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**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2015**

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

As at 31 December 2015, FSL Trust has a modern, high quality and diversified portfolio of 24 vessels consisting of seven containerships, twelve product tankers, three chemical tankers and two crude oil tankers. 14 vessels are employed on long-term bareboat charters as at 31 December 2015 and have a dollar-weighted average remaining lease period of approximately three years (excluding extension periods and early buy-out options). The remaining ten vessels are employed on time charter arrangements and in pools. The combined portfolio of 24 vessels has a dollar-weighted average age of approximately nine years.

**Summary of FSL Trust Consolidated Results**

	4Q 2015	4Q 2014	Inc/ (Dec)	FY 2015	FY 2014	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	25,928	24,414	6.2	106,583	93,414	14.1
Profit for the quarter/year	83	7,259	(98.9)	14,147	4,051	249.2
Income available for distribution	4,695	7,491	(37.3)	18,823	14,225	32.3

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**1(a)(i) Consolidated Income Statements**

		Group					
	Note	4Q 2015	4Q 2014	Inc/ (Dec)	FY 2015	FY 2014	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>		25,928	24,414	6.2	106,583	93,414	14.1
Depreciation expense on vessels		(15,290)	(11,458)	33.4	(52,049)	(48,665)	7.0
Impairment loss on vessels	(c)	(971)	-	100.0	(971)	-	100.0
Voyage expenses		(128)	-	100.0	(2,280)	29	N.M.
Vessel operating expenses		(5,673)	(5,199)	9.1	(22,494)	(20,297)	10.8
Management fees		(848)	(940)	(9.8)	(3,479)	(3,033)	14.7
Trustee fees		(29)	(30)	(3.3)	(117)	(125)	(6.4)
Other Trust expenses		(387)	(636)	(39.2)	(1,845)	(2,619)	(29.6)
Impairment loss on available-for-sale financial assets		-	(615)	(100.0)	-	(1,907)	(100.0)
<b>Results from operating activities</b>		<b>2,602</b>	<b>5,536</b>	<b>(53.0)</b>	<b>23,348</b>	<b>16,797</b>	<b>39.0</b>
Other income	(d)	400	5,000	(92.0)	1,907	5,000	(61.9)
Finance income		3	6	(50.0)	12	23	(47.8)
Finance expenses		(2,928)	(3,284)	(10.8)	(12,792)	(16,375)	(21.9)
Gain on disposal of available-for-sale financial assets	(a)	-	-	N.M.	1,710	-	100.0
Loss on disposal of vessels	(b)	-	-	N.M.	-	(1,378)	(100.0)
<b>Profit before tax</b>		<b>77</b>	<b>7,258</b>	<b>(98.9)</b>	<b>14,185</b>	<b>4,067</b>	<b>284.8</b>
Income tax write back/(expense)		6	1	500.0	(38)	(16)	137.5
<b>Profit for the quarter/year</b>		<b>83</b>	<b>7,259</b>	<b>(98.9)</b>	<b>14,147</b>	<b>4,051</b>	<b>249.2</b>

Note:

- (a) This relates to the disposal of the entire shareholdings in TORM A/S for a total consideration of US\$2.6 million in January 2015.
- (b) This relates to the disposal of the two dry bulk carriers in March 2014.
- (c) This relates to the impairment loss recognised on the two Evergreen vessels.
- (d) This relates to income received from claims and legal settlements.

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1(a)(ii) Statements of Comprehensive Income

	Group			
	4Q 2015	4Q 2014	FY 2015	FY 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Profit for the quarter/year	83	7,259	14,147	4,051
<b>Other comprehensive income/(losses)</b>				
<b>Items that are or may be classified subsequently to profit or loss:</b>				
Translation differences relating to financial statements of foreign subsidiaries	(309)	(1,175)	(1,138)	(3,569)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	-	(135)	-	(539)
Effective portion of changes in fair value of cash flow hedges	395	(376)	(708)	(573)
Net change in fair value of cash flow hedges transferred to income statement	264	443	1,276	3,450
Net change in fair value of available-for-sale financial assets	-	(615)	-	(3,630)
Net change in fair value of available-for-sale financial assets reclassified to income statement	-	615	-	1,907
<b>Other comprehensive income/(loss), net of tax</b>	<b>350</b>	<b>(1,243)</b>	<b>(570)</b>	<b>(2,954)</b>
<b>Total comprehensive income/(loss)</b>	<b>433</b>	<b>6,016</b>	<b>13,577</b>	<b>1,097</b>

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**1(a)(iii) Distribution Statements**

		Group			
	Note	4Q 2015	4Q 2014	FY 2015	FY 2014
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Profit for the quarter/year</b>		83	7,259	14,147	4,051
Add: Non-cash adjustments	(a)	15,612	11,232	48,676	49,174
<b>Net cash generated from operations</b>		15,695	18,491	62,823	53,225
Less: Repayment of secured bank loans		(11,000)	(11,000)	(44,000)	(39,000)
Prepayment of secured bank loans	(b)	-	-	-	-
<b>Income available for distribution</b>		4,695	7,491	18,823	14,225
Less: Cash retained in the current period		(4,695)	(7,491)	(18,823)	(14,225)
<b>Net distributable amount</b>	(c)	-	-	-	-
Amount available for distribution		-	-	-	-
Comprising: (i) Tax-exempt distribution		-	-	-	-
(ii) Tax-exempt (one-tier) distribution		-	-	-	-
<b>Amount to be distributed</b>		-	-	-	-
Units at the end of the quarter ('000)		637,457	654,665	637,457	654,665
<b>Distribution per unit (US Cents)</b>		-	-	-	-

Notes:

(a) Non-cash adjustments

		Group			
		4Q 2015	4Q 2014	FY 2015	FY 2014
		US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels		15,018	11,155	50,767	47,853
Impairment loss on vessels		971	-	971	-
Impairment loss on available-for-sale financial assets		-	615	-	1,907
Unrealised exchange differences		(37)	(198)	6	(606)
Loss on disposal of vessels		-	-	-	1,378
Gain on disposal of available-for-sale financial assets		-	-	(1,710)	-
Amortisation of deferred income		(361)	(361)	(1,444)	(1,444)
Amortisation of initial direct costs		21	21	86	86
		15,612	11,232	48,676	49,174

(b) In 1Q and 2Q of 2014, a total of US\$22.0 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\$17.0 million and US\$5.0 million respectively. In 4Q of 2015, US\$ 2.6 million of the cash proceeds from the sale of TORM A/S shares was applied to Prepayment of the secured bank loans. As these amounts were not generated from operations they have not been included in this statement.

(c) No distribution has been recommended by the Board for the fourth quarter of 2015. The income available for distribution this quarter has been retained.

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**1(b)(i) Statements of Financial Position**

		31 Dec 2015		31 Dec 2014	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	<b>Non-current assets</b>				
	Vessels	526,516	-	556,019	-
	Subsidiaries	-	368,397	-	423,725
	Available-for-sale financial assets	-	-	919	-
	Derivative assets	55	55	339	339
		526,571	368,452	557,277	424,064
	<b>Current assets</b>				
	Inventories	45	-	-	-
	Derivative assets	133	133	122	122
	Trade and other receivables	4,623	26,554	4,767	32,241
(a)	Cash and cash equivalents	28,834	16,769	32,750	21,605
		33,635	43,456	37,639	53,968
	<b>Total assets</b>	560,206	411,908	594,916	478,032
	<b>Equity attributable to unitholders of FSL Trust</b>				
	Units in issue	523,284	523,284	525,412	525,412
	Reserves	(245,102)	(384,708)	(258,679)	(367,157)
	<b>Total equity</b>	278,182	138,576	266,733	158,255
	<b>Non-current liabilities</b>				
(b)	Secured bank loans	229,050	229,050	274,715	274,715
	Derivative liabilities	67	67	155	155
	Deferred income	2,123	-	3,567	-
		231,240	229,117	278,437	274,870
	<b>Current liabilities</b>				
	Trade and other payables	3,500	615	1,296	664
	Lease income received in advance	2,240	-	2,763	-
	Derivative liabilities	565	565	1,316	1,316
(b)	Secured bank loans	43,035	43,035	42,927	42,927
	Deferred income	1,444	-	1,444	-
		50,784	44,215	49,746	44,907
	<b>Total liabilities</b>	282,024	273,332	328,183	319,777
	<b>Total equity and liabilities</b>	560,206	411,908	594,916	478,032

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

Note:

(a) Cash and cash equivalents comprise:

	31 Dec 2015		31 Dec 2014	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash <sup>^</sup>	-	-	10,000	10,000
Cash at Bank	25,956	16,675	19,878	11,512
Short-term deposits	2,878	94	2,872	93
Cash and cash equivalents	28,834	16,769	32,750	21,605
Less: Restricted cash	-	-	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	28,834	16,769	22,750	11,605

<sup>^</sup> The security deposit of US\$10.0 million placed with the security agent of the amortising loan facility was released in 1Q 2015.

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

	31 Dec 2015	31 Dec 2014
	US\$'000	US\$'000
<b>Secured bank loans</b>		
<u>Repayable within one year</u>		
Secured bank loans	44,000	44,000
Less: Unamortised debt upfront fees	(965)	(1,073)
	43,035	42,927
<u>Repayable after one year</u>		
Secured bank loans	229,901	276,531
Less: Unamortised debt upfront fees	(851)	(1,816)
	229,050	274,715

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising term loan facility in December 2011 and the outstanding face value of the loan balance was US\$273.9 million as at 31 December 2015.

The interest margin of the term loan:

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

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

For 4Q 2015, the applicable margin over US\$ 3-month LIBOR was 2.8%. The VTL ratio will be assessed semi-annually.

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

The term loan is secured on the following<sup>^</sup>:

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

FSL Trust has hedged part of its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.06% per annum to 1.65% per annum.

<sup>^</sup> The recently acquired FSL Osaka and FSL-27 Pte. Ltd. (its vessel owing subsidiary) do not form part of the security package.

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**1(c) Consolidated Cash Flow Statements**

	Group			
	4Q 2015	4Q 2014	FY 2015	FY 2014
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Profit before tax	77	7,258	14,185	4,067
Adjustments for:				
Depreciation expense on vessels	15,290	11,458	52,049	48,665
Impairment loss on vessels	971	-	971	-
Impairment loss on available-for-sale financial assets	-	615	-	1,907
Amortisation of debt upfront fees and initial direct costs	386	411	1,578	1,680
Amortisation of deferred income	(361)	(361)	(1,444)	(1,444)
Interest income	(3)	(6)	(12)	(23)
Interest expense	2,669	3,241	11,638	15,620
Loss on disposal of vessels	-	-	-	1,378
Gain on disposal of available-for-sale financial assets	-	-	(1,710)	-
Unrealised exchange differences	(37)	(198)	6	(606)
	18,992	22,418	77,261	71,244
Changes in working capital:				
Trade and other receivables	(1,008)	1,957	147	558
Inventories	578	97	(45)	1,185
Trade and other payables	735	634	2,063	(4,870)
Lease income received in advance	447	2,239	(523)	175
<b>Cash generated from operating activities</b>	<b>19,744</b>	<b>27,345</b>	<b>78,903</b>	<b>68,292</b>
Income tax paid	-	-	(44)	(17)
<b>Cash flows from operating activities</b>	<b>19,744</b>	<b>27,345</b>	<b>78,859</b>	<b>68,275</b>
<b>Investing activities:</b>				
Interest received	2	6	15	23
Acquisition of vessel	(22,054)	-	(22,054)	-
Net proceed on disposal of vessels	-	-	-	22,261
Net proceed on disposal of available-for-sale financial assets	-	-	2,629	-
Costs incurred for dry-docking	(2,824)	(458)	(3,110)	(1,361)
<b>Cash flows from/ (used in) investing activities</b>	<b>(24,876)</b>	<b>(452)</b>	<b>(22,520)</b>	<b>20,923</b>
<b>Financing activities:</b>				
Repayment of secured bank loans	(11,000)	(11,000)	(44,000)	(44,000)
Prepayment of secured bank loans	(2,630)	(26)	(2,630)	(17,026)
Interest paid	(2,573)	(3,169)	(11,497)	(15,789)
Security deposit	2,630	-	12,630	-
Pledged deposit	-	-	(2,630)	-
Purchase of the Trust's units	(389)	-	(2,128)	-
<b>Cash flows used in financing activities</b>	<b>(13,962)</b>	<b>(14,195)</b>	<b>(50,255)</b>	<b>(76,815)</b>
Net (decrease)/ increase in cash and cash equivalents	(19,094)	12,698	6,084	12,383
Cash and cash equivalents at beginning of period/ year	47,928	10,052	22,750	10,367
Cash and cash equivalents at end of period/year	28,834	22,750	28,834	22,750
<b>Comprising:-</b>				
Cash at Bank	25,956	19,878	25,956	19,878
Short-term deposits	2,878	2,872	2,878	2,872
	28,834	22,750	28,834	22,750



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

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2015 Group</b>						
At 1 October 2015	523,673	(1,102)	(6,362)	-	(238,071)	278,138
Cancellation of units bought back	(389)	-	-	-	-	(389)
Total comprehensive income/(loss) for the quarter	-	659	(309)	-	83	433
At 31 December 2015	523,284	(443)	(6,671)	-	(237,988)	278,182

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014 Group</b>						
At 1 October 2014	525,412	(1,078)	(4,223)	-	(259,394)	260,717
Total comprehensive income/(loss) for the quarter	-	67	(1,310)	-	7,259	6,016
At 31 December 2014	525,412	(1,011)	(5,533)	-	(252,135)	266,733

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2015 Trust</b>				
At 1 October 2015	523,673	(1,102)	(376,523)	146,048
Cancellation of units bought back	(389)	-	-	(389)
Total comprehensive income/(loss) for the quarter	-	659	(7,742)	(7,083)
At 31 December 2015	523,284	(443)	(384,265)	138,576

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014 Trust</b>				
At 1 October 2014	525,412	(1,078)	(362,366)	161,968
Total comprehensive income/(loss) for the quarter	-	67	(3,780)	(3,713)
At 31 December 2014	525,412	(1,011)	(366,146)	158,255

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

	Note	4Q 2015 Units	FY 2014 Units
At the beginning of the period		640,192,977	654,665,077
Units issued during the period		-	-
Units cancelled during the period	(a)	(2,736,400)	-
At the end of the period		637,456,577	654,665,077

Note:

(a) Pursuant to the "Unit Buy-back Mandate" obtained on 29 April 2015.

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

Not applicable.

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

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

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

Not applicable.

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

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2014.

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

Not applicable.

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6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”) for the current financial period reported on and the corresponding period of the immediately preceding financial year

	Group			
	4Q 2015	4Q 2014	FY 2015	FY 2014
Basic and diluted earnings per unit is based on:				
Profit for the quarter/year (US\$'000)	83	7,259	14,147	4,051
Weighted average number of issued units (basic and diluted) ('000)	638,661	654,665	646,004	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.01	1.11	2.19	0.62
Number of issued units at end of quarter ('000)	637,457	654,665	637,457	654,665
Distribution per unit (US Cents)	-	-	-	-

7. Net Asset Value (“NAV”) per unit based on units at the end of the current financial period reported on and immediately preceding financial year

	Note	31 Dec 2015		31 Dec 2014	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.44	0.22	0.41	0.24

Note:

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

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**8. Review of Performance**

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

4Q 2015 vs 4Q 2014

	Group		
	4Q 2015	4Q 2014	Inc/(Dec)
	US\$ '000	US\$ '000	%
Rentals from vessels on bareboat charter	14,233	13,456	5.8
BBCE revenue of vessels on:-			
-Time charter	2,397	1,952	22.8
-Pool	2,823	3,504	(19.4)
-Spot	402	-	100.0
Total bareboat charter/BBCE revenue	19,855	18,912	5.0
Less:			
Depreciation expense on vessels <sup>1</sup>	(15,018)	(11,155)	34.6
Impairment loss on vessels	(971)	-	100.0
Management fees	(848)	(940)	(9.8)
Trustee fees	(29)	(30)	(3.3)
Other Trust expenses <sup>2</sup>	(387)	(636)	(39.2)
Impairment loss on available-for-sale financial assets	-	(615)	(100.0)
Other operating expenses	(17,253)	(13,376)	29.0
<b>Results from operating activities</b>	2,602	5,536	(53.0)
Other income	400	5,000	(92.0)
Finance income	3	6	(50.0)
Finance expenses	(2,928)	(3,284)	(10.8)
<b>Profit before tax</b>	77	7,258	(98.9)
Income tax expense	6	1	500.0
<b>Profit for the quarter</b>	83	7,259	(98.9)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals increased by 5.8% (US\$0.8 million), mainly attributed by:

- the better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$1.1 million; offset with
- Cumbrian Fisher and Clyde Fisher bareboat contracts renewed at a lower daily rate (US\$0.3 million).

The rentals derived from the remaining 10 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

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

<sup>2</sup> Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors fees, professional fees, take over costs, printing, investor relations and others.

8. Review of Performance (cont'd)

Time charter

i) Product tankers

*FSL Hamburg* has been employed on time charter from 6 November 2015 after dry-docking for the period 21 September to 3 November 2015 and generated a BBCE revenue of US\$0.2 million in the quarter under review.

*FSL Singapore* has been employed on time charter from 25 November 2015 after dry-docking for the period 11 October to 23 November 2015 and generated a BBCE loss of (US\$0.1 million) in the quarter under review.

ii) Crude oil tankers

*FSL Shanghai* has been employed on time charter and generated a BBCE revenue of US\$1.1 million in the quarter under review.

*FSL Hong Kong* has been employed on time charter from 14 June 2015 and generated a BBCE revenue of US\$1.2 million in the quarter under review.

Pool

i) Chemical tankers

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$3.9 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$2.3 million in the quarter under review.

ii) Containerships

*FSL Busan (ex Cape Ferro)* and *FSL Santos (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$1.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.4 million in the quarter under review.

iii) Product tanker

*FSL Osaka*, acquired by the Trust on 18 Nov 2015, entered an MR pool managed by Hafnia Management ('Hafnia Pool'). The vessel generated net pool revenue of US\$0.4 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in the quarter under review.

8. Review of Performance (cont'd)

Spot

- i) *FSL Singapore* was trading in the spot market from 1 June to 11 October 2015 before heading to the yard for dry-docking. The vessel generated US\$0.7 million of freight income in the quarter under review. After deducting voyage and vessel operating expenses, the vessel generated BBCE revenue of US\$0.4 million in the quarter under review.

b. Other operating expenses

Other operating expenses increased by 29.0% (US\$3.9 million) due mainly to:

- Depreciation expenses increased by US\$3.9 million arising mainly from changes in the residual values of the vessels. Please see paragraph 8(c) for details.
- Included in other trust expenses in 4Q 2014 was recognition of an impairment loss of US\$0.6 million due to a decline in the quoted price of the shares in TORM.
- Upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of *Ever Radiant* and *Ever Respect* had exceeded the recoverable amount and an impairment loss of US\$1.0 million was recognised.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$2.6 million in this quarter, compared to US\$5.5 million over the same period last year.

d. Finance expenses

Finance expenses in 4Q 2015, including exchange gain of US\$12,000 (4Q 2014: exchange gain of US\$255,000), decreased 10.8% (US\$0.4 million) mainly due to:

- lower outstanding indebtedness with reduced interest margin from 4Q 2015 (due to VTL improvement); and
- reduced cost following the expiry of some interest rate swaps in FY 2014.

For 4Q 2015, FSL Trust achieved net profits of US\$0.1 million.

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

FY 2015 vs FY 2014

	Group		
	FY 2015	FY 2014	Inc/(Dec)
	US\$ '000	US\$ '000	%
Rentals from vessels on bareboat charter	56,784	55,245	2.8
BBCE revenue of vessels on:-			
-Time charter	8,711	6,130	42.1
-Pool	13,135	10,934	20.1
-Spot	1,897	26	7196.2
Total bareboat charter/BBCE revenue	80,527	72,335	11.3
Less:			
Depreciation expense on vessels <sup>1</sup>	(50,767)	(47,853)	6.1
Impairment loss on vessels	(971)	-	100.0
Management fees	(3,479)	(3,033)	14.7
Trustee fees	(117)	(125)	(6.4)
Other Trust expenses <sup>2</sup>	(1,845)	(2,620)	(29.6)
Impairment loss on available-for-sale financial assets	-	(1,907)	(100.0)
Other operating expenses	(57,179)	(55,538)	3.0
<b>Results from operating activities</b>	<b>23,348</b>	<b>16,797</b>	<b>39.0</b>
Other income	1,907	5,000	(61.9)
Finance income	12	23	(47.8)
Finance expenses	(12,792)	(16,375)	(21.9)
Gain on disposal of available-for-sale financial assets	1,710	-	100.0
Disposal of vessels	-	(1,378)	(100.0)
<b>Profit before tax</b>	<b>14,185</b>	<b>4,067</b>	<b>248.8</b>
Income tax expense	(38)	(16)	137.5
<b>Profit for the year</b>	<b>14,147</b>	<b>4,051</b>	<b>249.2</b>

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2015, Bareboat charter rentals increased by 2.8% (US\$1.5 million), mainly attributed by:

- i) the better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$6.6 million; offset with
- ii) the expiry of bareboat lease for FSL Busan and FSL Santos (US\$3.6 million), subsequent to which the revenue is classified as "Pool/RSA" revenue; and
- iii) Cumbrian Fisher and Clyde Fisher bareboat contracts renewed at a lower daily rate (US\$1.3 million).

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

<sup>2</sup> Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors fees, professional fees, take over costs, printing, investor relations and others.

8. Review of Performance (cont'd)

Time charter

i) Product tankers

*FSL Hamburg* was employed on time charter with Petróleo Brasileiro S.A. which ended on 21 September 2015. The vessel is employed on time charter from 6 November 2015 after dry-docking for the period 21 September to 3 November 2015. *FSL Hamburg* generated a net time charter revenue of US\$4.6 million in FY 2015 (FY 2014: US\$4.3 million). After deducting vessel operating expenses, the vessel generated BBCE revenue of US\$1.5 million in FY 2015 (FY 2014: US\$1.5 million).

*FSL Singapore* was employed on time charter with Petróleo Brasileiro S.A. which ended on 31 May 2015. It was deployed in the spot market from 1 June 2015 to 11 October 2015. The vessel is subsequently employed on time charter from 25 November 2015 after dry-docking for the period 11 October to 23 November 2015. *FSL Singapore* generated a net time charter revenue of US\$2.6 million in FY 2015 (FY 2014: US\$5.0 million). After deducting vessel operating expenses, the vessel generated BBCE revenue of US\$0.9 million in FY 2015 (FY 2014: US\$2.1 million).

ii) Crude oil tankers

*FSL Shanghai* has been employed on time charter and generated a BBCE revenue of US\$3.6 million in FY 2015 (FY 2014: US\$2.6 million).

*FSL Hong Kong* has been employed on time charter from 14 June 2015 and generated a BBCE revenue of US\$2.7 million in FY 2015.

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tankers

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$16.5 million in FY 2015 (FY 2014: US\$14.1 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$8.1 million in FY 2015 (FY 2014: US\$6.6 million).

ii) Crude oil tanker

*FSL Hong Kong*, employed on a RSA (Revenue Sharing Agreement) until 15 May 2015 and generated a BBCE revenue of US\$2.8 million in FY 2015 (FY 2014: US\$3.6 million). She was trading on spot for one month before being employed on time charter from 14 June 2015.



8. Review of Performance (cont'd)

iii) Containerships

*FSL Busan (ex Cape Ferro)* and *FSL Santo (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$5.6 million in FY 2015 (FY 2014: US\$2.2 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$2.1 million in FY 2015 (FY 2014: US\$0.7 million).

iv) Product tanker

*FSL Osaka*, acquired by the Trust on 18 Nov 2015 entered an MR pool managed by Hafnia Management ('Hafnia Pool'). The vessel generated net pool revenue of US\$0.4 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in FY 2015.

Spot

ii) *FSL Hong Kong* was deployed in the spot market for the period from 15 May to 14 June 2015 and generated US\$0.9 million of freight income in FY 2015. After deducting voyage and vessel operating expenses, *FSL Hong Kong* generated BBCE revenue of US\$0.2 million in FY 2015.

iii) *FSL Singapore* was deployed in the spot market from 1 June 2015 to 11 October 2015 after its time charter ended. The vessel generated US\$4.6 million of freight income in FY 2015. After deducting voyage and vessel operating expenses, *FSL Singapore* generated BBCE revenue of US\$1.7 million in FY 2015.

b. Impairment loss on vessels

Upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of *Ever Radiant* and *Ever Respect* had exceeded the recoverable amount and an impairment loss of US\$1.0 million was recognised.

c. Depreciation expense on vessels

Depreciation expense on vessels increased by 6.1% (US\$2.9 million) due to the changes in the residual value for numerous vessels taken in both FY 2014 and FY 2015.

Depreciation on containerships - Ever Radiant and Ever Respect

The residual value of each of the two vessels was reviewed and revised.

The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied from July 2015. As a result of the change, depreciation expense for 4Q 2015 increased by US\$2.4 million for the two vessels.

In total, the changes in estimates for the two vessels increased depreciation expense by US\$4.8 million in FY 2015.

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8. Review of Performance (cont'd)

Depreciation on containerships - YM Eminence, YM Elixir and YM Enhancer

The residual value of each of the three vessels was reviewed and revised.

The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied from October 2015. As a result of the change, depreciation expense for 4Q 2015 increased by US\$1.6 million for the three vessels.

Depreciation on product tankers - Cumbrian Fisher, Clyde Fisher, Shannon Fisher and Solway Fisher

The residual value of each of the four vessels was reviewed and revised.

The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied from October 2015. As a result of the change, depreciation expense for 4Q 2015 decreased by US\$0.4 million for the three vessels.

Depreciation on containerships, chemical tankers, crude oil tankers and product tankers

The residual value of each of the following vessels was reviewed and revised.

The changes in residual value of the vessels listed below constitute a change in estimates. The effects of the change were applied from October 2015. As a result of the change, depreciation expense for 4Q 2015 increased by US\$0.2 million in aggregate.

- Containerships - FSL Busan and FSL Santos
- Chemical tankers - FSL New York, FSL London and FSL Tokyo
- Crude oil tankers - FSL Hong Kong and FSL Shanghai
- Product tankers - TORM Margrethe and TORM Marie

d. Disposal of Available-for-sale financial assets

TORM A/S shares were disposed for a net cash consideration of US\$2.6 million. A gain of US\$1.7 million was recorded in FY 2015. In FY 2014, an impairment loss of US\$1.9 million was recognised due to a decline in the quoted price of the shares in TORM. Proceed from the sale were used to reduce debt.

e. Results from operating activities

FSL Trust generated operating profit of US\$23.3 million in FY 2015 (FY 2014: US\$16.8 million).

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

f. Finance expenses

Finance expenses in FY 2015, including exchange loss of US\$27,000 (FY 2014: US\$666,000), decreased 21.9% (US\$3.6 million) mainly due to:

- lower outstanding indebtedness with reduced interest margin from 4Q 2015 (due to VTL improvement) and the absence of additional interest paid on shortfall amount during the loan covenant relaxation period in FY 2014; and
- reduced cost following the expiry of some interest rate swaps in FY 2014.

For the year ended 31 December 2015, FSL Trust achieved net profits of US\$14.1 million.

**9. Variance from Prospect Statement**

Not applicable.

**10. Outlook and Prospects**

Despite the shipping industry continuing to be challenging, FSL Trust has a strong base of income provided by medium and long-term contracts with first class counterparties.

1Q 2016 will see the recognition of a US\$4.2 million loss on disposal relating to the two panamax containerships "Ever Radiant" and "Ever Respect". The recoverable value of these vessels dropped significantly since 31 December 2015 as the steel price fell.

The containership market continues to be under pressure, with charter free valuations falling, but the Trust has contractual income on three of its five containership vessels.

The tanker market has been more resilient in terms of rates, but valuations have started to also come under pressure.

**11. Distribution**

**(a) Current financial period**

Any distributions declared for the : No  
current financial period

**(b) Corresponding Period of the Immediate Preceding Financial Period**

Any distributions declared for the : No  
previous corresponding period

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

No distribution has been declared.

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

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

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

Not applicable.

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

Not applicable.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2015	FY 2014	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	52,297	45,381	15.2
(b) Net profit/ (loss) after tax reported for first half year	11,215	(3,952)	N.M.
(c) Revenue reported for second half year	54,286	48,033	13.0
(d) Net profit after tax reported for second half year	2,932	8,003	(63.4)

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17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2015

In respect of the period:

1 July 2015 to 30 September 2015  
1 April 2015 to 30 June 2015  
1 January 2015 to 31 March 2015  
1 October 2014 to 31 December 2014  
1 July 2014 to 30 September 2014  
1 April 2014 to 30 June 2014  
1 January 2014 to 31 March 2014  
1 October 2013 to 31 December 2013

FY 2015	FY 2014
US\$	US\$
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

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

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

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

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

Alan Hatton  
Chief Executive Officer  
23 February 2016