial Ratios						
Earnings per unit[1] (US cents/unit)	2.19	0.62	(9.96)	(1.28)	(2.72)	(0.95)
Net Asset Value (US$/unit)	0.44	0.41	0.41	0.48	0.50	0.57
Gearing Ratio[2] (%)	49.4	54.4	58.7	57.6	59.3	57.2

1 Based on weighted average number of issued units
2 Gearing ratio = secured bank loans/(total unitholders' funds + secured bank loans)

REVENUE

(US$MILLION)

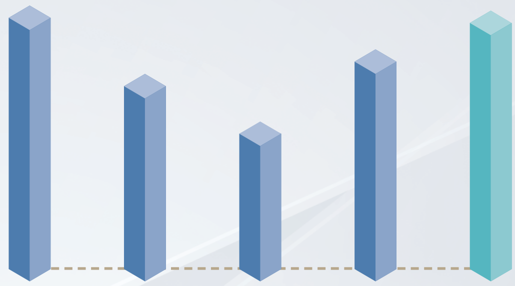
2011	2012	2013	2014	2015
110.7	106.1	90.0	93.4	106.6



NET CASH GENERATED FROM OPERATIONS

(US$MILLION)

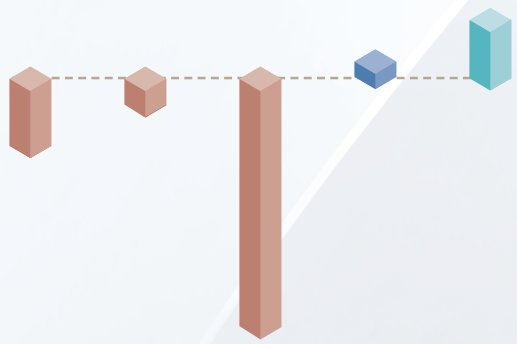
2011	2012	2013	2014	2015
63.8	47.6	36.0	53.2	62.8



(LOSS)/PROFIT FOR THE YEAR

(US$MILLION)

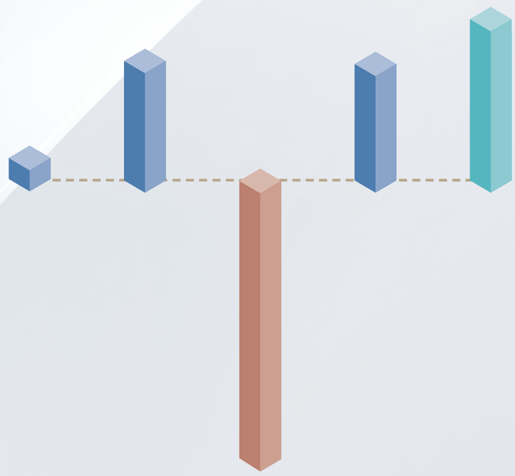
2011	2012	2013	2014	2015
(17.1)	(8.4)	(65.2)	4.1	14.1



RESULTS FROM OPERATING ACTIVITIES

(US$MILLION)

2011	2012	2013	2014	2015
3.4	19.3	(40.6)	16.8	23.3



BOARD OF DIRECTORS
& EXECUTIVE OFFICERS

1. Tim Reid
2. Simon Davidson
3. Michael Gray
4. Michael Oliver
5. Esben Poulsson
6. Alan Hatton
7. Roger Woods

TIM REID
Non-Independent, Non-Executive Chairman

Tim Reid was appointed as a Non-Independent Director of the Trustee-Manager on 17 June 2013.

Mr. Reid is a partner with Ferrier Hodgson. He has over 25 years of experience in the accounting profession and specialises in the restructuring of businesses.

Mr. Reid is a member of the Chartered Accountants Australia and New Zealand and a member of the Institute of Singapore Chartered Accountants. He is registered as a Public Accountant, Approved Company Auditor and Approved Liquidator with the Accounting and Corporate Regulatory Authority, Singapore.

SIMON DAVIDSON
Lead Independent Director

Simon Davidson was appointed as a Director of the Trustee-Manager on 17 June 2013. He is also a member of the Audit and Risk Committee.

Mr. Davidson was a partner in Holman Fenwick & Willan from 1994 to 2013 and based in their Singapore office from 1998 to 2013. Mr. Davidson has more than 30 years of experience as a lawyer in London, Hong Kong and Singapore primarily in shipping and commodities litigation and arbitration around the world. He is now an independent arbitrator based in Singapore.

He is a Chartered Arbitrator with the Chartered Institute of Arbitrators and fellow of both the Hong Kong and Singapore Institutes of Arbitrators. He is also admitted as a solicitor in England, Hong Kong and Singapore.

MICHAEL GRAY
Independent Director

Michael Gray was appointed as a Director of the Trustee-Manager on 11 May 2015. He is also the Chairman of the Audit and Risk Committee.

Mr. Gray is a qualified accountant with 35 years' experience in professional practice across a number of international markets. He trained as a Chartered Accountant with Coopers & Lybrand in the United Kingdom and moved to Coopers & Lybrand Singapore in 1978, retiring from the merged firm of PricewaterhouseCoopers in 2004. During this time he founded the PricewaterhouseCoopers practice in Indochina and was the Territorial Senior Partner for eight years thereafter. Prior to practicing as an accountant, he spent 10 years in the shipping industry as an officer in the Merchant Navy and obtained a BSc in Maritime Studies from the University of Plymouth.

Mr. Gray is an active member of the Singapore Institute of Directors, where he is a member of the Publications Committee and former editor of the SID Bulletin. He has been actively involved in Singapore's transport industry, and was Chairman of the Chartered Institute of Transport and Deputy Chairman of Singapore's Public Transport Council, where he served for 14 years.

MICHAEL OLIVER

Independent Director

Michael Oliver was appointed as a Director of the Trustee-Manager on 26 June 2013. He is also a member of the Audit and Risk Committee.

Mr. Oliver has over 40 years of international experience in the banking and financial services industry.

Based in Singapore since 2001, he served as Regional Board Member, Asia/Oceania for Commerzbank AG until his retirement in 2005. As the Regional Chief Executive, he was responsible for Commerzbank branches in Hong Kong, Shanghai, Singapore and Tokyo as well as its merchant banking subsidiaries and corporate banking business in the Asia Pacific region. During his service of more than 19 years at Commerzbank, he also held senior positions in London and Hong Kong.

Before joining Commerzbank, Mr. Oliver was with The First National Bank of Boston for 18 years, holding a variety of commercial banking, leasing and corporate finance positions in the U.S., Australia and Europe.

ESBEN POULSSON

Independent Director

Esben Poulsson was appointed as a Director of the Trustee-Manager on 30 September 2014. He is also a member of the Audit and RIsk Committee.

Mr. Poulsson has nearly 45 years of professional experience in the shipping industry internationally.

Based in Singapore for the last 12 years, he is currently Executive Chairman of Enesel Pte. Ltd. Prior to this, he served as Chief Executive Officer of TORM Singapore Pte. Ltd. before stepping down in 2009. In his 20-year career with TORM, he held a number of senior executive positions in Hong Kong, London and Copenhagen.

He has been a significant contributor in positioning Singapore as a world class maritime centre, acting as an advisor to a number of key trade associations and government bodies in Singapore. He is currently President of the Singapore Shipping Association and represents Singapore on the Board of the London-based International Chamber of Shipping, of which he is a Vice Chairman. He is also an Advisory Panel member of the Singapore Maritime Foundation and was appointed to the Board of the Maritime & Port Authority of Singapore (MPA) in 2015.

He is a non-executive Director of Cambiaso Risso Asia Pte. Ltd., X-Press Feeders Ltd. and Hafnia Tankers Shipholding Singapore Pte. Ltd. He also acts as Senior Advisor to Straits Tankers Pte. Ltd..

ALAN HATTON

Executive Director,
Chief Executive Officer

Alan Hatton was appointed as a Director of the Company and the Chief Executive Officer of the Trustee-Manager on 27 August 2013.

Mr. Hatton oversees the general management of the business and is responsible for the Trustee-Manager's performance. He has significant commercial shipping and finance experience including negotiating and executing time charters, sale and purchase deals, risk management strategies, dispute resolution and ship financing.

Mr. Hatton previously served as Chief Executive Officer of FR8 for five years after joining the Company as Chief Financial Officer in 2007. Prior to that, Mr. Hatton was an investment banker specialising in Mergers & Acquisitions and Corporate Finance for Lazard and Dresdner Kleinwort in London.

Mr. Hatton holds both a Master and Bachelor of Science from the London School of Economics and Political Science (LSE).

Mr. Hatton was also recently identified as one of shipping's rising stars on Lloyd's List Next Generation 2015.

ROGER WOODS

Chief Operating Officer

Roger Woods was appointed as the Chief Operating Officer of the Trustee-Manager on 17 September 2013.

Mr. Woods overseas the general business operations of the Trust including short and medium term commercial deployment of vessels and relationships with technical managers.

He has over 35 years of shipping-related experience and has held senior positions across chartering, operations and ship management dealing with crude oil, oil products and dry cargoes. He has an established track record of negotiating favourable time charters and sale and purchase deals as well as dealing with legal disputes, insurance matters and operational issues.

Mr. Woods previously served as General Manager at FR8, running its London office and focusing on commercial projects and operational performance. Prior to FR8, he was Managing Director at Tamoil Shipping in London, and also held Chartering Manager and Operations Manager positions over a 14 year tenure. Mr. Woods has also worked onshore for Ugland Brothers Ltd and Jebsens Ship Management Ltd and was at sea for the formative part of his shipping career serving on bulk carriers and product / chemical tankers.

Mr. Woods is a member of the Institute of Chartered Shipbrokers (MICS).

FINANCIAL & OPERATIONAL REVIEW

Significant increase in cash generation and more than a threefold increase in annual net profit

REVENUE

US$106.6m

The Trust recorded revenue of US$106.6m for the financial year ended 31 December 2015 ("FY2015"). This is a 14.1% increase from the previous financial year ("FY2014") and the second consecutive year of revenue growth, after two years of decline.

The Trust also generated net cash of US$62.8m in FY2015, 18.0% higher than in the previous year (FY2014: US$53.2m). Despite the purchase of the FSL Osaka in November 2015 for US$21.8m in cash, cash and cash equivalents stood at US$28.8m at 31 December 2015 (31 December 2014: US$32.8m). The Trust's strong revenue and cash generation was achieved notwithstanding the reduced fleet size, the cost of delivering the vessels into new charters, vessel dry-docking and some unforeseen maintenance expenses.

The Trust's net profit of US$14.1m for FY2015 was more than three times higher than that reported for FY2014 despite increased depreciation charges. The Trustee-Manager's objective to improve the commercial deployment of the fleet and manage operating expenses has proven successful.

2015 MILESTONES

Loan Covenant Compliance Achieved

On 6 January 2015 the Trust announced full compliance with the original 2011 loan covenants.

Disposal of Shares in TORM A/S

The shares owned by FSL Trust were received as part of a restructuring of non-performing bareboat charters in relation to *TORM Margrethe* and *TORM Marie* in 2012. The Trust disposed of its entire holding to take advantage of a short spike in the price of the shares between 21 January 2015 and 28 January 2015, and recognised a gain on disposal of US$1.7m.

Proceeds from the disposal were used to partially prepay the outstanding loan and further de-leverage the Trust.

Unit Buy-Back Program

Between April and December 2015 the Trust purchased and cancelled 17.2m units (2.6% of the total) at a total cost of US$2.1m.

Time Charters Secured at Significantly Improved Rates

Between April and July 2015 the Trust entered into four two-year time charters with prominent counterparties for the vessels *FSL Hamburg*, *FSL Singapore*, *FSL Hong Kong* and *FSL Shanghai*.

Acquisition of FSL Osaka

In October 2015 the Trust entered into a memorandum of agreement to purchase a 2007 built, 45,998-dwt, Japanese MR product tanker for US$21.8m. After its delivery on 18 November 2015, the *FSL Osaka* was immediately placed in the Hafnia MR pool and continues to operate in the spot market. The investment, financed out of existing cash balances, reflected the Trust's strategy to generate incremental revenue ahead of the expected redelivery in 2016 of the two Panamax containership vessels chartered to *Evergreen Marine*.

2016 UPDATES

Redelivery and Disposal of Two Panamax Containerships

In January 2016, the Trust disposed of *Ever Radiant* and *Ever Respect* upon redelivery from *Evergreen Marine* for a cash consideration of approximately US$10.8m. Just over US$8.0m of the proceeds from the disposal of the vessels were applied to the outstanding loan facility, consequently reducing the Trust's quarterly loan repayment. The sale will incur a loss on disposal of the two vessels of US$4.2m in 1Q2016.

Renewal of Bareboat Contracts with James Fisher

The Trust is currently negotiating a five-year renewal of the expiring bareboat agreements with *James Fisher* at prevailing market rates for the vessels *Shannon Fisher* and *Solway Fisher*.

SIGNIFICANT REVENUE INCREASE

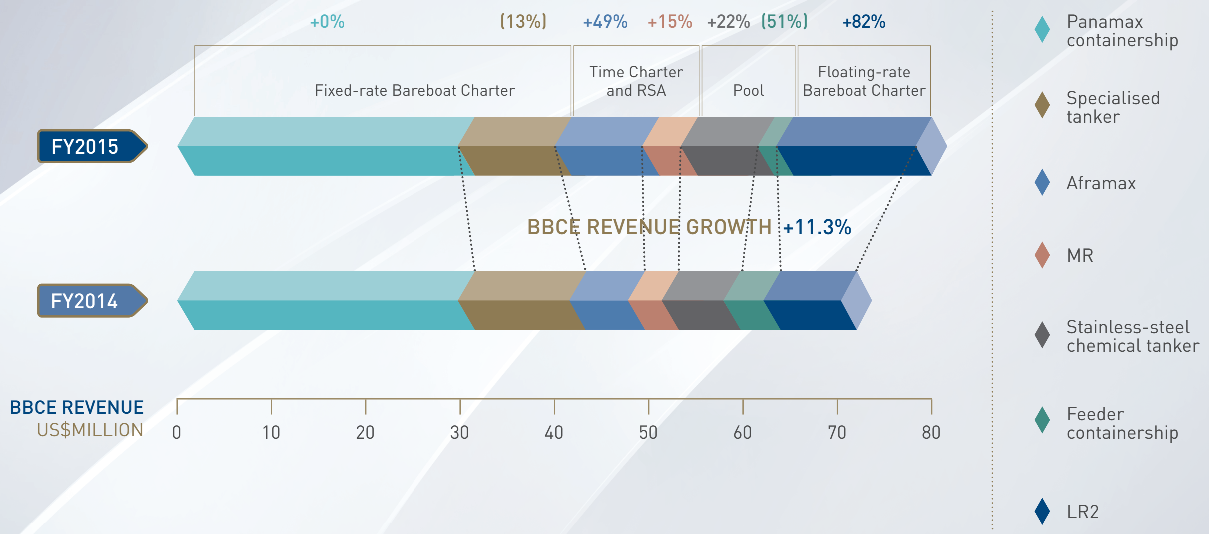
In FY2015, the Trust managed to optimise revenues derived from its tanker fleet because of improved freight and charter rates in the sector. The fully cash-financed acquisition of *FSL Osaka* will further contribute to the Trust's tanker income stream going forward.

As illustrated in **FIGURE 1**, on a bareboat charter equivalent ("BBCE") basis, total BBCE revenue for FY2015 grew 11.3% year-on-year to US$80.5m, despite the off-hire of both the *FSL Hamburg* and the *FSL Singapore* in 4Q2015 due to dry-docking. This was mainly attributable to the four, new time- charters entered into during the year at substantially improved rates and continued participation in spot markets that performed well during the year. *FSL Osaka* contributed marginally to the Trust's revenue in FY2015 as the vessel was only delivered at the end of November 2015.

"FSL Trust found its sweet spot in the cash purchase of a medium-range tanker to end a four-year hiatus from the sale-and-purchase market"

TRADEWINDS
13 November 2015

FIGURE 1:
BBCE REVENUE GREW 11.3% Y-O-Y LARGELY ATTRIBUTABLE TO IMPROVED RESULTS FROM REDEPLOYED VESSELS



FINANCIAL & OPERATIONAL REVIEW

BBCE revenue increased 11.3% year-on-year to US$80.5m

BBCE REVENUE INCREASED TO

US$80.5m

OPERATING EXPENSES AND OTHER INCOME

The Trust's vessel operating expenses grew 10.8% in FY2015 to US$22.5m as a consequence of extraordinary maintenance costs incurred. Voyage expenses relating to the delivery of vessels into their new charters also negatively impacted the Trust's profitability by US$2.3m.

Other Trust expenses decreased by 29.6% (US$1.8m) resulting from the Trustee-Manager's efforts to control costs incurred beyond the management fees charged and absorption of more functions by Trustee-Manager.

Depreciation expense increased 7.0% to US$52.0m (FY2014: US$48.7m). This was necessary due to reductions in the residual values of a number of vessels between FY2014 and FY2015. Depreciation charges relating to the two containerships, *Ever Radiant* and *Ever Respect*, were reviewed and increased by US$2.4m in 3Q2015. In total, depreciation expenses relating to the two vessels increased by US$4.8m in FY2015. Additionally, in light of falling demolition prices, an impairment charge of US$1.0m was taken in respect of those two vessels in 4Q2015.

Finance expenses for FY2015 reduced by 21.9% (US$12.8m) as a result of scheduled debt repayments and the reduction of the relevant loan margin due to the Trust achieving 140% Value-To-Loan (VTL) levels. The Trust fully serviced all principal and interest payments due during the year and consequently reduced its outstanding loan balance by US$46.6m to US$272.1m as at 31 December 2015.

US$1.9m of other income recorded in FY2015 related to partial settlement of a legal claim.

OPERATIONAL PERFORMANCE

BBCE revenue increased 11.3% year-on-year to US$80.5m. This was largely attributable to the improved performance of the LR2 product, crude oil and chemical tankers (see **FIGURE 2**) and partially offset the lower bareboat charter revenues of two specialised tankers. The lower rates indicated were due to contract renewals at prevailing market rates and the scheduled expiry of leases relating to the Trust's two feeder containerships.

LR2 Product Tankers

The Trust's two LR2 vessels, *TORM Margrethe* and *TORM Marie*, are currently leased on floating-rate bareboat charters to TORM A/S. The Trust benefitted from improved LR2 tanker spot rates over the course of 2015 and the vessels contributed an additional US$6.7m to bareboat charter rental for the year.

FIGURE 2:
BREAKDOWN OF FY2015 BBCE REVENUE BY VESSEL TYPE

Chemical Tankers

The Trust's three chemical tankers, which have been employed in the 'Nordic Tankers 19,000 Stainless Steel Pool' since the third quarter of FY2012, collectively earned BBCE revenue of US$8.1m in FY2015 (FY2014: US$6.6m).

Aframax Crude Oil Tankers

In April, the Trust announced that a two-year time charter was secured with a prominent U.S. domestic oil company for the *FSL Hong Kong*. Having previously agreed a charter for the *FSL Shanghai* for one year in the expectation of tanker markets improving into 2015, the Trust arranged a new two-year time charter with a leading global commodities trader for that vessel in July 2015 at a rate 50% higher than the rate achieved in 2014. Overall, the two vessels generated US$9.4m in FY2015 (FY2014: US$6.3m).

Feeder Containerships

The Trust's two feeder containerships, *FSL Busan* (ex *Cape Ferro*) and *FSL Santos* (ex *Cape Falcon*), were redelivered in July 2014 following the natural expiry of their bareboat leases and were subsequently reemployed in a 1200-1400/1700 TEU earnings pool managed by HANSE Bereederung GmbH ('Hanse Pool'). After deducting vessel operating expenses, these vessels earned BBCE revenue of US$2.1m in FY2015, while the FY2014 performance of US$4.3m included higher earnings from the previous bareboat charters.

MR Product Tankers

The Trust's two MR vessels, *FSL Hamburg* and *FSL Singapore*, remained employed on time charter with Petròleo Brasileiro S.A before being chartered to a global commodities trader in July (with charters commencing in November 2015). After deducting vessel operating expenses, these vessels generated BBCE revenue of US$4.1m in FY2015 (FY2014: US$3.6m). This includes the cost of dry-docking the two vessels in 4Q2015, prior to delivery into their new charters, and the related off-hire that negatively affected their performance.

PORTFOLIO ANALYSIS

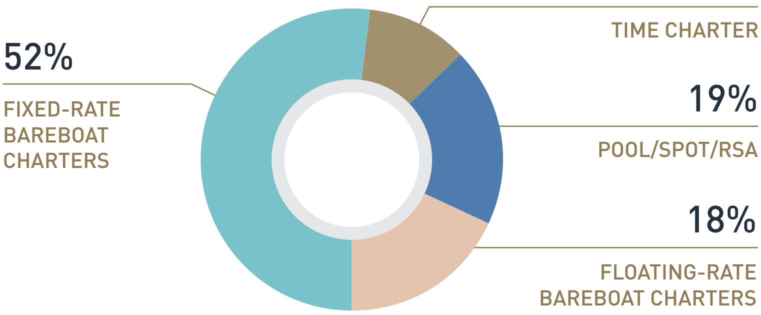
As at 31 December 2015, 14 out of the 24 vessels in the Trust's fleet were leased on bareboat charters. These charters collectively remained the largest contributor to the Trust's BBCE revenue. The remaining 10 vessels employed on time charter and in pools provided the Trust with the flexibility and opportunity to capture any upside through managing exposure to the short-term and spot markets. A breakdown of the Trust's FY2015 bareboat charter/BBCE revenue by employment type is provided in **FIGURE 3**.

NET CASH GENERATED FROM OPERATIONS

US$62.8m

FIGURE 3:

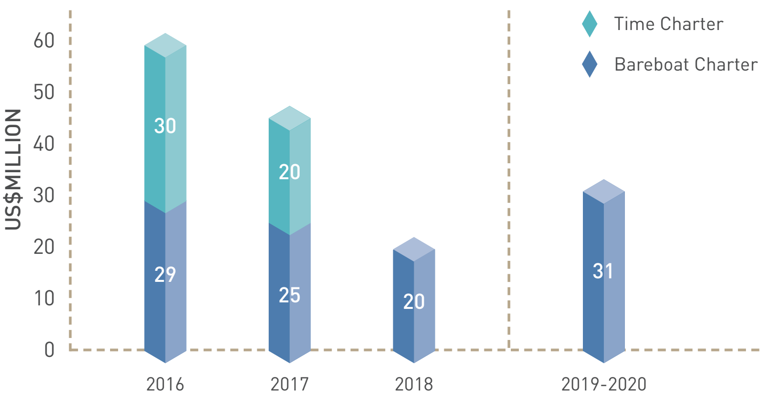
BREAKDOWN OF FY2015 BBCE REVENUE BY EMPLOYMENT TYPE



As at 31 December 2015, excluding the TORM charters which are on floating rates, the remaining contracted Bareboat Charter and Time Charter revenue of the leases was approximately US$155.0m (See **FIGURE 4**).

FIGURE 4:

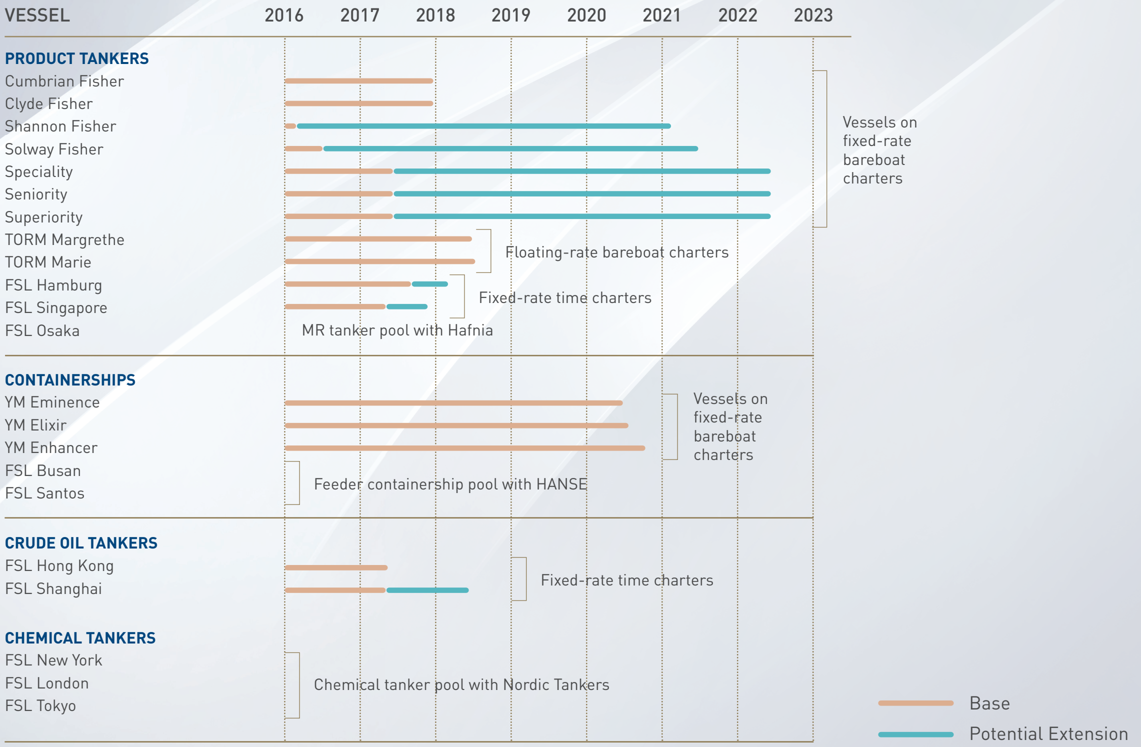
REMAINING CONTRACTED REVENUE STOOD AT US$155.0 MILLION AS AT 31 DECEMBER 2015



FINANCIAL & OPERATIONAL
REVIEW

The lease maturities of the vessels on long-term bareboat charters remain staggered so that only a small portion of the overall lease portfolio would mature in any one year.

FIGURE 5:
LEASE MATURITY OF VESSELS (2016 TO 2022)
Dollar weighted average remaining lease term is three years as at 31 December 2015



LOAN FACILITY AND LOAN COVENANTS

In January 2015, as a result of the successful restructuring efforts of the Board and management team, the Trust announced that it was in compliance with the terms of its original loan agreement, following a covenant relaxation period of two and a half years.

FSL Trust has a 6-year amortising term loan maturing at the end of 2017. This term loan facility, secured against 21 of FSL Trust's vessels (after the disposal of the two Panamax containerships in January 2016 and excluding the unencumbered *FSL Osaka*), was fully drawn down in December 2011 and has an outstanding loan balance of US$272.1m as of 31 December 2015. The quarterly scheduled loan repayments were recently reduced to US$10.7m following the prepayment made from the disposal of the two containerships. (see page 68, Note 13 for more details on more details on the loan facility interest margin).

"As a result of the successful restructuring efforts of the Board and management team, the Trust announced that it was in compliance with the terms of its original loan agreement"

OUR LESSEES AND CHARTERERS

JAMES FISHER EVERARD LIMITED

JAMES FISHER & SONS PLC (UNITED KINGDOM)

James Fisher & Sons plc (United Kingdom), listed on the London Stock Exchange (LSE: FSJ), is a leading provider of marine and specialist engineering services to the energy industry. From its beginnings in 1847 as a ship owner and operator in England, James Fisher has developed considerable expertise in operating various marine and other safety-critical specialised businesses. The company provides comprehensive products, services and support to the oil and gas, renewables, nuclear power, construction, shipping and defence industries. Based in United Kingdom, James Fisher operates worldwide in six continents under four broad business divisions, namely, Marine Support, Specialist Technical, Offshore Oil and Tankships.

TESORO FAR EAST MARITIME COMPANY

TESORO CORPORATION (USA)

Tesoro Corporation (USA), listed on the New York Stock Exchange (NYSE: TSO) and a Fortune 100 company, is an independent refiner and marketer of petroleum products. Tesoro also has an ownership interest in Tesoro Logistics LP (NYSE: TLLP), which specialises in the logistics of transporting and storage of crude oil, refined products and natural gas. Tesoro, through its subsidiaries, operates six refineries in the western United States with a combined capacity of approximately 875,000 barrels per day. Tesoro's retail-marketing system includes over 2,300 retail stations under the ARCO®, Shell®, Exxon®, Mobil®, USA GasolineTM and Tesoro® brands.

TORM SINGAPORE PTE. LTD.

TORM A/S (DENMARK)

TORM A/S (Denmark), listed on NASDAQ OMX Copenhagen (CPH: TORM A), was founded in 1889. TORM is one of the world's leading carriers of refined oil products. The company operates a large and modern fleet of product tankers with cargo capacity varying from 35,000 to 110,000 deadweight tons. TORM is headquartered in Copenhagen, Denmark, with offices in Houston, Manila, Mumbai and Singapore.

TRAFIGURA MARITIME LOGISTICS PTE. LTD.

TRAFIGURA BEHEER B.V. (NETHERLANDS)

Trafigura Beheer B.V (Netherlands), founded in 1993, is one of the world's leading independent commodity trading and logistics houses, specialising in the oil, petroleum products, minerals and metals markets. Its primary trading activities are the supply and transport of oil and petroleum products and metals and minerals. Trafigura's trading business is supported by industrial and financial assets, including global oil products distribution company Puma Energy, joint venture company DT Group, global terminals operator Impala, and Trafigura's Mining Group and Galena Asset Management. The Trafigura Group is owned by its management and active employees, with approximately 5,250 employees operating in 75 offices located across 37 countries.

ALL OCEANS TRANSPORTATION INC

YANG MING MARINE TRANSPORT CORPORATION (TAIWAN)

Yang Ming Marine Transport Corporation (Taiwan), listed on the Taiwan Stock Exchange (TWSE: 2609), was established in 1972 and continues to be substantially government owned. Yang Ming Marine's principal activity is in the containership liner business but its business profile also includes dry bulk shipping, terminal management, logistic and shipping agency services. Yang Ming Marine is currently ranked as the second largest container shipping company in Taiwan[1] and among the top fifteen largest container liner operators in the world in terms of operating capacity. The company provides shipping services to more than 45 countries by operating a fleet of approximately 100 containerships with total container cargo capacity in excess of 500,000 TEUs (twenty foot equivalent units).

Note: Information about our lessees and ship charterers was obtained from our own enquiries of those counterparties, their respective group management, group websites and publicly accessible sources.

1 Source: Alphaliner

VESSEL PORTFOLIO

CONTAINERSHIPS

FSL BUSAN

YEAR BUILT	2003
BUILDER	Peene Werft, Germany
CAPACITY	1,221 TEU
FLAG	Marshall Islands

FSL SANTOS

YEAR BUILT	2003
BUILDER	Peene Werft, Germany
CAPACITY	1,221 TEU
FLAG	Marshall Islands

YM EMINENCE

YEAR BUILT	2008
BUILDER	CSBC Corporation, Taiwan
CAPACITY	4,250 TEU
FLAG	Liberia

YM ELIXIR

YEAR BUILT	2008
BUILDER	CSBC Corporation, Taiwan
CAPACITY	4,250 TEU
FLAG	Liberia

YM ENHANCER

YEAR BUILT	2008
BUILDER	CSBC Corporation, Taiwan
CAPACITY	4,250 TEU
FLAG	Liberia

CRUDE OIL TANKERS

FSL HONG KONG

YEAR BUILT	2007
BUILDER	Samsung Heavy Industries, South Korea
CAPACITY	115,000 DWT
FLAG	Singapore

FSL SHANGHAI

YEAR BUILT	2007
BUILDER	Samsung Heavy Industries, South Korea
CAPACITY	115,000 DWT
FLAG	Singapore

CHEMICAL TANKERS

FSL NEW YORK

YEAR BUILT	2006
BUILDER	Usuki Shipyard, Japan
CAPACITY	19,970 DWT
FLAG	Singapore

FSL LONDON

YEAR BUILT	2006
BUILDER	Usuki Shipyard, Japan
CAPACITY	19,966 DWT
FLAG	Singapore

FSL TOKYO

YEAR BUILT	2006
BUILDER	Shin Kurushima, Japan
CAPACITY	20,938 DWT
FLAG	Singapore

Notes:
1 Containerships, Ever Radiant and Ever Respect, were disposed of in February 2016
2 Product tanker, FSL Osaka, was purchased in November 2015

PRODUCT TANKERS

CUMBRIAN FISHER

YEAR BUILT	2004
BUILDER	Samho, South Korea
CAPACITY	12,921 DWT
FLAG	Bahamas

CLYDE FISHER

YEAR BUILT	2005
BUILDER	Samho, South Korea
CAPACITY	12,984 DWT
FLAG	Bahamas

SHANNON FISHER

YEAR BUILT	2006
BUILDER	Damen Galati, Romania
CAPACITY	5,421 DWT
FLAG	Bahamas

SOLWAY FISHER

YEAR BUILT	2006
BUILDER	Damen Galati, Romania
CAPACITY	5,421 DWT
FLAG	Bahamas

SPECIALITY

YEAR BUILT	2006
BUILDER	Qingshan Shipyard, Wuhan, PRC
CAPACITY	4,426 DWT
FLAG	Bahamas / UK

SENIORITY

YEAR BUILT	2006
BUILDER	Qingshan Shipyard, Wuhan, PRC
CAPACITY	4,426 DWT
FLAG	Bahamas / UK

SUPERIORITY

YEAR BUILT	2007
BUILDER	Qingshan Shipyard, Wuhan, PRC
CAPACITY	4,426 DWT
FLAG	Bahamas / UK

FSL HAMBURG

YEAR BUILT	2005
BUILDER	Hyundai Mipo Dockyard, South Korea
CAPACITY	47,496 DWT
FLAG	Singapore

FSL SINGAPORE

YEAR BUILT	2006
BUILDER	Hyundai Mipo Dockyard, South Korea
CAPACITY	47,470 DWT
FLAG	Singapore

FSL OSAKA

YEAR BUILT	2007
BUILDER	Shin Kurushima Dockyard, Japan
CAPACITY	45,998 DWT
FLAG	Singapore

TORM MARGRETHE

YEAR BUILT	2006
BUILDER	Dalian Shipbuilding Industry Co. Ltd, PRC
CAPACITY	109,672 DWT
FLAG	Singapore

TORM MARIE

YEAR BUILT	2006
BUILDER	Dalian Shipbuilding Industry Co. Ltd, PRC
CAPACITY	109,672 DWT
FLAG	Singapore

CORPORATE GOVERNANCE REPORT

First Ship Lease Trust ("FSL Trust") is a business trust constituted under the Business Trusts Act. FSL Trust Management Pte. Ltd. ("FSLTM") as Trustee-Manager of FSL Trust is responsible for managing the business of FSL Trust. This includes the trust property as defined in the Deed of Trust dated 19 March 2007 as amended and supplemented from time to time, safeguarding the interests of unitholders as a whole and ensuring and upholding high governance standards. FSLTM is fully committed to this responsibility in all its dealings with regard to FSL Trust.

This report sets out the corporate governance practices in place for financial year 2015 with reference to the Code of Corporate Governance 2012 ("the Code") and Business Trusts Regulations 2005.

THE BOARD'S CONDUCT OF ITS AFFAIRS

The principal functions of the Board of Directors include guiding the corporate strategy and directions of management, reviewing the budget and all business plans, approving all acquisitions and borrowings, monitoring the financial and non-financial performance of FSL Trust, putting in place all relevant internal controls and risk management processes, approval of the quarterly and full year announcements and financial statements, and overseeing the management of FSL Trust.

The Board has delegated and outsourced the day-to-day operations to FSL Asset Management Pte. Ltd. which is led by Alan Hatton (Director and Chief Executive Officer) and Roger Woods (Chief Operating Officer). The Board has also delegated specific functions to the Audit and Risk Committee. Certain key matters are reserved for the Board's approval, such as vessel acquisition and divestment and capital expenditure and commitments on loan and credit facilities.

The Board meets at least once every quarter and as often as warranted by particular circumstances. Board meetings are also supplemented by resolutions circulated to directors for decisions.

The attendance of the directors at the Board and Audit and Risk Committee meetings for 2015 is set out below:

Directors	**BOARD** Attendance/ Number of Meetings Held	**AUDIT AND RISK COMMITTEE** Attendance/ Number of Meetings Held
Alan Hatton	4/4	NA
Tim Reid	4/4	NA
Michael Gray[1]	3/3	3/3
Simon Davidson	4/4	4/4
Michael Oliver	4/4	4/4
Esben Poulsson	4/4	4/4

There are no alternate directors on the Board

NA: Not Applicable
1 Michael Gray was appointed as a Director and the Chairman of the Audit and Risk Committee on 11 May 2015.

To enable the directors to fully discharge their duties and obligations, directors have been furnished with a legal and compliance regulatory manual prepared by professional advisers. As and when necessary, they have also been provided with updates on relevant practices, new laws, rules and regulations, changes in accounting standards and risk management issues applicable to FSL Trust or FSLTM, including briefings by relevant professionals. The directors participate in relevant training programs to be funded by FSLTM.

BOARD COMPOSITION AND GUIDANCE

The composition of the Board of FSLTM is determined using the following principles:

(i) The majority of Board members should be non-executive and independent directors;

(ii) The Chairman of the Board should be a non-executive director;

(iii) The Board should comprise directors with a wide range of commercial and management experience; and

(iv) At least a majority of the directors should be independent from management and business relationships with FSLTM and from every substantial shareholder of FSLTM.

The Board comprises six directors, four of whom are independent and non-executive. Simon Davidson is the Lead Independent Director. The directors come from diverse backgrounds with expertise in the shipping industry, accounting and finance, legal, business and management fields and are able to apply their experience to further the interests of FSL Trust. The Board has the appropriate balance of independent directors. The four independent directors are particularly aware of their responsibility to constantly place the interests of unitholders as a whole foremost in the consideration of all relevant matters. The composition of the Board will be reviewed periodically to ensure that the Board comprises an appropriate mix of expertise and experience to best serve the interests of FSL Trust and all of its unitholders. As FSLTM is not itself a listed entity, the Board does not consider it necessary to establish a nominating committee.

CHAIRMAN AND EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Tim Reid. Simon Davidson is the deputy Chairman. The Chief Executive Officer ("CEO") is Alan Hatton. The Chairman, the deputy Chairman and the CEO are not related to one another. The Chairman and the CEO have separate and distinct roles resulting in an effective balance of power and authority. The Chairman is responsible for the effective functioning of the Board in the interests of unitholders as a whole. Board meetings are helmed by the Chairman and there is a culture of openness and debate and all directors are given ample opportunity and time to express their views. Where necessary, the independent directors will hold discussions separately without the presence of the other directors. The Lead Independent Director will lead these discussions. The CEO continues to have full executive responsibility over the business direction and operational decisions in the day-to-day operations and management of FSLTM, as Trustee-Manager. In the absence of the Chairman or if there is a conflict of interest, the deputy Chairman who is also the Lead Independent Director, will assume the role of Chairman.

BOARD MEMBERSHIP

The majority of the Board consists of independent non-executive directors. Michael Gray was appointed as an Independent Director during the last financial year. Newly appointed directors receive formal letters setting out their duties and obligations and also comprehensive induction briefings by the Executive Directors and Management on the business activities, governance practices and strategic directions of FSL Trust. The Board takes into consideration its size, experience and overall competency and expertise to determine if the Board is effective. The Board is satisfied that the directors have given sufficient time and attention to the affairs of FSL Trust and FSLTM. Where the Directors have multiple directorships and/or other principal commitments, the Board has considered and is satisfied that each of them is able to and has adequately carried out his duties as a director of the Company. From time to time, new directors may be identified for appointment if necessary to complement the experience and competency of the existing members of the Board.

As a Lead Independent Director, Simon Davidson leads and co-ordinates the activities of the independent directors. He is the principal liaison on board issues between the Independent Directors and the Chairman. The Independent Directors hold informal meetings on a need to basis without the presence of Management and the non-independent directors.

CORPORATE GOVERNANCE REPORT

Directors' Independence

The Board has conducted an annual review of the directors' independence in accordance with the requirements of the Business Trusts Regulations 2005. A director is considered to be independent if he is:

(a) Independent from management and business relationships with FSLTM ("Trustee-Manager");

(b) Independent from management and business relationships with FSLTM and from every substantial shareholder of FSLTM; and

(c) Independent from every substantial shareholder of FSLTM.

Mr Esben Poulsson has been a director of (i) Cambiaso Risso Asia Pte. Ltd. since 8 April 2015 and (ii) Hafnia Tankers Shipholding Singapore Pte. Ltd. since 29 September 2015 which provide insurance broking services and commercial and pool management services to the Trust, respectively. The Board has reviewed the business relationships between these two companies and the Trust which predate Mr Esben Poulsson's directorships. The insurance brokers' fees were a very modest amount. The commercial management fees were a continuation of an existing contract and the pool management fees were for a short period and not significant in amount. The Board has concluded that notwithstanding such relationships, Mr. Poulsson, in the course of his service as a director of the Trustee-Manager, has exercised independent judgement in his deliberation in the interest of FSL Trust. In addition, transactions in the ordinary course of business are delegated to the Management and the Management deals and concludes such transactions independently. The Board is satisfied that such business relationships have not interfered in the discharge of his duties and responsibilities as an independent director of the Trustee-Manager.

Messrs Michael Gray, Simon Davidson, Michael Oliver and Esben Poulsson are considered independent.

FSL Asset Management Pte. Ltd., the sole shareholder of FSLTM, is the service provider of management services to FSLTM.

BOARD PERFORMANCE

As part of the assessment of performance of the Board and the Audit and Risk Committee, the Board conducts an annual evaluation based on objective performance criteria. The Directors had the opportunity to gauge their effectiveness individually, collectively and identify areas of improvement.

ACCESS TO INFORMATION

Directors are provided with relevant information in a timely manner before or at each meeting to enable them to be properly informed of matters to be discussed or approved and to enable them to make informed decisions to discharge their duties and responsibilities as directors. Directors are entitled to request for additional information as needed. In addition, quarterly and full-year financial statements are submitted to the Board for approval prior to release to the Singapore Exchange Securities Trading Ltd ("SGX"). Directors have separate and independent access to management and the company secretary at all times. The external and internal auditors are also available on-hand to provide additional insight when financial statements are considered. Directors may seek further independent professional advice, if required, to allow directors to fulfill their duties properly, and such expenses will be paid by FSLTM.

REMUNERATION MATTERS

The structure for the payment of directors' fees for independent directors is based on a framework of basic fees for serving on Board committees and is approved by FSL Asset Management Pte. Ltd., the sole shareholder of FSLTM. All directors' fees payable to the independent directors in respect of services rendered to FSLTM will be reimbursed by FSL Trust. The fees are payable out of the trust property, as provided for in the Deed of Trust dated 19 March 2007 as amended and supplemented from time to time. The non-independent, executive director is not paid any Director's fees out of the trust property and the fee payable to the non-independent, non-executive director is paid by FSL Asset Management Pte. Ltd. who charges the same to FSLTM. As the remuneration of the non-independent directors and management is paid for separately by FSL Asset Management Pte. Ltd. and are not paid for by FSL Trust, the Board does not consider it necessary to set up the remuneration committee and details of such remuneration packages have not been disclosed.

The directors' fees paid/payable in respect of FY2015 to the independent directors are set out below:

Directors	Remuneration
Michael Gray	S$47,024
Simon Davidson	S$73,500
Michael Oliver	S$73,500
Esben Poulsson	S$73,500

During FY2015, Alan Hatton was awarded 2,333,334 units in FSL Trust as part of his 2014 remuneration package. Details of the award are provided in the Report of the Trustee-Manager.

During the financial year 2015, no officer was an immediate family member of any director of FSLTM.

The fees payable to FSLTM are set out in the Deed of Trust dated 19 March 2007 as amended and supplemented from time to time. The fees payable are the management fees, trustee fees, incentive fees, acquisition fees and disposal fees, which particulars are detailed in note 1 to the financial statements of this annual report. The fees paid to FSLTM in financial year 2015 are set out in note 23 to the financial statements.

FSL Asset Management Pte. Ltd. was constituted in 2010 as the resource centre for the FSL group of companies. Pursuant to a management services agreement between FSLTM and FSL Asset Management Pte. Ltd., FSL Asset Management Pte. Ltd. (also the sole shareholder of FSLTM) provides FSLTM all agreed management services, including the services of the Chief Executive Officer and other management personnel and staff. FSLTM is charged and bears the cost of management services rendered to it by FSL Asset Management Pte. Ltd. This is determined according to a market-based benchmarked formula.

ACCOUNTABILITY

The Board, through its quarterly and full-year results, announcements and press releases, aims to provide a balanced and understandable assessment of FSL Trust's performance and prospects.

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee ("ARC") are the four independent directors, Michael Gray (appointed on 11 May 2015), Michael Oliver, Simon Davidson and Esben Poulsson. The ARC is chaired by Michael Gray.

The Board is of the view that the present members of the ARC are appropriately qualified to discharge their responsibilities. The Board reviews the composition and effectiveness of the members of the ARC from time to time.

The responsibilities of the ARC include the following:

(i) To review the financial statements;

(ii) To monitor and evaluate the quality and reliability of information prepared for inclusion in financial statements;

(iii) To appoint the internal auditors;

(iv) To monitor and evaluate the effectiveness of FSLTM's internal controls;

(v) To nominate the external auditors and review their independence annually;

(vi) To review the external audit plan and the adequacy of external audit in respect of cost, scope and performance;

(vii) To review external audit reports to ensure that where deficiencies in risk management and internal controls have been identified, appropriate and prompt remedial action is taken by management;

(viii) To monitor the procedures in place to achieve compliance with applicable legislation, the Listing Manual and the Business Trusts Act;

(ix) To monitor the procedures established to regulate interested person transactions, including ensuring compliance with the provisions of the Listing Manual and Business Trusts Act in relation to them and to review such interested person transactions;

(x) To review the assistance given by officers of FSLTM to the external auditors;

(xi) To investigate any reports of improprieties or irregularities and assess areas where internal controls need to be improved or corrective measures need to be taken; and

(xii) To review the adequacy of financial risk management processes.

The ARC's activities for 2015, in accordance with its responsibilities and duties, included the following:

(a) Review of the quarterly and full-year financial statements and announcements required by the SGX for recommendation to the Board for approval;

(b) Discussion with the external auditors on the audit plan and the report on the audit of the financial statements; review of the external auditors' objectivity and independence; review of the audit fees payable, and making recommendations to the Board on the appointment/re-appointment of the external auditors;

(c) Discussion with the internal/external auditors and management to review the effectiveness of internal controls and risk management practices pertaining to, financial, operational, compliance and information technology controls to safeguard the interests of the unitholders as a whole and the trust property; and

(d) Review of all interested person transactions to ensure compliance with the Listing Manual and the Business Trusts Act.

The ARC is authorised to investigate any matters it deems appropriate within its written terms of reference. The ARC has full access to and co-operation of management. The ARC also has full discretion to invite any director or personnel to attend its meetings, and did also meet with the external auditors and internal auditors without the presence of management. The ARC has been given all reasonable resources to perform its duties. With the assistance of the Auditors, the ARC assesses changes in accounting standards and issues that have an impact on the financial statements.

The total fees paid to the external auditors for financial year 2015, including fees for audit and non-audit services are set out in note 18 to the financial statements of this annual report.

The ARC has undertaken a review of the fees and expenses paid to the external auditors, including fees paid for non-audit services during the period, and is satisfied that the external auditors' independence has not been compromised.

FSL Trust has complied with Rules 712 and 715 of the Listing Manual of SGX. Moore Stephens LLP were the auditors for FSL Trust and for all of the Singapore-incorporated subsidiaries in FY 2015.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is mindful that it needs to ensure that management maintains a sound system of risk management and internal controls to safeguard the interests of unitholders as a whole and the trust property. The Board and the ARC have evaluated the internal financial controls and financial and accounting policies and procedures.

The internal audit function of FSL Trust is outsourced to BDO LLP. The internal auditors report directly to the ARC on audit matters, and to the Board on administrative matters. The ARC is of the view that the internal auditor has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

However, no system can provide absolute assurance against material errors, human errors, fraud or other irregularities and the internal financial controls of FSLTM are designed to provide reasonable but not absolute assurance that trust property is safeguarded, accounting records are properly maintained and financial information and records are reliable. These controls are designed with the risks of the relevant exposure in mind, the likelihood of it occurring and costs involved to protect against it.

The Board is of the opinion, with the concurrence of the ARC, that FSLTM has adequate and effective risk management and internal controls including financial, operational, compliance and information technology controls.

During FY2015, a risk management workshop was held with the assistance of internal auditors. The risk management approach can be found on page 27 of this annual report.

For the financial year ended 31 December 2015, the CEO has provided assurance to the Board that the financial records of FSL Trust have been properly maintained and the financial statements give a true and fair view of the operations and finances and that an effective risk management and internal control system has been put in place.

WHISTLE-BLOWING POLICY

FSLTM has adopted a code of conduct which incorporates the reporting of violation or potential violation of laws, rules and regulations to the ARC Chairman. The code of conduct not only applies to directors but also to external parties and service providers, which would include the employees of FSL Asset Management Pte. Ltd..

COMMUNICATION WITH UNITHOLDERS

FSLTM believes in prompt disclosure of pertinent and relevant information to unitholders. Quarterly and full-year financial statements, distribution notices (where applicable), information on lease and charter transactions and acquisitions of vessels and other material developments are announced through the SGX, press releases and through its website at www.FSLTrust.com. Media and analysts' briefings are held as and when necessary.

The investor relations function is handled by management. Management meets with analysts, institutional investors and fund managers regularly to promote FSL Trust, communicate its business performance and developments and gather views and feedback. Please refer to the investor relations information on page 29 of this annual report.

Unitholders are entitled to attend and vote at the unitholder meetings and will be given the opportunity to raise questions and seek clarifications regarding any resolutions or other business of FSL Trust. The Board and management will be present at such unitholder meetings to address questions that unitholders may have.

As recommended by the Code, all resolutions at general meetings will be voted by poll. Detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced after the meeting.

DEALING IN SECURITIES

FSLTM has adopted an internal code based on the Listing Manual on dealings in securities and FSL Trust, FSLTM, directors of FSLTM and directors and employees of its holding company have been guided that they should refrain from dealing in units of FSL Trust during the period commencing two weeks before the announcement of FSL Trust's quarterly results and one month before the announcement of the annual results and ending on the date of the announcement of the relevant results.

All directors of FSLTM and directors and employees of its holding company are also informed that they (A) must not deal in (i) the units on short-term considerations; (ii) the units while in possession of unpublished material price sensitive information; and (iii) the securities of other listed companies while in possession of unpublished material price sensitive information relating to those securities; and (B) must be mindful of the laws relating to insider trading.

STATEMENT OF POLICIES AND PRACTICES

FSLTM has established the following policies and practices in relation to its management and governance:

(a) The trust property of FSL Trust is properly accounted for and trust property is kept distinct from the property of FSLTM held in its own capacity and the property of FSL Asset Management Pte. Ltd. ("FSLAM"). Different bank accounts are opened for FSLTM in its capacity as Trustee-Manager of FSL Trust, FSLTM in its own capacity and FSLAM, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.

(b) The Board is required to approve all business ventures and acquisitions for FSLTM and FSL Trust. FSLTM remains focused on vessel acquisitions with bareboat charters and time charters, which are the approved businesses of FSL Trust as set out in the Deed of Trust dated 19 March 2007 as amended and supplemented by the Second Supplemental Deed dated 6 April 2011. FSLTM has not engaged in other businesses on behalf of FSL Trust. Management provides regular briefings to the Board about the potential projects that it is looking into on behalf of FSL Trust and the Board ensures that all such projects are within the approved business scope of FSL Trust.

(c) FSLTM does not currently have other businesses other than that of managing FSL Trust but all potential conflicts, if arising, will be identified by the Board and management and reviewed. In addition, the majority of the Board are independent directors of FSLTM who do not have management or business relationships with the substantial shareholder of FSLTM (namely, FSL Asset Management Pte. Ltd. and FSL Holdings Pte. Ltd.) or the substantial shareholders of FSL Holdings Pte. Ltd. and are therefore able to examine any potential conflict between the interests of FSLTM in its own capacity and the interests of all unitholders of FSL Trust as a whole, independently and objectively. In respect of matters in which a director has an interest, direct or indirect, such interested director will abstain from participating in the review and approval process with regard to the matter.

(d) FSL Holdings Pte. Ltd. has also given two undertakings in favour of FSL Trust not to compete in the businesses of FSL Trust, namely,

(1) the financing lease of shipping assets through long-term bareboat charters for a lease term of seven years or longer,

(2) for a period of five years from 6 April 2011 (and following the expiry of such period, for such additional period as may be agreed between FSL Holdings Pte. Ltd. and FSLTM), (aa) the financing lease of vessels on a bareboat basis which have a lease term of less than seven years and (bb) any vessels on a time charter basis (regardless of the duration of the charters of such vessels),

save where it has first offered to FSLTM (on behalf of FSL Trust) the opportunity to acquire the charter/lease, together with the relevant vessel and FSLTM has declined to acquire such vessel and charter/lease. FSL Holdings Pte. Ltd. will not enter into any charter/lease that has first been offered by it to FSLTM (on behalf of FSL Trust).

As at the date of this annual report, all vessel acquisitions and charter leasing to lessees, subsequent to the initial public offering, have been with independent third parties unrelated to FSL Trust, FSLTM, FSLAM or FSL Holdings Pte. Ltd..

(e) Interested person transactions in relation to FSL Trust have been identified by management and have been fully disclosed on page 90 of this annual report. The Audit and Risk Committee conducts an annual review of all such transactions to determine if such transactions have been undertaken on normal commercial terms and will not be prejudicial to the interests of FSL Trust and the unitholders as a whole. In addition, all such interested person transactions conducted and any contract entered into by FSLTM on behalf of FSL Trust with a related party of FSLTM or FSL Trust, shall comply with and be in accordance with all applicable requirements of the Listing Manual and the Business Trusts Act as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

(f) The expenses payable to FSLTM in its capacity as Trustee-Manager of FSL Trust out of trust property are appropriate and in accordance with the Deed of Trust dated 19 March 2007 as amended and supplemented, and regular internal reviews are carried out to ensure that such expenses payable are in order.

(g) FSLTM has engaged the services of and obtained advice from professional advisers and consultants from time to time, particularly with regard to transactions on vessel acquisitions and facility borrowings, and has complied with the requirements of the Business Trusts Act and the Listing Manual.

RISK MANAGEMENT

FSLTM manages risk under an overall strategy determined by the Board of Directors and supported by the Audit and Risk Committee (ARC).

It assesses the risk arising from a new lease or charter transaction; asset disposal and residual values; monitors the potential for lessee or charterer default; actively sources for additional financing options before the expiry of current facilities; hedges currency and interest rate risk through swaps; and, also mitigates operational risk by actively engaging with its third party commercial and technical managers.

ENTERPRISE RISK MANAGEMENT

FSLTM is committed to ensuring that the Trust has an effective and practical Enterprise Risk Management framework in place to safeguard unitholder's interest, the sustainability of the Trust and to make informed decisions on value creation. As such, the Board commissioned BDO to facilitate the implementation of the Enterprise Risk Management programme for the Trust. The purpose of this exercise is to recommend a monitoring process over key risks to the Trust and to recommend a reporting process by which the Board and ARC is kept updated on how ongoing and new risks are being addressed by the Trust. The initial Enterprise Risk Management programme has been completed. The Board and key management personnel will review the significant risks on a regular basis and update the Enterprise Risk Management Plan to reflect any changes that may be relevant.

RISK ASSESSMENT

Credit Risk

Prior to entering a lease transaction, the Trust's risk assessment process focuses on the credit risk associated with a potential lessee; and, any asset and concentration risk attached to the transaction to ensure investment returns are commensurate with the lease's overall risk profile. The process involves performing due diligence to ascertain the credit strength of the potential lessee. This includes obtaining third party credit reports.

To evaluate the suitability of counterparties and transaction parameters, risk assessment does not only focus on the financial records and credit ratings of potential counterparties. It is also supported by insight gained from the experience of senior management and the Board, and their extensive networks in the global marine transportation industry.

Asset Risk

The asset risk assessment process also evaluates the residual value, estimating asset residual values based on a statistical analysis of reputable third-party historical transaction data and asset price, quality and fungibility.

Market Risk

With the future redelivery of more vessels upon expiry of their long-term leases, the Trust's risk management is also actively considering the availability of new or alternative time charter counterparties, the options and prospects for vessel redeployment; and, when deemed appropriate, weighing the costs and benefits of asset disposals.

RISK MONITORING

FSLTM monitors risks through regular reviews of the lessees' financial performance, lease payment conduct, credit rating and compliance with the respective vessel insurance covenants. FSLTM also maintains a regular dialogue with each lessee to monitor developments in their business. With the rebalancing of the Trust's vessel portfolio to include more time charters and pool/revenue sharing agreements, FSLTM now takes a more active approach towards the management of the Trust's vessels through the rigorous assessment and appointment of third party commercial and technical managers.

RISK MITIGATION

Concentration Risk

The Trust is currently operating 12 vessels, which were previously employed under long term leases. Hence, the Trust is now exposed to more types of risks than a pure lessor would be exposed to. These include counterparty or deal-specific exposures. Operating its own fleet of vessels also exposes the Trust to industry and market-related risks, as well as operational and compliance risks. FSLTM mitigates these risks by actively managing its relationships with third party commercial and technical managers and thorough consultation with intermediaries,

RISK MANAGEMENT

insurance service providers, legal advisers and regulatory authorities. This ensures that the Trust is able to operate safely and maintain a fleet of commercially viable vessels.

Interest Rate and Foreign Currency Risk Hedging

To manage interest rate and foreign exchange risks that may arise in the course of FSL Trust's business as well as in the financing of its transactions, FSLTM may from time to time enter into derivative transactions. This includes interest rate swaps (to convert floating interest rates to fixed rates), foreign currency forward contracts and cross currency swaps. FSLTM believes that the use of these risk hedging instruments may help to reduce the volatility of and increase the stability of the cash flows from the lease portfolio. FSL Trust does not hedge the credit risk related to its lessees.

RISK REPORTING

Periodic Risk Reports

Periodic risk reports will be prepared by the Chief Risk Officer to highlight any emerging risks or high risk issues to the ARC on a timely basis. In addition, any new risk of significant values will be assessed using prescribed risk templates and reported to the ARC.

Annual Risk Report

Annually, a risk refresher will be performed within the Group to understand if there are any changes to the existing top risks identified and if there are any risks that require more detailed assessment. A report with the updated top risks to the company will be complied by the Chief Risk Officer and submitted to the ARC. The Risk Register maintained will also be updated to reflect any changes highlighted.

INVESTOR RELATIONS

FSLTM, as Trustee-Manager of FSL Trust, takes an open and proactive approach to its communications with the investment community, maintaining regular dialogue with its stakeholders. Its investor relations activities serve as a guide to promote and demonstrate a high standard of integrity and transparency through timely, accurate, quality and fair disclosure. This is aimed at communicating fairly and accurately, the Trust's strategies, developments, financial results and prospects to investors, the financial community and other stakeholders.

OPEN COMMUNICATION

The Trustee-Manager, through its Investor & Public Relations Department headed by the CEO, provides an avenue for two-way communication between the Trust and its unitholders, investors and the media.

FSLTM ensures transparency and good corporate governance by promptly disseminating corporate information (such as all major corporate developments, financial performance and other relevant information) to the unitholders and investors via announcements or press releases on SGXNet and OTCQX (for American Depository Receipts investors), as well as through dialogues with analysts and the media.

Press releases are also disseminated to local and industry related media so as to ensure important information related to the Trust reaches a wider audience.

PROACTIVE ENGAGEMENT THROUGH APPROPRIATE CHANNELS

FSLTM actively updates the investment community and relevant stakeholders with key developments about the Trust and provides industry information, as and when necessary, to foster a better understanding of the Trust's business and the wider global marine transportation industry.

In 2015, FSLTM participated in and was represented by the CEO at various conferences regionally and internationally, including the annual Marine Money forums in London, New York and Singapore, MARE Forum and SEA Asia in Singapore respectively. FSLTM's CEO was also part of the judging panel of Lloyd's List Asia Awards 2015. The awards recognise excellence in the shipping and maritime industry.

FSLTM has regular and proactive communication with its unitholders and stakeholders through one-on-one meetings, conference calls and emails. The Trustee-Manager organises quarterly meetings and results briefing sessions via conference calls, giving investors and analysts an opportunity to have an in-depth discussion with senior management on the Trust's performance. Recordings of such calls are subsequently made available to the public through FSL Trust's website.

STRENGTHENING RELATIONSHIP BETWEEN FSL TRUST AND UNITHOLDERS

While the Annual General Meeting (AGM) is the principal forum for dialogue with unitholders, the Trustee-Manager may also call for Extraordinary General Meetings (EGM) as and when such meetings are required. Notices of general meetings and annual reports are sent to unitholders at least 14 calendar days ahead of the meeting date to enable unitholders to have sufficient time to peruse the annual report and papers supporting the resolutions proposed.

At general meetings, unitholders are given the opportunity to ask questions regarding resolutions being proposed, before putting the resolutions to the vote, as well as matters relating to the Trust's operations in general. The Board encourages participation at general meetings and encourages poll voting for all resolutions.

USING INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

To sustain a high level of transparency and accessibility, FSLTM maintains a corporate website at www.FSLTrust.com. The website contains an extensive archive of FSL Trust's announcements, financial statements, annual reports, press releases, presentation slides, audio presentations as well as the Trust's operational information including information on its vessel portfolio. Investors and stakeholders are encouraged to sign up for the Trust's email alert service to receive updates as and when announcements are made by FSLTM.

Investors and stakeholders can also direct their queries to a dedicated email contact: investors@firstshiplease.com.

SUSTAINABILITY REPORT

FSLTM is responsible for creating a sustainable future for FSL Trust, its unitholders and stakeholders. The Trustee-Manager is continuously improving how it operates and how it embeds sustainability into the business. This report illustrates the Trustee-Manager's commitment to sound governance and balanced, transparent disclosure. FSLTM is also committed to adopting best labour practices in order to minimise its environmental impact, and continually strives to create a culture of sustainability within the Trust.

As a part of the annual reporting process, FSLTM measures and evaluates its performance, and communicates its progress and challenges. This annual exercise of collecting, analysing and reviewing the report content and data engages and educates its employees, unitholders and stakeholders on sustainability issues while driving performance improvements.

CORPORATE GOVERNANCE

FSLTM is guided by the Code of Corporate Governance 2012 on all its dealings with regard to FSL Trust. It is committed to managing the Trust's business and engaging with stakeholders in an open and transparent manner based on high standards of integrity, professionalism and ethical principles.

FSLTM adopts a code of conduct that sets out the standards of ethical practices expected of its directors and employees in the conduct of the Trust's business. The code of conduct not only applies to directors and employees but also to external parties and service providers, which includes the employees of FSL Asset Management Pte. Ltd. The code of conduct covers all aspects of the Trust's activities, including compliance with laws and regulations, conflict of interest, privacy of information, business and workplace conduct, fair dealing, gifts and entertainment, and workplace health and safety.

Employees are encouraged to report violations or potential violations of laws, rules and regulations of the code of conduct to the Chairman of the Audit and Risk Committee directly. Violations of the code of conduct will be duly investigated and may result in disciplinary action.

Our latest corporate governance report is set out on page 20.

SOCIAL – LABOUR PRACTICES

FSLTM recognises that its employees are critical to the success of the Trust and is committed to building a strong, diverse workforce. FSLTM continues to adopt fair employment and human resource practices to create a healthy environment for its workforce to thrive.

FSLTM recognises the value of its workforce: all of its employees contribute to FSLTM's success and it is committed to providing equal opportunity in all aspects of employment. The Trustee-Manager adopts a consistent and fair treatment of employees to support improved communications and foster a positive workplace environment. Abusive, offensive conduct or harassment is unacceptable, whether verbal, physical or visual. The Trustee-Manager offers its employees the opportunity to report, confidentially and without fear of retaliation, such conduct or harassment to the Chairman of the Audit and Risk Committee when it occurs.

ENVIRONMENTAL RESPONSIBILITY

FSL Trust is the owner and lessor of 22 vessels. Pursuant to the Trust's "hell and high water" bareboat leases, the operation of 12 of its vessels as at 5 February 2016 rests entirely with their international lessees. These lessees carry out their operations in accordance with the standard operating procedures contained in the lease agreement and they are required to comply with all applicable environmental laws and regulations. The remaining 10 vessels are managed by FSL Trust's agents in compliance with all applicable environmental laws and regulations. FSL Trust's agents include Columbia Shipmanagement (Singapore) Pte. Ltd., Thome Ship Management Pte. Ltd. and Wallem Shipmanagement Limited, who are committed to promoting effective and efficient environmental management in their organisations. In its continued effort towards a sustainable and environmentally sound development, the Trustee-Manager only engages agents who are committed to managing health, safety and environmental matters as an essential part of excellence in the management and operation of vessels.

FSLTM is mindful that the Trust's activities impact the environment and, as such, it strives to responsibly manage those activities. As part of its efforts to minimise its environmental footprint, FSLTM opted to print this annual report on partially-recycled paper certified by the Forest Stewardship Council (FSC). The FSC's mission is to promote environmentally sound, socially beneficial and economically prosperous management of the world's forests. FSC certification is only granted after a document has flowed through the FSC Chain of Custody from the FSC-certified forest, to a paper manufacturer, merchant, and finally to a printer that has FSC Chain-of-Custody certification. The Chain-of-Custody process reassures the consumer that the FSC-certified products they purchase are coming from responsibly managed sources. For a consumer to purchase an FSC-certified product, every company that previously had ownership of the forest product material components of the end product would have had to be FSC certified.

STAKEHOLDER ENGAGEMENT

Please refer to the investor relations section on page 29 for more information on stakeholder engagement.

WHISTLE-BLOWING POLICY

WHISTLE-BLOWING COMMITTEE

Headed by the Audit and Risk Committee Chairman, the Whistle-Blowing Committee is responsible for ensuring that the Trust has an independent channel and appropriate procedures for the receipt, retention and handling of complaints about possible improprieties of the Trust's affairs. The Whistle-Blowing Committee will consist of Independent directors, who are also members of the Audit and Risk Committee.

THE POLICY

All employees of the Trust and any other persons (such as vendors, customers, business partners and other external parties) are encouraged to raise genuine concerns regarding possible improprieties in the conduct of business activities, financial reporting and other malpractices at the earliest opportunity, and in an appropriate way.

This policy is designed to:
- Support the Trust's values; and
- Ensure that employees and any other persons can raise concerns without fear of reprisal; and
- Provide a transparent and confidential process for dealing with concerns.

This policy not only covers possible improprieties in matters of financial reporting, but also:
- Fraud; and
- Corruption, bribery or blackmail; and
- Criminal offences; and
- Failure to comply with a legal or regulatory obligation; and
- Miscarriage of justice; and
- Deliberate failure to follow/operate systems and procedures, which may put the assets or Trust's reputation at risk; and
- Endangering the health and safety of an individual; and
- Concealment of any of the above.

PRINCIPLES

All concerns raised will be treated fairly and properly; and

We will not tolerate the harassment or victimisation of anyone raising a genuine concern; and

Any individual making a disclosure will retain their anonymity unless they agree otherwise; and

We will ensure that any individual raising a concern is aware of who is handling the matter; and

We will ensure that no one will be at risk of suffering reprisal as a result of raising a concern even if they are mistaken. We do not however extend this assurance to someone who maliciously raises a matter they know to be untrue.

PROCEDURES FOR REPORTING OF CONCERNS

If any employee believes reasonably and in good faith that malpractice exists in the work place, then he or she should report this immediately to the CEO. However, if for any reason, they are reluctant to do so, then they should report their concerns to:

I. An independent third party by calling the whistle-blowing hotline on 6828 9185. This is provided through the independent party who provides the employee care counselling and legal advice service. The concerns will be reported to the Trust without revealing the identity of the whistle-blower.

WHISTLE-BLOWING POLICY

II. The Chairman of the Audit and Risk Committee, currently Michael Gray, particularly if employees and any other persons still have concerns. If they feel that the matter is so serious that it cannot be discussed with any of the above, they can also report suspected wrongdoings via:

   a. Regular mail or other means of delivery, addressed to the corporate address of the Trust, by which complaints may be submitted in a sealed envelope marked "Attention of the: Chairman, Whistle-Blowing Committee, FSL Trust Management Pte. Ltd. – Private and Confidential to be opened by addressee only". The envelope will be forwarded, unopened, to the Audit and Risk Committee Chairman in his capacity as Chairman of the Whistle-Blowing Committee; and
   b. Email sent directly to the Chairman of the Whistle-Blowing Committee at mikeggray@hotmail.com; and
   c. Telephone call to the mobile number of the Chairman of the Whistle-Blowing Committee at 9855 0055.

HANDLING OF CONCERNS

Employees and any other persons, who have raised concerns internally, will be informed of who is handling the matter, how they can make contact with them and if there is any further assistance required. We will give as much feedback as we can without any infringement on a duty of confidence owed by us to someone else.

I. Employees' and any other persons' identities will not be disclosed without prior consent (except where disclosure obligations are required under law and regulations). Where concerns cannot be resolved without revealing the identity of the employee and any other persons raising the concern, (e.g., if their evidence is required in court), we will enter in to a dialogue with the all who are concerned to discuss how we can proceed.

II. In all cases, upon receipt of the concern, the Whistle-Blowing Committee shall:

   a. Acknowledge the receipt to the person reporting the concern (where the identity has been disclosed); and
   b. Make an initial assessment as to the prima facie merits; and
   c. Investigate the concerns raised expeditiously, without sacrificing thoroughness; and
   d. Inform the person reporting the concern (where the identity has been disclosed) in writing of the outcome of the investigations; and
   e. Ensure that the principles of due process and natural justice.

III. If the Whistle-Blowing Committee deems it appropriate, they may engage, at the Trust's expense, independent advisors such as lawyers and accountants who are unaffiliated with the Trust's lawyers or external auditors to assist in its deliberations.

IV. Following the investigation and evaluation of the concern, the Whistle-Blowing Committee will prepare a written report on its finding, recommended disciplinary, remedial or other actions, if any.

RIGHT OF APPEAL

If someone who has reported a concern remains dissatisfied with the outcome of the investigation, they have a right of appeal on the following grounds:

I. They believe the procedures have not been followed properly or; and
II. They are convinced that the decision is one which no reasonable person could have reached.

The Chairman of the Board (or the Chairman of the Audit and Risk Committee, if the Whistle-Blowing allegation involves the Chairman) will appoint a person to hear the appeal. This will be an external lawyer or qualified accountant not involved with the Trust and who has experience with such matters.

FINANCIAL STATEMENTS 2015

REPORT OF THE TRUSTEE-MANAGER OF FIRST SHIP LEASE TRUST

The directors of FSL Trust Management Pte. Ltd., the Trustee-Manager of First Ship Lease Trust (the "Trust") and its subsidiaries (together referred to as the "Group"), are pleased to submit this annual report to the unitholders of the Trust, together with the audited financial statements for the financial year ended 31 December 2015.

1 DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are as follows:

Tim Reid
Simon Davidson
Michael Oliver
Esben Poulsson
Michael Gray (Appointed on 11 May 2015)
Alan Hatton

2 DIRECTORS' INTERESTS

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Singapore Business Trusts Act (the "Act"), no director who held office at the end of the financial year had interests in units, debentures, warrants or unit options of the Trust, or of related corporations, either at the beginning, or at the date of appointment, or at the end of the financial year except as follows:

	Direct Interest	
	As At 31 December 2015	As At 1 January 2015
Name of director		
	(Number of Trust Units)	
Alan Hatton	2,333,334[1]	–

[1] Alan Hatton was granted an award of 2,333,334 units ("Performance Units in the Trust"). The Performance Units will vest on 1 January 2017.

Neither at the end of, nor at any time during the financial year was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units, debentures or unit options of the Trust.

Except as disclosed in Note 23 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Trust or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2016.

3 UNIT OPTIONS

During the financial year, there were:

(i) no options granted by the Trustee-Manager to any person to take up unissued units in the Trust; and

(ii) no units issued by virtue of any exercise of option to take up unissued units of the Trust. At the end of the financial year, there were no unissued units of the Trust under option.

4 AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee during the financial year and as at the date of this report comprise four independent and non-executive directors:

Michael Gray (Chairman) (Appointed on 11 May 2015)
Simon Davidson
Michael Oliver
Esben Poulsson

The Audit and Risk Committee carried out its functions in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations and the SGX Listing Manual.

In performing its functions, the Audit and Risk Committee reviewed the overall scope of the external audit and the assistance given by the Trustee-Manager's officers to the auditors. It met with the Trust's external auditors to discuss the scope and results of their annual audit. In addition, the Audit and Risk Committee reviewed the financial statements of the Group and the Trust before their submission to the Board of Directors of the Trustee-Manager.

5 INDEPENDENT AUDITORS

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants have expressed their willingness to accept re-appointment.

For and on behalf of the Board of Directors of the Trustee-Manager

....
Tim Reid
Director

....
Alan Hatton
Director

28 March 2016

STATEMENT BY THE TRUSTEE-MANAGER

STATEMENT AND CERTIFICATION

In our opinion:

(a) the financial statements as set out on pages 40 to 85 are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2015 and of the financial performance, changes in unitholders' funds and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Business Trusts Act and International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

With respect to the income statement of the Group for the year ended 31 December 2015:

– fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with the Deed of Trust dated 19 March 2007 as amended and supplemented from time to time;

– interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and

– the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised the above statements and these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager

....
Tim Reid
Director

....
Alan Hatton
Director

28 March 2016

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In accordance with Section 86 of the Singapore Business Trusts Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

....
Alan Hatton
Chief Executive Officer

28 March 2016

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF

FIRST SHIP LEASE TRUST

Report on the financial statements

We have audited the accompanying financial statements of First Ship Lease Trust (the "Trust") (constituted in the Republic of Singapore pursuant to a Deed of Trust dated 19 March 2007) and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Trust as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 85.

Trustee-Manager's responsibility for the financial statements

The Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Business Trusts Act, Chapter 31A (the Act) and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee-Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF

FIRST SHIP LEASE TRUST

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2015 and the financial performance, changes in unitholders’ funds and cash flows of the Group for the financial year ended on that date.

Other matters

The financial statements for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated 18 March 2015.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

28 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Trust	
	Note	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Assets					
Vessels	4	526,516	556,019	–	–
Subsidiaries	5	–	–	368,397	423,725
Available-for-sale financial assets	6	–	919	–	–
Derivative assets	7	55	339	55	339
Non-current assets		526,571	557,277	368,452	424,064
Derivative assets	7	133	122	133	122
Inventories	8	45	–	–	–
Trade and other receivables	9	4,623	4,767	26,554	32,241
Cash and cash equivalents	10	28,834	32,750	16,769	21,605
Current assets		33,635	37,639	43,456	53,968
Total assets		560,206	594,916	411,908	478,032
Equity attributable to unitholders of the Trust					
Units in issue	11	523,284	525,412	523,284	525,412
Reserves	12	(245,102)	(258,679)	(384,708)	(367,157)
Total equity		278,182	266,733	138,576	158,255
Liabilities					
Bank loans	13	229,050	274,715	229,050	274,715
Derivative liabilities	13	67	155	67	155
Deferred income	14	2,123	3,567	–	–
Non-current liabilities		231,240	278,437	229,117	274,870
Trade and other payables	15	5,740	4,059	615	664
Bank loans	13	43,035	42,927	43,035	42,927
Derivative liabilities	13	565	1,316	565	1,316
Deferred income	14	1,444	1,444	–	–
Current liabilities		50,784	49,746	44,215	44,907
Total liabilities		282,024	328,183	273,332	319,777
Total equity and liabilities		560,206	594,916	411,908	478,032

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$'000	2014 US$'000
Revenue	16	106,583	93,414
Expenses:			
Depreciation expense on vessels		(52,049)	(48,665)
Impairment loss on vessels		(971)	–
Voyage expenses		(2,280)	29
Vessel operating expenses		(22,494)	(20,297)
Management fees		(3,479)	(3,033)
Trustee fees		(117)	(125)
Other trust expenses		(1,845)	(2,619)
Impairment loss on available-for-sale financial assets		–	(1,907)
Total operating expenses		(83,235)	(76,617)
Results from operating activities		23,348	16,797
Other income		1,907	5,000
Loss on disposal of vessels		–	(1,378)
Gain on disposal of available-for-sale financial assets		1,710	–
Finance income	17	12	23
Finance costs	17	(12,792)	(16,375)
Net finance costs		(12,780)	(16,352)
Profit before tax	18	14,185	4,067
Income tax expense	19	(38)	(16)
Profit for the year		14,147	4,051
Income available for distribution	20	–	–
Distribution per unit (US cents)		–	–
Earnings per unit (US cents)			
Basic	21	2.19	0.62
Diluted	21	2.19	0.62

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 US$'000	2014 US$'000
Profit for the year	14,147	4,051
Other comprehensive income		
Items that are or may be classified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign operations	(1,138)	(3,569)
Exchange differences on monetary items forming part of the net investment in foreign operations	–	(539)
Effective portion of changes in fair value of cash flow hedges	(708)	(573)
Net change in fair value of cash flow hedges reclassified to income statement	1,276	3,450
Net change in fair value of available-for-sale financial assets	–	(3,630)
Net change in fair value of available-for-sale financial assets reclassified to income statement	–	1,907
Other comprehensive income for the year, net of tax	(570)	(2,954)
Total comprehensive income for the year	13,577	1,097

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Units in issue US$'000	Hedging reserve US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Group						
At 1 January 2015		525,412	(1,011)	(5,533)	(252,135)	266,733
Total comprehensive income for the year						
Profit for the year		–	–	–	14,147	14,147
Other comprehensive income						
Items that are or may be classified subsequently to profit or loss:						
Translation differences relating to financial statements of foreign operations		–	–	(1,138)	–	(1,138)
Effective portion of changes in fair value of cash flow hedges		–	(708)	–	–	(708)
Net change in fair value of cash flow hedges reclassified to income statement		–	1,276	–	–	1,276
Total other comprehensive income		–	568	(1,138)	–	(570)
Total comprehensive income for the year		–	568	(1,138)	14,147	13,577
Cancellation of units in issue bought back	11	(2,128)	–	–	–	(2,128)
Transactions with unitholders, recognised directly in equity						
Distributions to unitholders	20	–	–	–	–	–
Total transactions with unitholders		–	–	–	–	–
At 31 December 2015		523,284	(443)	(6,671)	(237,988)	278,182

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(CONT'D)

	Note	Units in issue US$'000	Hedging reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Group							
At 1 January 2014		525,412	(3,888)	(1,425)	1,723	(256,186)	265,636
Total comprehensive income for the year							
Profit for the year		–	–	–	–	4,051	4,051
Other comprehensive income							
Items that are or may be classified subsequently to profit or loss:							
Translation differences relating to financial statements of foreign operations		–	–	(3,569)	–	–	(3,569)
Exchange differences on monetary items forming part of the net investment in foreign operations		–	–	(539)	–	–	(539)
Effective portion of changes in fair value of cash flow hedges		–	(573)	–	–	–	(573)
Net change in fair value of cash flow hedges reclassified to income statement		–	3,450	–	–	–	3,450
Net change in fair value of available-for-sale financial assets		–	–	–	(3,630)	–	(3,630)
Net change in fair value of available-for-sale financial assets reclassified to income statement		–	–	–	1,907	–	1,907
Total other comprehensive income		–	2,877	(4,108)	(1,723)	–	(2,954)
Total comprehensive income for the year		–	2,877	(4,108)	(1,723)	4,051	1,097
Transactions with unitholders, recognised directly in equity							
Distributions to unitholders	20	–	–	–	–	–	–
Total transactions with unitholders		–	–	–	–	–	–
At 31 December 2014		525,412	(1,011)	(5,533)	–	(252,135)	266,733

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$'000	2014 US$'000
Cash flows from operating activities			
Profit before tax		14,185	4,067
Adjustments for:			
Depreciation expense on vessels		52,049	48,665
Impairment loss on vessels		971	–
Impairment loss on available-for-sale financial assets		–	1,907
Amortisation of debt transaction costs		1,073	1,176
Amortisation of initial direct costs		505	504
Amortisation of deferred income		(1,444)	(1,444)
Interest income		(12)	(23)
Interest expense		11,638	15,620
Loss on disposal of vessels		–	1,378
Gain on disposal of available-for-sale financial assets		(1,710)	–
Unrealised foreign exchange loss/(gain)		6	(606)
Operating cash flows before movements in working capital		77,261	71,244
Changes in trade and other receivables		147	558
Changes in inventories		(45)	1,185
Changes in trade and other payables		2,063	(4,870)
Changes in lease income received in advance		(523)	175
Cash generated from operations		78,903	68,292
Income taxes paid		(44)	(17)
Net cash generated from operating activities		78,859	68,275
Cash flows from investing activities			
Purchase of vessel		(22,054)	–
Costs incurred for dry-docking		(3,110)	(1,361)
Net proceeds on disposal of vessels		–	22,261
Net proceeds on disposal of available-for-sale financial assets		2,629	–
Interest received		15	23
Net cash (used in) / generated from investing activities		(22,520)	20,923
Cash flows from financing activities			
Repayment of secured bank loans		(44,000)	(44,000)
Prepayment of secured bank loans		(2,630)	(17,026)
Interest paid		(11,497)	(15,789)
Security deposit released		12,630	–
Pledged deposit		(2,630)	–
Purchase of the Trust's units in issue		(2,128)	–
Net cash used in financing activities		(50,255)	(76,815)
Net increase in cash and cash equivalents		6,084	12,383
Cash and cash equivalents at 1 January		22,750	10,367
Cash and cash equivalents at 31 December	10	28,834	22,750

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

First Ship Lease Trust (the "Trust") is a Singapore-domiciled business trust constituted pursuant to a Deed of Trust dated 19 March 2007 as amended and supplemented from time to time (the "Trust Deed") with FSL Trust Management Pte. Ltd. (the "Trustee-Manager"). The Trustee-Manager's registered office is 9 Temasek Boulevard, #19-03, Suntec Tower Two, Singapore 038989. The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the unitholders as a whole.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited on 27 March 2007.

The Trust is a shipowner and provider of leasing services on a bareboat charter basis to the international shipping industry. It had a modern, high quality and diverse portfolio of 24 vessels consisting of twelve product tankers, seven containerships, three chemical tankers and two crude oil tankers as at 31 December 2015. As at the authorisation date of the financial statements, 16 vessels are employed on leases (12 vessels on bareboat charters and four vessels on time charters) and have a dollar-weighted average remaining lease period of approximately three years (for bareboat charter and excluding extension periods and early buy-out options). The remaining six vessels comprise three chemical tankers employed in a chemical tanker pool, two containerships in a 1200-1400/1700 TEU pool and one product tanker in an MR product tanker pool. The combined portfolio of vessels has a dollar-weighted average age of approximately nine years.

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial statements were authorised for issue by the Trustee-Manager on 28 March 2016.

The Trust Deed provides for the following fees payable to the Trustee-Manager:

Management fees

The Trustee-Manager is entitled to receive a management fee of 4.0% of the cash lease income in the relevant calendar year.

Any change in the structure of the management fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The management fee payable to the Trustee-Manager is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable). Where the management fee is paid in cash, the amount is paid monthly, in arrears. Where the management fee is paid in the form of units, the amount is paid quarterly, in arrears.

1 GENERAL INFORMATION (CONT'D)

Incentive fees

The Trustee-Manager is entitled to receive an incentive fee, payable quarterly and calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. The incentive fee is determined on the basis of comparing the net distribution amount per unit against a benchmark quarterly distribution per unit in accordance with the formula stipulated in the Trust Deed.

The incentive fee payable to the Trustee-Manager is payable in the form of cash or, at the option of the Trustee-Manager, by way of the issue of new units as soon as practicable after the end of the relevant quarter.

Any change in the structure of the incentive fees must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Trustee fees

The Trustee-Manager is entitled to receive a trustee fee of 0.02% per annum of the value of the Trust Property (being all the assets of the Trust, as stipulated in the Trust Deed). The trustee fee is payable out of the Trust Property of the Trust in cash on a quarterly basis. Each quarterly payment shall be determined based on the value of the Trust Property as at the last day of the immediately preceding quarter and as reflected in the quarterly financial information of the Group for that quarter. The Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Any change in the structure of the trustee fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Other fees

The Trustee-Manager is also entitled to the following:

- An acquisition fee amounting to 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the acquisition price of vessels acquired directly or indirectly by the Trust, pro-rated if applicable, to the proportion of the Trust's interest. The acquisition fee is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable and made before the payment of the acquisition fee). No acquisition fee is payable on the acquisition of the initial portfolio of vessels.

- A disposal fee amounting to 0.5% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the sale price of vessels disposed, pro-rated if applicable, to the proportion of the Trust's interest. The disposal fee is payable in cash.

Any increase in the acquisition fee or disposal fee above the permitted limit or any change in the structure of such fees shall be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the Trustee-Manager to exercise its judgement and also requires to make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Adoption of New and Revised IFRS

For the financial year ended 31 December 2015, the Group has adopted the following new and revised IFRS which are relevant to the Group and mandatory for application:

Improvements to IFRSs 2014 – IAS 24 *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. The adoption of this standard did not have any impact on the financial performance or financial position of the Group upon implementation.

Improvements to IFRSs 2014 – IFRS 8 *Operating Segments*

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The adoption of this standard did not have any impact on the financial performance or financial position of the Group upon implementation.

Improvements to IFRSs 2014 – IFRS 13 *Fair Value Measurement*

The amendment clarifies that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32. The adoption of this standard did not have any material impact on the financial performance or the financial position of the Group.

New and Revised IFRS Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the Group has not adopted the following standards that have been issued but are not yet effective:

Amendments to IAS 1 *Disclosure Initiative*

These amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The standard is effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group upon implementation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 BASIS OF PREPARATION (CONT'D)

New and Revised IFRS Issued But Not Yet Effective (cont'd)

Amendments to IAS 16 and IAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*

It has been clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The standard is effective prospectively for annual periods beginning on or after 1 January 2016. The adoption of this standard will not have any material impact on the financial performance or the financial position of the Group.

Amendments to IAS 27 — *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with IAS 39 or IFRS 9), which currently exists and will continue to be available. The standard is effective retrospectively for annual periods beginning on or after 1 January 2016. The adoption of this standard will not have any material impact on the financial performance or the financial position of the Group.

Amendments to IAS 7 — *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

(a) changes from financing cash flows;
(b) changes arising from obtaining or losing control of subsidiaries or other businesses;
(c) the effect of changes in foreign exchange rates;
(d) changes in fair values; and
(e) other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group upon implementation.

Amendments to IAS 12 — *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the application of IAS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised. The standard is effective for annual periods beginning on or after 1 January 2017. The adoption of this standard will not have any material impact on the financial performance or the financial position of the Group.

IFRS 9 — *Financial Instruments*

IFRS 9 was introduced to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. IFRS 9 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is in the process of assessing the impact on the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 BASIS OF PREPARATION (CONT'D)

New and Revised IFRS Issued But Not Yet Effective (cont'd)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 changes the revenue recognition model under IFRS. The core principle of IFRS 15 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is in the process of assessing the impact on the financial statements.

IFRS 16 *Leases*

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At the date of this report, management are of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Group upon implementation.

2.2 GOING CONCERN ASSUMPTION

As at 31 December 2015, the Trust is in compliance with the terms of the term loan facility as described in Note 13. The financial statements have been prepared on a going concern basis, which assumes that the Trust will continue to meet all financial covenants of the term loan facility, with a carrying amount of US$272,085,000 (2014: US$317,642,000) as at 31 December 2015.

As at 31 December 2015, the Group's current liabilities exceeded current assets by US$17,149,000 (2014: US$12,107,000).

Based on estimated cash flows from the portfolio of vessels, management believes that the repayment of its term loan will occur as required and that the shortfall in net current liabilities will be met from cash flows from operating activities. In addition, having regard to the continuous repayment of the loan and the valuation of vessels as of 31 December 2015, management believes that the Trust will continue to comply with the financial covenants of the term loan facility.

As described above, management is of the view that the Group has adequate resources to continue in operational existence for the foreseeable future.

2.3 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 BASIS OF CONSOLIDATION (CONT'D)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

2.4 FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in United States ("US") dollars which is the Trust's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. The functional currencies of the Group entities are the US dollar and the Euro. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Trust's net investment in a foreign operation are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 VESSELS

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the vessel as well as initial direct costs incurred in negotiating and arranging the operating lease of the vessel.

The cost of replacing part of an item of a vessel is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Except as disclosed below, vessels are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of the economic useful life of 25 years. The residual value of such vessel is estimated based on the average scrap steel price per light deadweight tonne in recent years.

Vessels leased on a long-term bareboat charter basis under operating lease agreements are depreciated on a straight-line basis down to the estimated residual value at the end of the base lease term, which ranges from ten to twelve years. The estimated residual values for standard and non-standard vessels on a long-term bareboat charter are based on regression analysis of the median historical values obtained from third party sources and specialised brokers respectively.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

On disposal of a vessel, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

Dry-docking costs are capitalised and included in vessels costs and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years.

2.6 INVENTORIES

Inventories comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is derived on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. When inventories are consumed, the carrying amount of these inventories is recognised as an expense in the year in which the consumption occurs.

2.7 FINANCIAL INSTRUMENTS

Non-derivative financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial assets

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 FINANCIAL INSTRUMENTS (CONT'D)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any allowance for impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits.

Available-for-sale financial assets

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to income statement.

Available-for-sale financial assets comprise equity securities.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise bank loans, and trade and other payables.

Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and transferred to hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 FINANCIAL INSTRUMENTS (CONT'D)

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment of financial assets: loans and receivables

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant loans and receivables are tested for impairment on an individual basis. The remaining loans and receivables are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss in respect of financial assets measured at amortised cost is reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the income statement.

Impairment of financial assets: available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to income statement. The cumulative loss that is reclassified from equity to income statement is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Units in issue

Units issued are classified as equity.

Unit issue costs represent expenses incurred in connection with the issue of units. All such expenses are deducted directly from unitholders' funds, net of any tax effects.

When the Trust purchases the units issued, the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within statement of changes in unitholders' funds, until they are cancelled, sold or reissued.

When units are subsequently cancelled, the costs of units are deducted against the units in issue if the units are purchased out of capital of the Trust.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 LEASES

Bareboat/time charter (when entities within the Group are lessors of an operating lease)

The Group owns vessels and leases them to lessees under fixed and floating rate bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

Lease income is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging an operating lease added to the carrying amount of the leased asset are recognised as an expense in the income statement over the lease term on the same basis as the lease income.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of non-financial assets recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 REVENUE RECOGNITION

Lease income receivable under operating leases is recognised in the income statement over the period of the respective lease terms.

Deferred income, arising from the shares in TORM A/S ("TORM") received by the Group as part of an agreement to permanently amend the terms on its two TORM charter contracts, is recognised in the income statement as 'bareboat charter lease income' over the remaining lease term on the TORM charter contracts.

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

For vessels deployed on a pool arrangement, the pool measures revenue based on the contractual rates and the duration of each voyage for each vessel, and revenue is recognised upon delivery of service in accordance with the terms and conditions of the charter parties on a time charter equivalent basis. Total pool revenue is derived by aggregating the revenues earned by each vessel participating in the pool. Each vessel owner's share of the total pool revenue is primarily dependent on the (i) number of days the vessel has been available for the pool in relation to the total available pool earning days during the period, and (ii) pool points assigned to each vessel in the pool. Pool points are generally determined based on the size and performance of the vessel. The pool revenue is net of pool commission, bunkers costs and related voyage expenses.

2.12 FINANCE INCOME AND FINANCE EXPENSE

Finance income comprises interest income on funds invested, net foreign currency gains and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, net foreign currency losses, and losses on hedging instruments that are recognised in the income statement.

All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.13 INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 INCOME TAX EXPENSE (CONT'D)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Trustee-Manager whose members are responsible for allocating resources and assessing performance of the operating segments. However, no reporting segment information has been prepared as the Group has only one reportable segment.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 ESTIMATED USEFUL LIVES OF VESSELS

The Group estimates the useful lives of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful lives of the vessels (25 years) are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the relevant asset. In addition, the estimation of the useful lives of the vessels is on the collective assessment of industry practice, internal technical evaluation and experience with similar vessels.

During the financial year ended 31 December 2015, the Group has reviewed and is satisfied that the useful lives of these vessels remained appropriate. The depreciation charged for the financial year ended 31 December 2015 amounted to US$52,049,000 (2014: US$48,665,000). As at 31 December 2015, the carrying amount of the vessels amounted to US$523,791,000 (2014: US$553,043,000). If the expected useful lives of the vessels are to increase/decrease by 10% from management estimates, the Group's depreciation will decrease/increase by approximately US$5,204,900 (2014: US$4,866,500).

3.2 ESTIMATED RESIDUAL VALUES OF VESSELS

The Group reviews the residual values of the vessels at each reporting date to ensure that the carrying amounts are consistent with the estimated value of a future disposal.

Except as disclosed below, the residual values of the vessels are estimated based on the average scrap steel price per light deadweight tonne in recent years.

In determining the residual values of vessels leased on a long-term bareboat charter basis under operating lease agreements, the Group has considered various factors such as the type, size, age of these vessels and the existing lease arrangements. The residual values of standard and non-standard vessels on a long-term bareboat charter are estimated based on information obtained from third party sources.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

Critical Accounting Estimates and Assumptions (cont'd)

3.2 ESTIMATED RESIDUAL VALUES OF VESSELS (CONT'D)

As at 31 December 2015, the carrying amount of the vessels amounted to US$523,791,000 (2014: US$553,043,000). During the financial year ended 31 December 2015, the Group reviewed the residual values and determined that the residual values should be brought in line with the expected scrap steel price and the estimated value of a future disposal based on the current market conditions. The revision in residual values resulted in an overall increase of depreciation expense in the current and future years summarised as follows:

	2015 US$'000	2016 US$'000	2017 US$'000	2018 onwards to the end of the useful life US$'000
Increase in depreciation expenses	5,879	7,215	7,464	32,116

3.3 IMPAIRMENT ASSESSMENT OF VESSELS

Impairment loss is recognised when events and circumstances indicate that the vessel may be impaired and the carrying amount of the vessel exceeds the recoverable amount. The recoverable amount for each vessel is determined based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on "value-in-use" methodology.

In determining the fair value less costs of disposal, the Group has obtained valuation reports from independent shipbrokers in December 2015. The valuation of the vessels was prepared assuming a sale between a willing seller and a willing buyer on a charter-free basis.

For the value-in-use calculations, the Group determined the cash flows based on past performance and their expectation of market development. The Group prepared the value-in-use calculation based on projected cash flows over the remaining useful life of each vessel and its projected residual value.

The projected cash inflows are based on existing charter contracts rates and/or inflation-adjusted daily rates from observable historical trends of five to 20 years. Management has adjusted the projected cash flows with management's assessment of the achievable cash flows based on recent performance of the vessels and the age of the vessels. If the Group were to project cash flows based on the current average rates, the carrying values of the vessels will decrease by approximately 5%.

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses. The pre-tax discount rates range from 6.39% to 7.76% (2014: 6.39% to 7.76%) and take into account the time value of money and the risks specific to the vessels' estimated cash flows. If the pre-tax discount rates increase by 1%, the carrying values of the vessels will decrease by approximately 1%.

During the financial year, the Group recognised an impairment loss on vessels amounting to US$971,000 (2014: Nil). As at 31 December 2015, the carrying amount of the vessels was US$523,791,000 (2014: US$553,043,000). No further impairment loss was recognised for the financial year ended 2015.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

Critical Judgements

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are as follows:

3.4 CLASSIFICATION OF LEASES

The Group owns vessels and leases them to lessees under fixed and floating rate bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

During the financial year ended 31 December 2015, the Group earned bareboat charter lease income and time charter income of US$56,784,000 and US$17,908,000 (2014: US$55,245,000 and US$15,336,000) respectively.

4 VESSELS

Group	Vessels US$'000	Initial direct costs US$'000	Total US$'000
2015			
Cost			
At 1 January 2015	996,875	7,307	1,004,182
Addition	24,910	254	25,164
Translation differences on consolidation	(2,586)	–	(2,586)
At 31 December 2015	1,019,199	7,561	1,026,760
Accumulated depreciation/ amortisation and impairment losses			
At 1 January 2015	443,832	4,331	448,163
Depreciation/amortisation charge for the year	52,049	505	52,554
Impairment loss	971	–	971
Translation differences on consolidation	(1,444)	–	(1,444)
At 31 December 2015	495,408	4,836	500,244
Carrying amount			
At 31 December 2015	523,791	2,725	526,516

4 VESSELS (CONT'D)

Group	Vessels US$'000	Initial direct costs US$'000	Total US$'000
2014			
Cost			
At 1 January 2014	1,075,915	7,307	1,083,222
Addition	1,361	–	1,361
Disposal	(69,901)	–	(69,901)
Translation differences on consolidation	(10,500)	–	(10,500)
At 31 December 2014	996,875	7,307	1,004,182
Accumulated depreciation/ amortisation and impairment losses			
At 1 January 2014	448,427	3,827	452,254
Depreciation/amortisation charge for the year	48,665	504	49,169
Disposal	(46,262)	–	(46,262)
Translation differences on consolidation	(6,998)	–	(6,998)
At 31 December 2014	443,832	4,331	448,163
Carrying amount			
At 31 December 2014	553,043	2,976	556,019

The Group's vessels, excluding FSL Osaka, with a net carrying value of US$502,118,000 (2014: US$553,043,000), are mortgaged to financial institutions (see Note 13).

Dry-docking costs included in vessels costs are capitalised and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years. As at 31 December 2015, the net carrying value of dry docking amounted to US$3,420,000 (2014: US$1,591,000).

The Group recorded impairment losses amounting to US$971,000 for the two container vessels which were disposed subsequent to the financial year (Note 27) based on the value-in-use calculation at the reporting date. The value-in-use calculation uses cash flow projections based on the contractual cash flows over the remaining period of the base lease term and its projected residual value, which is based on the recent scrap steel price per light deadweight tonne.

5 SUBSIDIARIES

	Trust 2015 US$'000	Trust 2014 US$'000
Equity investments, at cost	122,031	121,981
Amounts due from subsidiaries (non-trade)	255,366	306,046
Impairment loss recognised	(9,000)	(4,302)
	368,397	423,725

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective equity held by the Group 2015 %	Effective equity held by the Group 2014 %
FSL-1, Inc.	Marshall Islands	100	100
FSL-2, Inc.	Marshall Islands	100	100
FSL-3, Inc.	Marshall Islands	100	100
FSL-4, Inc.	Marshall Islands	100	100
FSL-5, Inc.	Marshall Islands	100	100
FSL-6, Inc.	Marshall Islands	100	100
FSL-7, Inc.	Marshall Islands	100	100
FSL-8, Inc.	Marshall Islands	100	100
FSL-9 Pte. Ltd.	Singapore	100	100
FSL-10 Pte. Ltd.	Singapore	100	100
FSL-11 Pte. Ltd.	Singapore	100	100
FSL-12 Pte. Ltd.	Singapore	100	100
FSL-13 Pte. Ltd.	Singapore	100	100
FSL-14, Inc.	Marshall Islands	100	100
FSL-15, Inc.	Marshall Islands	100	100
FSL-16, Inc.	Marshall Islands	100	100
FSL-18 Pte. Ltd.	Singapore	100	100
FSL-19 Pte. Ltd.	Singapore	100	100
FSL-20, Inc.	Marshall Islands	100	100
FSL-21, Inc.	Marshall Islands	100	100
FSL-22, Inc.	Marshall Islands	100	100
FSL-23 Pte. Ltd.	Singapore	100	100
FSL-24 Pte. Ltd.	Singapore	100	100
FSL-25 Pte. Ltd.	Singapore	100	100
FSL-26 Pte. Ltd.	Singapore	100	100
FSL-27 Pte. Ltd.	Singapore	100	–
FSL Netherlands B.V.	Netherlands	100	100

5 SUBSIDIARIES (CONT'D)

Moore Stephens LLP, Singapore is the auditor for all of the Singapore-incorporated subsidiaries. No statutory audit is required for subsidiaries incorporated in Marshall Islands and in Netherlands under the laws of incorporation.

The amounts due from subsidiaries are unsecured and interest-free. As the amounts are, in substance, part of the Trust's net investments in the subsidiaries, they are included as interests in subsidiaries and stated at cost less impairment losses.

All of the Singapore-flagged vessel-owning subsidiaries are subject to externally imposed capital requirements, as required under Regulation 5 of the Merchant Shipping (Registry of Ships) Regulations, which have been complied with.

A new subsidiary, FSL-27 Pte. Ltd. was incorporated on 23 October 2015. The principal activity of the Company is to own the vessel, 'FSL Osaka' (previously known as 'Seven Express').

Management performed an impairment test for the investment in FSL-12 Pte. Ltd. and FSL-13 Pte. Ltd. as the two subsidiaries have been dormant since the disposal of their vessels. An impairment loss of US$9,000,000 was recognised for the financial year ended 31 December 2015 to write down the subsidiaries to their recoverable amount. The recoverable amount of the investment in FSL-12 Pte. Ltd. and FSL-13 Pte. Ltd. has been determined based on value in use which approximates their net assets as at 31 December 2015.

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015	**2014**
	US$'000	**US$'000**
Non-current		
Available-for-sale financial assets: Equity securities	–	919

Available-for-sale financial assets related to the shares in TORM of 2.5% received by the Group as part of an agreement to permanently amend the terms on its two charter contracts.

During the financial year ended 31 December 2015, the shares were disposed for a net cash consideration of US$2.629 million and the Group recorded a gain of US$1.710 million in the income statement.

7 DERIVATIVE ASSETS

	Group and Trust 2015 US$'000	Group and Trust 2014 US$'000
Non-current	55	339
Current	133	122
	188	461

The derivative assets relate to the cumulative fair value change of hedging instruments designated as cash flow hedges.

The following are the estimated contractual undiscounted cash inflows of derivatives:

		Cash flows		
Group and Trust	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	Within 1 to 5 years US$'000
2015				
Derivative financial assets				
Cross currency swap contract used for hedging - inflows	133	133	133	–
Interest rate swaps used for hedging - inflows	55	56	–	56
2014				
Derivative financial assets				
Cross currency swap contract used for hedging - inflows	178	178	122	56
Interest rate swaps used for hedging - inflows	283	289	–	289

8 INVENTORIES

	Group 2015 US$'000	Group 2014 US$'000
Consumable stores - at cost	45	–

9 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Other receivables	740	22	12	15
Amounts due from related parties	223	375	–	–
Amounts due from subsidiaries	–	–	26,453	32,127
Trade receivables	1,663	2,167	–	–
Deposits placed with Commercial/ Pool Managers	1,750	2,050	–	–
Loans and receivables	4,376	4,614	26,465	32,142
Prepayments	247	153	89	99
	4,623	4,767	26,554	32,241

The amounts due from related parties are trade in nature, unsecured, interest-free and repayable within credit terms. The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

10 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Restricted cash	–	10,000	–	10,000
Fixed deposits with financial institutions	2,878	2,872	94	93
Cash at bank	25,956	19,878	16,675	11,512
Cash and cash equivalents in the Statement of Financial Position	28,834	32,750	16,769	21,605
Less: Restricted cash	–	(10,000)	–	(10,000)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	28,834	22,750	16,769	11,605

In connection with the prior temporary relaxation of two loan covenants under the term loan facility, a deposit of US$10,000,000 was placed with the security agent of the term loan facility as at 31 December 2014 (see Note 13). This was released during the financial year ended 31 December 2015 when the Lenders accepted and acknowledged that the Trust complied with the terms of the original loan agreement.

The weighted average effective interest rate relating to fixed deposits at the reporting date for the Group and Trust is 0.27% (2014: 0.17%) per annum. Interest rates reprice at intervals within 3 months.

11 UNITS IN ISSUE

	Group and Trust			
	2015		2014	
	Number of units '000	Amount paid US$'000	Number of units '000	Amount paid US$'000
Fully paid units:				
At 1 January	654,665	525,412	654,665	525,412
Units repurchased and cancelled during the year	(17,208)	(2,128)	–	–
At 31 December	637,457	523,284	654,665	525,412

All issued units are fully paid. There is no par value for these units. The holders of units are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at meetings of the Company. All units rank equally with regard to the Trust's residual assets.

During the financial year ended 31 December 2015, the Trust repurchased 17,208,500 units and these units were subsequently cancelled in the same year.

12 RESERVES

	Group		Trust	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Hedging reserve	(443)	(1,011)	(443)	(1,011)
Foreign currency translation reserve	(6,671)	(5,533)	–	–
Accumulated losses	(237,988)	(252,135)	(384,265)	(366,146)
	(245,102)	(258,679)	(384,708)	(367,157)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments until they are derecognised or impaired.

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust; and

(b) foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations.

The accumulated losses were arrived after deduction of distributions to unitholders. Under the Singapore Business Trusts Act, the distribution to unitholders is allowed even when the cumulative distributions were in excess of the cumulative accounting profits recorded.

13 BANK LOANS AND DERIVATIVE LIABILITIES

	Group and Trust	
	2015	2014
	US$'000	US$'000
Secured bank loans		
Non-current	229,050	274,715
Current	43,035	42,927
	272,085	317,642
Derivative liabilities		
Non-current	67	155
Current	565	1,316
	632	1,471

The Trustee-Manager, on behalf of the Trust, secured a 6-year amortising term loan facility in 2011. Under the term loan facility, the Trust made quarterly loan repayments in 2015 of US$11,000,000 (2014: US$11,000,000) and will be due to make a lump sum repayment on the maturity date.

The term loan facility is secured on the following[1]:

(i) a first priority mortgage over the Group's vessels (excluding FSL Osaka) 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) pledge of the shares of all the vessel-owning subsidiaries (excluding FSL-27 Pte. Ltd.); and

(v) a pledge over the Group's shares in TORM or upon disposal, the cash proceeds from the sale of these shares. During the financial year ended 31 December 2015, the shares were disposed and the cash proceeds of US$2.629 million was applied to the prepayment of the secured bank loans.

(1) The recently acquired vessel FSL Osaka and FSL-27 Pte. Ltd. (the vessel owing subsidiary) do not form part of the security package.

13 BANK LOANS AND DERIVATIVE LIABILITIES (CONT'D)

In February 2014, the lenders granted a loan covenant relaxation extension until 31 December 2014 ("Relaxation Extension"), with the following additional conditions:

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

(ii) an upfront fee of 5 basis points on the loan outstanding; and

(iii) pledge of the shares of all the vessel-owning subsidiaries.

The original and relaxed covenants are as follows:

		After Relaxation			
Covenants	**Original**	**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

Liquid Assets during the Relaxation Period shall be not less than the figures applicable for the specified periods in the schedules as follows:

Period	**1Q 2014 US$'000**	**2Q 2014 US$'000**	**3Q 2014 US$'000**	**4Q 2014 US$'000**
Liquid Assets	11,500	17,500	20,000	20,000

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%.

During the financial year ended 2014, a total of US$22 million of the proceeds from the sale of the two dry bulk vessels was applied to Prepayment and Repayment of secured bank loans in the amounts of US$17 million and US$5 million respectively.

As at 31 December 2015 and 31 December 2014, the Trust is in compliance with the terms of the original loan agreement.

13 BANK LOANS AND DERIVATIVE LIABILITIES (CONT'D)

Terms and debt repayment schedule

The interest margin on the term loan facility is as follows:

31 December 2015		31 December 2014	
VTL ratio	**Margin over US$ 3-month LIBOR**	**VTL ratio**	**Margin over US$ 3-month LIBOR**
>100% to 140%	3.0%	>100% to 140%	3.0%
>140% to 180%	2.8%	>140% to 180%	2.8%
>180%	2.6%	>180%	2.6%

As at 31 December 2015, the applicable margin over US$3-month LIBOR is 2.8% (2014: 3.0%). The VTL ratio will be assessed semi-annually.

The terms and conditions of the term loan facility are as follows:

	Nominal interest rate	Year of maturity	Face value US$'000	Carrying amount US$'000
Group and Trust				
2015				
US$ floating rate loans	US$ 3-month LIBOR + applicable margin	2017	273,901*	272,085
2014				
US$ floating rate loans	US$ 3-month LIBOR + applicable margin	2017	320,531*	317,642

* Before the deduction of unamortised debt transaction costs of US$1,816,000 (2014: US$2,889,000).

13 BANK LOANS AND DERIVATIVE LIABILITIES (CONT'D)

The following are the expected contractual undiscounted cash outflows, including interest payments and excluding the impact of netting agreements:

	Carrying amount US$'000	Cash flows: Contractual cash flows US$'000	Within 1 year US$'000	Within 1 to 5 years US$'000	After 5 years US$'000
Group and Trust					
2015					
Non-derivative financial liabilities					
US$ floating rate loans^	272,085	(292,538)	(53,582)	(238,956)	–
2014					
Non-derivative financial liabilities					
US$ floating rate loans^	317,642	(353,636)	(54,674)	(298,962)	–

^ Inclusive of accrued interest as at the reporting date.

The derivative financial liabilities relate to the cumulative fair value change of hedged instruments designated as cash flow hedges. The following are the expected contractual undiscounted cash outflows of derivatives:

	Carrying amount US$'000	Cash flows: Contractual cash flows US$'000	Within 1 year US$'000	Within 1 to 5 years US$'000
Group and Trust				
2015				
Derivative financial liabilities				
Interest rate swaps used for hedging - outflows	632	645	577	68
2014				
Derivative financial liabilities				
Interest rate swaps used for hedging - outflows	1,471	1,489	1,333	156

14 DEFERRED INCOME

	Group	
	2015	2014
	US$'000	US$'000
Deferred Income		
Non-current	2,123	3,567
Current	1,444	1,444
	3,567	5,011

Deferred income is recognised on the Statement of Financial Position upon the receipt of shares in TORM by the Group and is amortised to the Income Statement over the remaining lease term on the TORM charter contracts.

15 TRADE AND OTHER PAYABLES

	Group		Trust	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Trade payables	638	134	–	–
Accrued financing expenses	472	331	472	331
Accrued operating expenses	393	113	119	167
Lease income received in advance	2,240	2,763	–	–
Other payables	484	166	22	161
Amounts due to related parties	1,359	247	2	5
Amounts due to Trustee-Manager	154	305	–	–
	5,740	4,059	615	664

The amounts due to related parties are trade in nature, unsecured, interest-free and repayable within credit terms. The amounts due to the Trustee-Manager are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's and Trust's financial liabilities have a maturity of less than one year and are approximate to the contractual undiscounted cash flows amounts.

16 REVENUE

	Group	
	2015	**2014**
	US$'000	**US$'000**
Bareboat charter lease income	56,784	55,245
Time charter income	17,908	15,336
Pool income	26,401	22,833
Freight income	5,490	–
	106,583	93,414

Bareboat charter lease income relates to lease income derived from operating leases. Included in bareboat charter lease income, US$1,444,000 (2014: US$1,444,000) relates to recognition of the deferred income in the income statement for the year (see Note 14).

Freight income relates to income derived by FSL Hong Kong and FSL Singapore trading in the spot market prior to the commencement of new time charter arrangements.

Time charter income relates to income derived from four vessels, three of which were time chartered to a leading global commodities trader.

Pool income relates to income substantially derived from three chemical tankers, FSL New York, FSL London and FSL Tokyo and two containerships, FSL Busan (ex Cape Ferro) and FSL Santos (ex Cape Falcon), deployed on pool arrangements. FSL Hong Kong was employed on a Revenue Sharing Agreement ("RSA") until May 2015 with the recently acquired FSL Osaka entering an MR pool managed by Hafnia Management ('Hafnia Pool') in Nov 2015.

17 FINANCE INCOME AND EXPENSES

	Group	
	2015	**2014**
	US$'000	**US$'000**
Finance income		
Interest income from cash and cash equivalents	12	23
Finance costs:		
– bank loans	11,638	15,620
– amortisation of debt transaction costs	1,073	1,367
– commitment and bank agency fees	54	54
Net foreign exchange loss/(gain)	27	(666)
	12,792	16,375
Net finance costs recognised in income statement	(12,780)	(16,352)

18 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2015 US$'000	2014 US$'000
Other income*	1,907	5,000
Audit fees paid/payable to auditors of the Trust	88	114
Non-audit fees paid/payable to:		
– auditors of the Trust#	5	64
– other auditors	–	–
Professional fees	58	54
Amortisation of initial direct costs	505	503

* Other income relates to income received from claims and legal settlements.

\# Inclusive of review fees on quarterly results in prior year.

19 INCOME TAX EXPENSE

	Group	
	2015 US$'000	2014 US$'000
Current Tax Expense		
Under/(over) provision in prior years	21	(1)
Current year	17	17
	38	16
Reconciliation of effective tax rate		
Profit before income tax	14,185	4,067
Tax calculated using Singapore tax rate of 17%	2,411	691
Effect of tax rate in foreign jurisdiction	6	14
Expenses not deductible for tax purposes	2,844	4,161
Income not subject to tax	(313)	(51)
Exempt shipping activities	(4,931)	(4,798)
Under/(over) provision in prior years	21	(1)
	38	16

The lease income derived by the Group's entities from the respective bareboat charter and time charter agreements qualifies for tax exemption under the Maritime Sector Incentive ("MSI") scheme (previously known as the Maritime Finance Incentive scheme), with effect from 19 March 2007. This tax exemption on the qualifying income will be granted for the remaining useful life of any vessel that is acquired by the Trust during the initial period of 10 years from the effective date. The distributions made out of the tax exempt income less allowable expenses will also be exempt from Singapore income tax in the hands of the unitholders. The freight income and pool income derived by the Group is also exempted from tax under Section 13A of the Singapore Income Tax Act ("SITA"), Chapter 134.

19 INCOME TAX EXPENSE (CONT'D)

The Group is subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate, after adjusting for allowable expenses.

As at 31 December 2015, the Group has estimated unutilised tax exempt losses and unabsorbed capital allowance of approximately US$420,000 (2014: US$420,000) and US$25,408,000 (2014: US$34,273,000) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. The deferred tax benefit arising from these unutilised tax exempt losses and unabsorbed capital allowances has not been recognised in the financial statements in accordance with the Group's accounting policies (Note 2.13).

20 INCOME AVAILABLE FOR DISTRIBUTION

	Group	
	2015	**2014**
	US$'000	**US$'000**
Income available for distribution to unitholders at the beginning of the year	–	–
Profit for the year	14,147	4,051
Net adjustments (Note A)	(14,147)	(4,051)
Net distributable amount	–	–
Income available for distribution to unitholders at the end of the year	–	–

Note A

	Group	
	2015	**2014**
	US$'000	**US$'000**
Net adjustments comprise:		
Non-cash adjustments:		
– Depreciation expense on vessels (1)	50,767	47,853
– Amortisation of initial direct costs (2)	86	86
– Amortisation of deferred income	(1,444)	(1,444)
– Unrealised foreign exchange loss/(gain)	6	(606)
– Loss on disposal of vessels	–	1,378
– Gain on disposal of available-for-sale financial assets	(1,710)	–
– Impairment loss on vessels	971	–
– Impairment loss on available-for-sale financial assets	–	1,907
	48,676	49,174
Repayment of secured bank loans	(44,000)	(39,000)
Amount retained in current period	(18,823)	(14,225)
Net adjustments	(14,147)	(4,051)

(1) Excluding dry-docking

(2) Excluding deferred arrangement fees

In 2014, the total repayment of secured bank loans amounted to US$44,000,000 (excluding prepayments). US$5,000,000 of repayments was generated from the sale of two dry bulk vessels, and as a result, this amount has not been included in the above table.

21 EARNINGS PER UNIT

	Group	
	2015	**2014**
	US$'000	**US$'000**
Basic and diluted earnings per unit is based on:		
Profit for the year	14,147	4,051
	Number of units	
	'000	**'000**
Weighted average number of units at the end of the year	646,004	654,665
Basic earnings per unit (US cents)	2.19	0.62
Diluted earnings per unit (US cents)	2.19	0.62

During the financial year ended 31 December 2015, the Trust repurchased 17,208,500 number of units and these units were subsequently cancelled in the same year.

There are no potential dilutive units during the financial year ended 31 December 2015 and 2014. Accordingly, the diluted earnings per unit is computed to be the same as the basic earnings per unit for both financial years ended 31 December 2015 and 2014.

22 COMMITMENTS

The non-cancellable operating lease rentals receivable are as follows:

	Group	
	2015	**2014**
	US$'000	**US$'000**
Within 1 year	59,096	50,361
Within 1 to 5 years	95,903	93,809
After 5 years	–	10,783
	154,999	154,953

Operating lease – Bareboat charter

The rental rates of lease arrangements are fixed over the lease term. The remaining lease period under these non-cancellable leases range from one month to five years (2014: one month to six years) at the end of the financial year. In five lease agreements (2014: seven lease agreements) held by the Group, the lessees have the option to extend the lease period beyond the base lease period up to ten years (2014: ten years). The lessees have the option to purchase the related vessels in eight lease agreements (2014: ten lease agreements).

Operating lease – Time charter

As at 31 December 2015, there are four time charter lease arrangements with rental rates fixed over a period of two years, of which three time charters have the option for a further extension of six to twelve months.

As at 31 December 2014, there were two time charter and one time charter lease arrangements with rental rates fixed over a period of three and one year respectively.

The figures disclosed above exclude two lease agreements with rentals based on market rates as it is impracticable to determine the committed rentals.

23 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The Trustee-Manager is a subsidiary of a substantial unitholder of the Trust. Other than disclosed elsewhere in the financial statements, significant transactions with related parties are as follows:

	Group	
	2015	**2014**
	US$'000	**US$'000**
Transactions with the Trustee-Manager:		
Management fees	3,479	3,033
Trustee fees	117	125
Acquisition fee	218	–
Transactions with other related parties:		
Directors' fees paid to non-executive directors	195	144
Lease rentals received from Schoeller Holdings Ltd*	–	3,571
Inspection fees paid to Columbia Shipmanagement Ltd*	–	35
Commission paid to Columbia Shipmanagement Ltd*	39	48
Commission paid to Hanse Bereederung GmbH*	72	17
Shipmanagement fees paid to Columbia Shipmanagement (Singapore) Pte. Ltd.*	991	903
Commission paid to United Product Tankers*	63	125

* Related parties of a unitholder who holds 25% (2014: 24%) of the Trust's issued units as at 31 December 2015. Subsequent to the financial year ended 31 December 2015, the unitholder disposed the units in the Trust and ceased to be a substantial unitholder of the related parties.

No separate consideration is paid to the Trustee-Manager (other than the fees disclosed above) for services rendered by the executive directors.

24 SEGMENT INFORMATION

No operating segment information has been prepared as the Group has only one reportable segment. With respect to the presentation of geographical information, the Group deals with several lessees and the vessels are deployed to various parts of the world at the discretion and direction of these lessees. Accordingly, the Trustee-Manager does not consider it meaningful to allocate revenues and non-current assets to specific geographical areas.

As at 31 December 2015, the Group has 3 customers (2014: 3 customers) each accounted for more than 10% (2014: 10%) of the Group's total revenue.

25 FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group is exposed to credit, liquidity and market risks. The Group uses derivative financial instruments to hedge its interest rate and foreign currency risk exposures. The Group does not hold or issue derivative financial instruments for trading purposes.

Management uses natural hedges or closely monitors the Group's business risk exposures in connection with its financial assets and financial liabilities and adopts the appropriate measures including the use of other financial instruments when considered necessary to reduce any potential financial risk exposures or losses.

Credit Risk

As part of the Trustee-Manager's due diligence activities and prior to the completion of a lease transaction, each new lessee is analysed individually for creditworthiness. The Trustee-Manager then incorporates the results from its due diligence activities into a risk-adjusted pricing model. This model incorporates a credit loss component which takes into account the likelihood of default, the level of recoverability following a default and the credit exposure at the time of default.

Upon the completion of a lease transaction, the Trustee-Manager conducts on-going credit reviews annually or semi-annually to monitor each lessee's financial performance and compliance with financial covenants (if any). In addition, the payment conduct of a lessee is monitored on a monthly basis.

The Group's credit risk is concentrated in lessees in the shipping industry; and the Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as of 31 December 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position.

The Group does not expect to incur material credit losses on its financial assets. Cash and cash equivalents are placed with financial institutions which are regulated.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (cont'd)

The ageing of trade receivables at the reporting date was:

	Group	
	2015 US$'000	2014 US$'000
Not past due	1,886	2,516
Past due 1 - 30 days	–	26

No impairment allowance is necessary for trade receivables, including the past due receivables as there are no indications from customers and related parties on their inability to pay their outstanding balances.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. As at the reporting date, there were no outstanding commitments for any acquisition of vessels.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by US$17,149,000 (2014: US$12,107,000). However, in view of estimated cash flows from operations over the next 12 months, the Trustee-Manager expects the Group to pay its liabilities as and when they fall due.

The contractual undiscounted cash outflows for the non-current liabilities are disclosed in Note 13 to the financial statements. The contractual undiscounted cash outflows for the current liabilities approximate their carrying amounts stated in the Statements of Financial Position due to their short term maturity.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk

The Trustee-Manager, on behalf of the Trust, reviews any unhedged exposures periodically and will consider hedging them after taking into consideration the prevailing interest rate environment.

As at 31 December 2015, the Group has interest rate swaps with a total notional contract amount of US$119,484,000 (2014: US$153,398,000), whereby it pays fixed interest rates ranging from 1.06% per annum to 1.65% per annum and receives a variable rate equal to US$ 3-month LIBOR. The Trust classifies these interest rate swaps as hedging instruments under the cash flow hedge model.

The fair value of these interest rate swaps as at 31 December 2015 are disclosed in Note 7 and 13 to the financial statements.

Sensitivity analysis

With respect to the interest rate swaps (designated as hedging instruments under cash flow hedge model), variable rate bank loans and certain floating rate lease agreements, a change of 50 bp in interest rate at the reporting date would increase/(decrease) other comprehensive income and income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	Other comprehensive income		Income statement	
	50 bp increase US$'000	50 bp decrease US$'000	50 bp increase US$'000	50 bp decrease US$'000
Group and Trust				
2015				
Variable rate bank loans	–	–	(1,538)	1,538
Interest rate swaps	746	(751)	711	(711)
	746	(751)	(827)	827
2014				
Variable rate bank loans	–	–	(1,772)	1,772
Interest rate swaps	1,432	(1,275)	676	(676)
	1,432	(1,275)	(1,096)	1,096
Floating rate lease income	–	–	134	(134)
	1,432	(1,275)	(962)	962

The Group has entered into two floating rate lease arrangements ("host contracts") which were pegged to the US$ 3-month LIBOR ("embedded derivatives"). These arrangements provided an economic hedge against the interest rate risk exposure arising from the respective loans relating to these leases. The arrangements matured during the previous financial year ended 31 December 2014.

The Trustee-Manager considers the economic characteristics and risks of these embedded derivatives to be closely related to the economic characteristics and risks of the host contracts. Accordingly, in respect of these embedded derivatives, no separate accounting from the host contracts is required as the embedded derivatives are essentially contingent rentals based on variable interest rates.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign Currency Risk

The Group is exposed to foreign currency risk on certain lease income denominated in a currency other than the functional currency of the Trust. The currency giving rise to this risk is the Euro.

As at 31 December 2015, the Group hedged 50% (2014: 50%) of its forecasted lease income denominated in the Euro. The Group uses cross currency swap contracts with a total notional contract amount of US$780,000 (2014: US$2,340,000) to hedge the foreign currency risk associated with its forecasted Euro revenue. The fair value for these cross currency swap contracts as at 31 December 2015 is disclosed in Note 7 to the financial statements.

In respect of other monetary assets and liabilities held in currencies other than the US dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Group's and the Trust's exposures to foreign currencies are as follows:

	2015		2014	
	Euro US$'000	Singapore dollar US$'000	Euro US$'000	Singapore dollar US$'000
Group				
Cross currency swap contracts* (notional amounts)	780	–	2,340	–
Other receivables	7	13	2	11
Cash and cash equivalents	157	312	174	43
Trade and other payables	(5)	(205)	(30)	(253)
Trust				
Cross currency swap contracts* (notional amounts)	780	–	2,340	–
Other receivables	–	11	–	11
Cash and cash equivalents	111	252	132	28
Trade and other payables	–	(132)	–	(157)

* Designated as hedging instruments under cash flow hedge model.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign Currency Risk (cont'd)

Sensitivity analysis

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) other comprehensive income and income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Trust	
	Other comprehensive income US$'000	Income statement US$'000	Other comprehensive income US$'000	Income statement US$'000
2015				
Euro	(64)	(18)	(64)	(12)
Singapore dollar	–	(13)	–	(15)
2014				
Euro	(234)	(16)	(234)	(15)
Singapore dollar	–	22	–	13

A 10% weakening of US dollar against the following currencies at the reporting date would increase/(decrease) other comprehensive income and income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Trust	
	Other comprehensive income US$'000	Income statement US$'000	Other comprehensive income US$'000	Income statement US$'000
2015				
Euro	64	18	64	12
Singapore dollar	–	13	–	15
2014				
Euro	234	16	234	15
Singapore dollar	–	(22)	–	(13)

Equity Price Risk

The Group was exposed to equity price risk on its available-for-sale equity securities in prior year. The TORM shares have been disposed in current year ended 31 December 2015. No sensitivity analysis has been disclosed.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of Fair Values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust.

Derivatives

The fair value of derivative instruments is based on broker's quotes, calculated by reference to current forward exchange rates and interest rates for contracts with similar maturity profiles, and discounting the estimated future cash flows based on the terms and maturity of each contract.

Non-derivative financial liabilities

The Group believes that the carrying amount of the variable rate bank loans, which are repriced on a quarterly basis, closely reflects the corresponding fair values.

Available-for-sale equity securities

The fair value of available-for-sale equity securities is calculated by reference to quoted share price listed on a stock exchange.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on US$ yield curve and Euro yield curve at the reporting date for interest rate swaps and cross currency swap contracts respectively, and were as follows:

	2015	**2014**
	%	**%**
Derivatives	0.54 to 1.01	0.23 to 1.08

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of Fair Values (cont'd)

Carrying amount of financial assets and liabilities

The following table summarises the carrying amount of non-derivative financial assets and liabilities recorded at the end of the reporting period by IAS 39 categories:

	Group		Trust	
	Loan and receivables US$'000	**Financial liabilities at amortised cost US$'000**	**Loan and receivables US$'000**	**Financial liabilities at amortised cost US$'000**
2015				
Trade and other receivables	4,376	–	26,465	–
Cash and cash equivalents	28,834	–	16,769	–
Trade and other payables	–	5,740	–	615
Secured bank loans	–	272,085	–	272,085
	33,210	277,825	43,234	272,700

	Group			Trust	
	Loan and receivables US$'000	**Available–for–sale US$'000**	**Financial liabilities at amortised cost US$'000**	**Loan and receivables US$'000**	**Financial liabilities at amortised cost US$'000**
2014					
Trade and other receivables	4,614	–	–	32,142	–
Cash and cash equivalents	32,750	–	–	21,605	–
Available-for-sale financial assets: Equity securities	–	919	–	–	–
Trade and other payables	–	–	4,059	–	664
Secured bank loans	–	–	317,642	–	317,642
	37,364	919	321,701	53,747	318,306

Derivative financial assets and liabilities disclosed on the statement of financial position are categorised as cash flow hedging instruments.

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of Fair Values (cont'd)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2015				
Assets				
Derivative assets	–	188	–	188
Liabilities				
Derivative liabilities	–	632	–	632
2014				
Assets				
Available-for-sale financial assets:				
Equity securities	919	–	–	919
Derivative assets	–	461	–	461
	919	461	–	1,380
Liabilities				
Derivative liabilities	–	1,471	–	1,471
Trust				
2015				
Assets				
Derivative assets	–	188	–	188
Liabilities				
Derivative liabilities	–	632	–	632
2014				
Assets				
Derivative assets	–	461	–	461
Liabilities				
Derivative liabilities	–	1,471	–	1,471

25 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of Fair Values (cont'd)

The above excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discount is immaterial.

Capital Management

The Trustee-Manager defines "capital" to include funds raised through the issuance of units, revenue reserves and proceeds raised from debt facilities. The Trustee-Manager's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Trust. The Trustee-Manager monitors capital based on a gearing ratio.

	Group		Trust	
	2015	**2014**	**2015**	**2014**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Bank loans	272,085	317,642	272,085	317,642
Equity	278,182	266,733	138,576	158,255
Total debt and equity	550,267	584,375	410,661	475,897
Bank loans against total debt and equity	0.49	0.54	0.66	0.67

The Trustee-Manager also monitors the distribution per unit, which is the annualised distribution to unitholders divided by total number of units (Note 20).

The cash flows from the operating activities of the Trust are sufficient to fund the anticipated debt service, quarterly distributions to unitholders, payments to Trustee-Manager and working capital requirements. To the extent that financing for additional vessels is required, additional equity or debt securities may be issued or additional secured borrowings may be incurred.

There were no changes in the Trust's approach to capital management during the year. The Trust is not subject to externally or regulatory imposed capital requirements.

26 COMPARATIVE FIGURES AND RECLASSIFICATION

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the statement of financial position for the financial year ended 31 December 2015 as summarised below:

	Before Reclassification US$'000	Reclassification US$'000	After Reclassification US$'000
Statement of Financial Position			
Bank loans			
Non-current	273,642	1,073	274,715
Current	44,000	(1,073)	42,927

The amount of US$1,073,000 relating to the unamortised debt transaction costs has been reclassified from non-current to current bank loans.

27 SUBSEQUENT EVENTS

Subsequent to year-end, the Group disposed Ever Radiant and Ever Respect (the 'Vessels') for a cash consideration of approximately US$10,800,000, resulting in a loss on disposal of approximately US$4,200,000.

LEASE PORTFOLIO TERMS

AS AT 18 MARCH 2016

Vessel	Lessee	Lease Commencement	Lease Term + Extension, if any (yrs)	Daily Bareboat Charter Rate (Net)
Chemical Tanker				
FSL New York	N.A. – Vessel is employed in the 'Nordic Tankers 19,000 Stainless Pool'			
FSL London	N.A. – Vessel is employed in the 'Nordic Tankers 19,000 Stainless Pool'			
FSL Tokyo	N.A. – Vessel is employed in the 'Nordic Tankers 19,000 Stainless Pool'			
Containership				
FSL Busan	N.A. – Vessel is employed in the 'Hanse Containership Pool'			
FSL Santos	N.A. – Vessel is employed in the 'Hanse Containership Pool'			
Ever Radiant	N.A. – Sold in February 2016			
Ever Respect	N.A. – Sold in February 2016			
YM Eminence	Yang Ming Marine	20 May 2008	12	USD18,315^
YM Elixir	Yang Ming Marine	16 Jun 2008	12	USD18,315^
YM Enhancer	Yang Ming Marine	9 Oct 2008	12	USD18,315^
Crude Oil Tanker				
FSL Hong Kong	Tesoro	14 June 2015	2	–[a]
FSL Shanghai	Trafigura	17 August 2015	2 + 1	–[b]

^ A commission of 1% on the bareboat charter rate is paid to an external broker for *YM Eminence*, *YM Elixir* and *YM Enhancer*. The daily bareboat charter rate and the lease extension charter rate shown in the above table are net of commission.

a FSL Hong Kong is leased on 2-year time charter to Tesoro at a gross daily charter rate of USD23,000. This includes a commission of 1.25% and nominal fees that is paid to external agents.

b FSL Shanghai is leased on 2-year time charter to Trafigura at a gross daily charter rate of USD24,100. Trafigura has the option of extending the time charter by an additional 1-year at a gross daily charter rate of USD27,500 during optional period. Gross daily charter rate includes a commission of 1.25% and nominal fees that is paid to external agents.

Lease Extension Charter Rate (Net)	Early Buyout Option	Purchase Option
–	Nil	Yr 12 : USD30.0m
–	Nil	Yr 12 : USD30.0m
–	Nil	Yr 12 : USD30.0m
–	–	–
–	–	–

LEASE PORTFOLIO TERMS

AS AT 18 MARCH 2016

Vessel	Lessee	Lease Commencement	Lease Term + Extension, if any (yrs)	Daily Bareboat Charter Rate (Net)
Product Tanker				
Cumbrian Fisher	James Fisher	24 Dec 2014	3	USD3,450[a]
Clyde Fisher	James Fisher	5 Feb 2015	2.88	USD3,450[a]
Shannon Fisher	James Fisher	1 Feb 2006	10 + 5	EUR3,240
Solway Fisher	James Fisher	30 Jun 2006	10 + 5	EUR3,233
Speciality	James Fisher	1 Jun 2007	10 + 5 + 5	USD4,100/ USD4,500[b]
Seniority	James Fisher	1 Jun 2007	10 + 5 + 5	USD4,100/ USD4,500[b]
Superiority	James Fisher	1 Jun 2007	10 + 5 + 5	USD4,100/ USD4,500[b]
FSL Hamburg	Trafigura	6 Nov 2015	2 + 0.5	–[c]
FSL Singapore	Trafigura	25 Nov 2015	2 + 0.5	–[c]
FSL Osaka	N.A. – Vessel is employed in the 'Hafnia MR Pool'			
TORM Margrethe	TORM	16 Jun 2011	7	–[d]
TORM Marie	TORM	24 Jun 2011	7	–[d]

a In the event that modifications are made to *Cumbrian Fisher* and/or *Clyde Fisher* in order to comply with the Ballast Water Management Convention during the lease period, the bareboat charter rate for the respective vessel(s) will then be adjusted in accordance with the lease agreements by taking into account the installation cost of Ballast Water Management system depreciated over the remaining period till vessel age is 20 years old.

b From years 1 to 5, the daily bareboat charter rate of USD4,100 was applied for *Speciality, Seniority and Superiority* ; from years 6 to 10, the daily bareboat charter rate is USD4,500.

c *FSL Hamburg* and *FSL Singapore* are leased on 2-year time charters to Trafigura at a gross daily charter rate of USD18,000. Trafigura has the option of extending the time charter by an additional 6 months at a gross daily charter rate of USD20,500 during optional period. Gross daily charter rate includes a commission of 1.75% that is paid to external agents.

d Upon completion of the TORM restructuring in November 2012, the bareboat charter agreements for *TORM Margrethe* and *TORM Marie* are permanently amended such that (i) the bareboat charter rates are variable rates that TORM achieves in the market and (ii) the early buyout, purchase and lease extension options are all cancelled.

Lease Extension Charter Rate (Net)	Early Buyout Option	Purchase Option
–	Nil	Nil
–	Nil	Nil
Note 1	Yr 6.5 : Higher of EUR 7.54m and FMV	Yr 10 : Higher of EUR4.23m and FMV
Note 1	Yr 6.5 : Higher of EUR 7.62m and FMV	Yr 10 : Higher of EUR4.23m and FMV
Note 2	Nil	Yr 10: USD8.0m + 50% of any excess of FMV over USD8.0m Yr 15: USD4.5m + 50% of any excess of FMV over USD4.5m Yr 20: USD2.5m + 50% of any excess of FMV over USD2.5m
Note 2	Nil	Yr 10: USD8.0m + 50% of any excess of FMV over USD8.0m Yr 15: USD4.5m + 50% of any excess of FMV over USD4.5m Yr 20: USD2.5m + 50% of any excess of FMV over USD2.5m
Note 2	Nil	Yr 10: USD8.0m + 50% of any excess of FMV over USD8.0m Yr 15: USD4.5m + 50% of any excess of FMV over USD4.5m Yr 20: USD2.5m + 50% of any excess of FMV over USD2.5m
–	–	–
–	–	–
–[d]	–[d]	–[d]
–[d]	–[d]	–[d]

Note 1 Negotiations are ongoing to renew the charters for a further 5 years at prevailing market rates and the vessels remain with the current charterer.

Note 2 There are two 5-year extension periods. If exercised, the daily bareboat charter rate will be USD3,600 for the 1st extension period (year 11 to 15) and USD2,400 for the 2nd extension period (year 16 to 20).

ADDITIONAL INFORMATION

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons for the financial period 1 January to 31 December 2015 which fall under the Listing Manual of the SGX-ST and the Business Trusts Act, Chapter 31A of Singapore are:

Name of Interested Person	**Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 (equivalent to approximately US$70,497^))**
Columbia Shipmanagement Ltd+/ Columbia Shipmanagement (Singapore) Pte. Ltd.+ - services rendered	US$1,030,000
Hanse Bereederung GmbH - services rendered	US$72,000

Notes:

^ Based on prevailing exchange rate as at 31 December 2015.

+ Columbia Shipmanagement Ltd, Columbia Shipmanagement (Singapore) Pte. Ltd. and Hanse Bereederung GmbH are associates of Schoeller Holdings Ltd, who is deemed interested in the units held by FSL Holdings Pte. Ltd., the controlling unitholder of FSL Trust.

The above does not include the following on-going interested person transactions:

(a) the fees and charges payable by FSL Trust to FSLTM under the deed of trust dated 19 March 2007 as amended and supplemented from time to time;

which are deemed to be specifically approved by the unitholders upon subscription for the units at the initial public offering and which are not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees, rentals and charges charged thereunder which will adversely affect FSL Trust.

Except as disclosed above, there were no additional interested person transactions (excluding transactions less than S$100,000 (US$70,497) equivalent) entered into up to and including 31 December 2015.

FSL Trust does not have any unitholders' mandate for interested person transactions.

STATISTICS OF UNITHOLDINGS

AS AT 14 MARCH 2016

NO. OF UNITS ISSUED : 637,456,577
CLASS OF UNITS : ORDINARY UNITS WITH 1 VOTE PER UNIT

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 – 99	2	0.04	2	0.00
100 – 1,000	391	6.90	364,567	0.06
1,001 – 10,000	2,454	43.30	12,480,990	1.96
10,001 – 1,000,000	2,768	48.84	220,143,099	34.53
1,000,001 and above	52	0.92	404,467,919	63.45
	5,667	**100.00**	**637,456,577**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name of Unitholders	Number of Units	%
1.	FSL HOLDINGS PTE. LTD.	154,430,600	24.23
2.	RAFFLES NOMINEES (PTE) LIMITED	46,168,500	7.24
3.	DBS NOMINEES (PRIVATE) LIMITED	21,820,690	3.42
4.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	21,027,900	3.30
5.	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,577,529	2.91
6.	HL BANK NOMINEES (SINGAPORE) PTE. LTD.	13,567,800	2.13
7.	CITIBANK NOMINEES SINGAPORE PTE. LTD.	10,857,000	1.70
8.	YIM WING CHEONG	8,760,100	1.37
9.	DB NOMINEES (SINGAPORE) PTE. LTD.	8,319,150	1.31
10.	LAI CHONG MENG	8,000,000	1.25
11.	HSBC (SINGAPORE) NOMINEES PTE. LTD.	7,112,000	1.12
12.	FSL TRUST MANAGEMENT PTE. LTD.	6,122,100	0.96
13.	BANK OF SINGAPORE NOMINEES PTE. LTD.	5,145,000	0.81
14.	PHILLIP SECURITIES PTE. LTD.	4,449,900	0.70
15.	ONG EUGENE	4,250,000	0.67
16.	UOB KAY HIAN PRIVATE LIMITED	3,978,000	0.62
17.	ANG KONG MENG	3,192,700	0.50
18.	LEE GUAN HUAT	3,144,900	0.49
19.	ANG HAO YAO (HONG HAOYAO)	2,988,000	0.47
20.	NG HWEE KOON	2,918,300	0.46
	TOTAL	**354,830,169**	**55.66**

STATISTICS OF UNITHOLDINGS

AS AT 14 MARCH 2016

SUBSTANTIAL UNITHOLDERS

(As shown in the Register of Substantial Unitholders)

Name of Substantial Unitholder	Direct Interests	%	Deemed Interests	%
FSL Holdings Pte. Ltd.[1]	154,430,600	24.23	6,122,100	0.96
Godan GMBH[2]	–	–	160,552,700	25.19
HSH Nordbank AG[3]	–	–	160,552,700	25.19

Notes:

1. FSL Holdings Pte. Ltd. ("FSLH") is the 100% shareholder of FSL Asset Management Pte. Ltd., which in turn wholly-owns FSL Trust Management Pte. Ltd. FSLH is therefore deemed to be interested in 6,122,100 units held by FSL Trust Management Pte. Ltd..

2. Godan GMBH is the sole shareholder of FSLH. Therefore Godan GMBH is deemed to be interested in all the units held by FSLH and FSLH's indirect subsidiary FSL Trust Management Pte. Ltd. in First Ship Lease Trust.

3. HSH Nordbank AG is the holding company of Godan GMBH, which in turn is the sole shareholder of FSLH. HSH Nordbank AG is therefore deemed to be interested in all the units held by FSLH and FSLH's indirect subsidiary FSL Trust Management Pte. Ltd. in First Ship Lease Trust.

FREE FLOAT

Based on information available as at 14 March 2016, approximately 74.81% of the units of First Ship Lease Trust is in the hands of the public and accordingly Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of First Ship Lease Trust will be held at SGX Auditorium, 2 Shenton Way, SGX Centre 1, Level 2, Singapore 068804 on Friday, 29 April 2016 at 2:30 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESSES

1. To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and Audited Financial Statements of First Ship Lease Trust for the financial year ended 31 December 2015, together with the Auditor's Report thereon.

(ORDINARY RESOLUTION 1)

2. To re-appoint Moore Stephens LLP as the Auditors of First Ship Lease Trust to hold office until the conclusion of the next annual general meeting of First Ship Lease Trust, and to authorise the Directors of the Trustee-Manager to fix their remuneration.

(ORDINARY RESOLUTION 2)

3. To transact any other ordinary business which may properly be transacted at an annual general meeting of the Unitholders.

SPECIAL BUSINESSES

4. To consider and, if thought fit, to pass the following resolution with or without modifications as an Ordinary Resolution:

THAT:

pursuant to Section 36 of the Business Trusts Act, Chapter 31A of Singapore (the "**Business Trusts Act**") and Clause 6.1 of the deed of trust dated 19 March 2007 constituting First Ship Lease Trust (as amended) (the "**Trust Deed**"), the Trustee-Manager, on behalf of First Ship Lease Trust, be authorised to:

(a) (i) issue units in First Ship Lease Trust ("**Units**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that would or might require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Units,

at any time to such persons and on such terms and conditions whether for cash or otherwise as the Trustee-Manager shall in its absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Units in pursuance of any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the issued Units in First Ship Lease Trust (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro-rata basis to existing Unitholders of First Ship Lease Trust shall not exceed 20 per cent. of the issued Units in First Ship Lease Trust (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be based on the number of issued Units in First Ship Lease Trust at the time of the passing of this Resolution after adjusting for:

(A) any new Units arising from the conversion or exercise of any Instruments that are convertible into Units; and

(B) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Trust Deed and the Business Trusts Act; and

(4) unless revoked or varied by ordinary resolution of Unitholders of First Ship Lease Trust in a general meeting, such authority shall continue in force (i) until the conclusion of the next annual general meeting of the Unitholders of First Ship Lease Trust or the date by which the next annual general meeting of the Unitholders of First Ship Lease Trust is required by law to be held, whichever is earlier; or (ii) in the case of Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments.

(ORDINARY RESOLUTION 3)

5. To consider and, if thought fit, to pass the following resolution with or without modifications as an Ordinary Resolution:

THAT:

authority be and is hereby given to the Trustee-Manager to allot and issue from time to time such number of Units as may be required to be allotted and issued pursuant to the First Ship Lease Trust Distribution Reinvestment Scheme.

(ORDINARY RESOLUTION 4)

6. To consider and, if thought fit, to pass the following resolution with or without modifications as an Ordinary Resolution:

THAT:

(a) the exercise by the Trustee-Manager of all the powers of First Ship Lease Trust to purchase or otherwise acquire Units of First Ship Lease Trust not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Trustee-Manager from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme (as defined in the Trust Deed) as may be determined or formulated by the Trustee-Manager as it considers fit, which scheme shall satisfy all the conditions prescribed in accordance with the Trust Deed,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Unit **Buy-back Mandate**");

(b) unless varied or revoked by Unitholders of First Ship Lease Trust in a general meeting, the authority conferred on the Trustee-Manager pursuant to the Unit Buy-back Mandate may be exercised by the Trustee-Manager at any time during the Relevant Period (as hereafter defined); and

(c) the Trustee-Manager be and is hereby authorised to complete and do all such acts and things (including executing such documents or other action as may be required) as it may consider necessary, expedient or in the interests of First Ship Lease Trust to give effect to the transactions contemplated and/or authorised by this Resolution.

In this Resolution:

"Maximum Limit" means the number of Units representing not more than 10 per cent. of the total number of issued Units of First Ship Lease Trust as at the date of the passing of this Resolution; and

"Relevant Period" means the period commencing from the date on which the annual general meeting is held and this Resolution is passed, and expiring on:

(a) the date on which the next annual general meeting of Unitholders is held;

(b) the date by which the next annual general meeting of Unitholders is required by law or the Trust Deed to be held; or

(c) the date on which the purchases of Units by the Trustee-Manager pursuant to the Unit Buy-back Mandate are carried out to the full extent mandated,

whichever is earliest; and

"Maximum Price" in relation to a Unit to be purchased, means an amount (excluding related expenses of the purchase) not exceeding:

(i) in the case of a Market Purchase: 105 per cent. of the Average Closing Market Price

(ii) in the case of an Off-Market Purchase: 120 per cent. of the Highest Last Dealt Price

where:

"Average Closing Market Price" means the average of the closing market prices of a Unit over the last five (5) market days, on which transactions in Units were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period in accordance with Rule 884 of the Listing Manual of the SGX-ST;

"Highest Last Dealt Price" means the highest price transacted for a Unit as recorded on the market day on which there were trades in the Units immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"day of the making of the offer" means the day on which the Trustee-Manager announces its intention to make an offer for the purchase of Units from Unitholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Unit and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(ORDINARY RESOLUTION 5)

By Order of the Board
FSL Trust Management Pte. Ltd.
As Trustee-Manager of First Ship Lease Trust

Elizabeth Krishnan
Company Secretary

Singapore
11 April 2016

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting of the Unitholders of First Ship Lease Trust is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of First Ship Lease Trust. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

2. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the registered office of FSL Trust Management Pte. Ltd. at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 not less than 48 hours before the time appointed for the Annual General Meeting.

Explanatory Notes on Resolution 3

If passed, the Ordinary Resolution set out in Resolution 3 empowers the Trustee-Manager from the date of the Ninth Annual General Meeting until the date of the subsequent Annual General Meeting, the date by which the subsequent Annual General Meeting is required by law to be held or such authority is varied or revoked by First Ship Lease Trust in a general meeting of the Unitholders, whichever is the earlier, to issue Units, make or grant Instruments convertible into Units and to issue Units pursuant to such Instruments in First Ship Lease Trust up to a number not exceeding in aggregate 50 per cent. of the issued Units in First Ship Lease Trust, of which not more than 20 per cent. may be issued other than on a pro-rata basis to Unitholders. For the purpose of determining the aggregate number of Units that may be issued, the percentage of Units will be calculated based on the number of issued Units when Resolution 3 is passed, after adjusting for any new Units arising from the conversion or exercise of any Instruments that are convertible into Units, as well as any subsequent bonus issue, consolidation or subdivision of Units.

Explanatory Notes on Resolution 4

Resolution 4 is a renewal of the resolution that was approved by Unitholders at the Eighth Annual General Meeting held on 29 April 2015.

If passed, the Ordinary Resolution set out in Resolution 4 authorises the Trustee-Manager to issue Units pursuant to the First Ship Lease Trust Distribution Reinvestment Scheme, which was adopted by resolution of the Unitholders at the Extraordinary General Meeting held on 9 October 2008, to Unitholders who, in respect of a qualifying distribution, have elected to receive Units in lieu of the cash amount of that qualifying distribution.

Explanatory Notes on Resolution 5

Resolution 5 is a renewal of the Unit Buy-back Mandate that was approved by Unitholders at the Extraordinary General Meeting held on 14 April 2010. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a Unitholder of First Ship Lease Trust (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Trustee-Manager (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Trustee-Manager (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Trustee-Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FIRST SHIP LEASE TRUST
(A business trust constituted on 19 March 2007)

FSL TRUST MANAGEMENT PTE. LTD.
(Incorporated in the Republic of Singapore)
Company Registration No. 200702265R
(as Trustee-Manager of First Ship Lease Trust)

PROXY FORM
NINTH ANNUAL GENERAL MEETING OF UNITHOLDERS OF FIRST SHIP LEASE TRUST

I/We ____ (Name)
holder of NRIC/Passport Number or Company registration or UEN Number ______________________ of
____ (Address)
being a Unitholder/Unitholders of First Ship Lease Trust hereby appoint:

Name	**Proportion of Unitholdings**	
NRIC/Passport Number	No. of Units	%
Address		

and/or (delete as appropriate)

Name	**Proportion of Unitholdings**	
NRIC/Passport Number	No. of Units	%
Address		

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Ninth Annual General Meeting ("**AGM**") of Unitholders of First Ship Lease Trust to be held on Friday, 29 April 2016 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

(*If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
1.	Adoption of the Report of the Trustee-Manager, Statement by the Trustee-Manager and Audited Financial Statements of First Ship Lease Trust for the financial year ended 31 December 2015 together with the Auditor's Report thereon		
2.	Re-appointment of Moore Stephens LLP as Auditors of First Ship Lease Trust and authority of Directors of Trustee-Manager to fix their remuneration		
3.	Authority to issue new Units		
4.	Authority to issue new Units pursuant to the First Ship Lease Trust Distribution Reinvestment Scheme		
5.	Authority to purchase Units pursuant to the Unit Buy-back Mandate		

Dated this____________ day of__________ 2016

Total No. of Units in:	**No. of Units**
CDP Register	

____
Signature of Individual Unitholder(s) or
Common Seal of Corporate Unitholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A Unitholder entitled to attend and vote at the Annual General Meeting of Unitholders ("**AGM**") of First Ship Lease Trust ("**FSL Trust**") is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of FSL Trust. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Completion and return of this instrument appointing a proxy shall not preclude a Unitholder from attending and voting at the AGM. Any proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, FSL Trust Management Pte. Ltd. ("**FSLTM**") reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.
3. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies ("**Proxy Form**") must be deposited at the registered office of FSLTM at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 not less than 48 hours before the time appointed for the AGM.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. A corporation incorporated in Singapore which is a Unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney or duly authorised officer, the letter or power of attorney or board resolution duly authorising the officer or a duly certified copy thereof must (failing previous registration with FSLTM) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. FSLTM shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of Units entered in the Depository Register, FSLTM may reject the instrument appointing a proxy or proxies if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited ("**Depository**") to FSLTM.
9. For the purposes of determining the number of Units held in respect of Units registered in the name of the Depository and the number of votes which a particular Unitholder may cast in respect of such Units, FSLTM shall be entitled and bound to accept as accurate the number of Units credited in the securities account(s) of the relevant depositor as shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant meeting supplied by the Depository to FSLTM, and accept as the maximum number of votes which in aggregate that depositor and his proxy(ies) (if any) are able to cast on a poll a number which is the number of Units credited into the securities account(s) of the relevant depositor, as shown in the aforementioned records of the Depository, whether that number is greater or smaller than that specified by the depositor in the instrument of proxy. FSLTM shall not, under any circumstances, be responsible for, or liable to any person as a result of it, acting upon or relying on the aforementioned records of the Depository.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2016.

Fold this flap for sealing

Please affix postage stamp

THE COMPANY SECRETARY
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