



FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

Corporate Information

First Ship Lease Trust ("FSL Trust" or the "Trust") is a Singapore-based business trust which owns a diversified fleet of well-maintained, oceangoing tankers across different sizes.

As at 30 September 2021, the vessel portfolio comprised 11 vessels of which 8 vessels were employed on fixed-rate period charters and the remaining 3 vessels operating in the spot market.

The combined portfolio of vessels had an average age of approximately 15 years and a dollar-weighted average remaining lease period of approximately 4 years (excluding optional extension periods and early termination options).

References to the term "Group" mean FSL Trust and its subsidiaries on a consolidated basis.

Summary of FSL Trust Consolidated Results

	3Q 2021	3Q 2020	Change	9 Months 2021	9 Months 2020	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	7,223	8,573	(15.7)	20,030	41,497	(51.7)
Adjusted EBITDA ⁽¹⁾	629	3,329	(81.1)	5,322	26,064	(79.6)
(Loss)/Profit for the quarter/ period	(2,489)	463	N.M.	(1,610)	8,469	N.M.
Net distributable amount	1,502	629	138.8	2,812	27,150	(89.6)
Amount to be distributed	26,521	26,521	-	61,882	53,042	16.7
Distribution per unit (US Cents)	1.50	1.50	-	3.50	3.00	16.7
Average number of vessels	11.1	14.2	(21.8)	11.3	15.2	(25.7)

Note(s):

(1) Excluding gains/losses from the disposal of vessels and vessel impairments.

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1(a)(i) Condensed Interim Consolidated Income Statements

		Group					
		3Q 2021	3Q 2020	Change	9 Months 2021	9 Months 2020	Change
Note		US\$'000	US\$'000	%	US\$'000	US\$'000	%
	Revenue	7,223	8,573	(15.7)	20,030	41,497	(51.7)
(a)	Depreciation expense on vessels	(1,316)	(2,410)	(45.4)	(4,618)	(12,834)	(64.0)
(b)	Gain on disposal of vessels	338	2,112	(84.0)	905	4,801	(81.1)
	Impairment on vessels	(1,950)	(1,972)	(1.1)	(2,569)	(7,277)	(64.7)
	Impairment on Non-Current Asset Classified as Held-for-Sale	-	(101)	(100.0)	-	(101)	(100.0)
	Voyage expenses	(2,922)	6	N.M.	(4,110)	(276)	1,389.1
	Vessel operating expenses	(2,767)	(4,230)	(34.6)	(8,865)	(12,244)	(27.6)
	Management fees	(110)	(212)	(48.1)	(348)	(1,218)	(71.4)
	Trustee fees	(5)	(10)	(50.0)	(20)	(36)	(44.4)
	Other Trust expenses	(790)	(798)	(1.0)	(1,365)	(1,659)	(17.7)
	Results from operating activities	(2,299)	958	N.M.	(960)	10,653	N.M.
	Finance income	6	9	(33.3)	26	262	(90.1)
	Finance expenses	(196)	(500)	(60.8)	(676)	(2,444)	(72.3)
	(Loss)/Profit before tax	(2,489)	467	N.M.	(1,610)	8,471	N.M.
	Income tax expense	-	(4)	(100.0)	-	(2)	(100.0)
	(Loss)/Profit for the period	(2,489)	463	N.M.	(1,610)	8,469	N.M.
	Earnings per unit (US cents)						
	Basic	(0.14)	0.03	N.M.	(0.09)	0.48	N.M.
	Diluted	(0.14)	0.03	N.M.	(0.09)	0.48	N.M.

Note(s):

- (a) Including amortization of dry-docking costs.
(b) This relates to the sale of the one containership (*FSL Enhancer*) in October 2020, three product tankers (*FSL Suez* and *FSL Fos* in February 2021 and *FSL Osaka* in March 2021) and one chemical tanker (*FSL New York*) in September 2021.

1(a)(ii) Condensed Interim Statements of Comprehensive Income

		Group			
		3Q 2021	3Q 2020	9 Months 2021	9 Months 2020
		US\$'000	US\$'000	US\$'000	US\$'000
	(Loss)/Profit for the period	(2,489)	463	(1,610)	8,469
	Total comprehensive (loss)/income, net of tax	(2,489)	463	(1,610)	8,469

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1(a)(iii) Distribution Statements

		3Q 2021	3Q 2020	9 Months 2021	9 Months 2020
	Note	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the period		(2,489)	463	(1,610)	8,469
Add: Non-cash adjustments	(a)	2,823	2,099	5,869	14,590
Net cash generated from operations		334	2,562	4,259	23,059
Less: Repayment of secured bank loans		(750)	(3,633)	(1,991)	(15,955)
Prepayment of secured bank loans		-	-	-	(2,944)
Income available for distribution		(416)	(1,071)	2,268	4,160
Add: Utilisation of cash retained from previous periods	(b)	1,918	1,700	2,462	22,990
Less: Cash retained in the current period		-	-	(1,918)	-
Net distributable amount		1,502	629	2,812	27,150
Capital distribution		25,019	25,892	59,070	25,892
Total distribution	(c)	26,521	26,521	61,882	53,042
Comprising:(i) Tax-exempt distribution		26,502	26,229	61,837	52,576
(ii) Tax-exempt (one-tier) distribution		19	292	45	466
Amount to be distributed		26,521	26,521	61,882	53,042
Units at end of period ('000)		1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)		1.50	1.50	3.50	3.00

Note(s):

(a) Non-cash adjustments

	Group			
	3Q 2021	3Q 2020	9 Months 2021	9 Months 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels [^]	1,211	2,137	4,205	11,999
Impairment on vessels	1,950	1,972	2,569	7,277
Impairment on Non-Current Asset Classified as Held-for-Sale	-	101	-	101
Gain on disposal of vessels	(338)	(2,112)	(905)	(4,801)
Amortisation of initial direct costs ^{^^}	-	1	-	14
	2,823	2,099	5,869	14,590

[^] Excluding amortisation of dry-docking costs.

^{^^} Excluding amortisation of deferred arrangement fees.

(b) Distributions are not limited to the amount of the net distributable amount as distributions can also be made from proceeds from the sale of vessels.

(c) A distribution was approved by the Board of Directors for this quarter. This includes net distributable amount of US\$1.5 million in 3Q 2021 and a capital distribution of US\$25.0 million. The capital distribution is a partial distribution of proceeds from the disposal of vessels.

For the period ended 30 September 2021, the Board of Directors has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

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1(b)(i) Condensed Interim Statements of Financial Position

		30 September 2021		31 December 2020	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
	Note				
Non-current assets					
Vessels	(a)	66,023	-	136,105	-
Subsidiaries		-	35,072	-	35,072
		66,023	35,072	136,105	35,072
Current assets					
Inventories		347	-	-	-
Trade and other receivables		4,198	5,962	5,036	32,145
Cash and cash equivalents	(b)	28,144	1,042	20,694	10,877
Non-current assets classified as held-for-sale	(a)	8,890	-	-	-
		41,579	7,004	25,730	43,022
Total assets					
		107,602	42,076	161,835	78,094
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(468,739)	(519,404)	(431,768)	(483,463)
Total equity		92,593	41,928	129,564	77,869
Non-current liabilities					
Secured bank loans	(c)	10,925	-	13,303	-
Current liabilities					
Trade and other payables		1,265	148	1,663	214
Lease income received in advance		-	-	756	-
Secured bank loans	(c)	2,819	-	16,538	-
Income tax payable		-	-	11	11
		4,084	148	18,968	225
Total liabilities		15,009	148	32,271	225
Total equity and liabilities		107,602	42,076	161,835	78,094

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

Note(s):

(a) Vessels

Group	<u>Vessels</u> US\$'000	<u>Vessels under construction</u> US\$'000	<u>Initial direct costs</u> US\$'000	<u>Total</u> US\$'000
9 months ended 30 September 2021				
<u>Cost</u>				
At 1 January 2021	372,964	43,319	2,716	418,999
Additions	9,277	59,691	57	69,025
Disposals	(78,784)	(103,010)	(533)	(182,327)
Reclassified to non-current assets classified as held-for-sale	(54,938)	-	-	(54,938)
At 30 September 2021	248,519	-	2,240	250,759
Less:				
<u>Accumulated depreciation/ amortisation and impairments</u>				
At 1 January 2021	280,630	-	2,264	282,894
Depreciation/amortisation charge for the period	4,618	-	-	4,618
Impairment recognised in the income statement	2,569	-	-	2,569
Disposals	(59,220)	-	(77)	(59,297)
Reclassified to non-current assets classified as held-for-sale	(46,048)	-	-	(46,048)
At 30 September 2021	182,549	-	2,187	184,736
<u>Carrying amount</u>				
At 30 September 2021	65,970	-	53	66,023
As at 31 December 2020				
Cost	372,964	43,319	2,716	418,999
Accumulated depreciation/ amortisation and impairments	280,630	-	2,264	282,894
Net book value	92,334	43,319	452	136,105

During the nine-month period ended 30 September 2021, the Group disposed two product tankers (*FSL Suez and FSL Fos*) in February 2021, one product tanker (*FSL Osaka*) in March 2021 and one chemical tanker (*FSL New York*) in September 2021 for a total net cash consideration of approximately US\$123,935,000, resulting in a gain on disposal of US\$778,000.

In addition, during the nine-month period ended 30 September 2021, there was a revision to the gain on disposal of US\$127,000 for one containership, *FSL Enhancer*, disposed in October 2020.

During the nine-month period ended 30 September 2021, the Group recognised an impairment on vessels amounting to US\$2,569,000 based on value in use calculations/fair value less costs of disposal (YTD Sep 2020: US\$7,277,000 based on value in use calculations/fair value less costs of disposal). As at 30 September 2021, the carrying amount of the vessels was US\$66,023,000 (Dec 2020: US\$136,105,000).

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

Note(s):

(a) Vessels (cont'd)

During the financial period ended 30 September 2021, 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 decrease of depreciation expense in the current and future years summarised as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 onwards to the end of the useful life</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Decrease in depreciation expenses	314	642	642	3,992

As at 30 September 2021, the Group reclassified one chemical tanker, *FSL London*, to non-current assets classified as held-for-sale.

The value in use calculations use discounted cash flow projections based on the projected cash flows over the remaining useful life of each vessel and its projected residual value, which was based on the average scrap steel price per light weight ton in recent years or the values obtained from third party sources.

The fair value less costs of disposal is based on the sale of similar vessels and is therefore within Level 2 of the fair value hierarchy.

Vessel portfolio as at 30 September 2021:

<u>Name</u>	<u>Type</u>	<u>Built</u>	<u>Capacity</u>	<u>Employment Type</u>
Cumbrian Fisher	Product Tanker	2004	12,921 DWT	Bareboat Charter
Clyde Fisher	Product Tanker	2005	12,984 DWT	Bareboat Charter
Pelican Fisher	Product Tanker	2008	9,596 DWT	Bareboat Charter
Shannon Fisher	Product Tanker	2006	5,421 DWT	Bareboat Charter
Solway Fisher	Product Tanker	2006	5,421 DWT	Bareboat Charter
Speciality	Product Tanker	2006	4,426 DWT	Bareboat Charter
Seniority	Product Tanker	2006	4,426 DWT	Bareboat Charter
Superiority	Product Tanker	2007	4,426 DWT	Bareboat Charter
FSL Singapore	Product Tanker	2006	47,470 DWT	Spot
FSL London	Chemical Tanker	2006	19,966 DWT	Spot
FSL Hong Kong	Crude Oil Tanker	2007	115,000 DWT	Spot

(b) Cash and cash equivalents comprise:

	30 September 2021		31 December 2020	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	28,144	1,042	20,694	10,877
Less: Restricted cash [^]	-	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	28,144	1,042	20,194	10,877

[^] The restricted cash was the minimum cash balance maintained with a lender in accordance to the respective loan facility agreement.

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

Note(s):

(c) Aggregate Amount of the Group's Borrowings and Debt Securities

	30 September 2021	31 December 2020
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	3,000	16,666
Less: Unamortised debt transaction costs	(181)	(128)
	2,819	16,538
<u>Repayable after one year</u>		
Secured bank loans	11,250	13,336
Less: Unamortised debt transaction costs	(325)	(33)
	10,925	13,303

In May 2021, the Trustee-Manager, on behalf of FSL Trust, through six of its subsidiaries, entered into a US\$15 million term loan facility agreement with Chailease International Financial Services (Singapore) Pte. Ltd. The margin of the loan is 3.975% over LIBOR and the loan is secured on the following:

- (i) a first priority mortgage over the six vessels;
- (ii) a first priority assignment of the six vessels' 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 six vessels' rights, title and interest in and to the charter agreements and the charter income of each vessel;
- (iv) pledges of the shares of the six vessel-owning subsidiaries and their bank accounts; and
- (v) a corporate guarantee by the Trustee-Manager, on behalf of FSL Trust.

The outstanding balance under the loan was US\$14.25 million as at 30 September 2021 and, as at 30 September 2021, the Group is in compliance with the terms of the loan.

In FY 2018, the Trustee-Manager, on behalf of FSL Trust, through its subsidiaries entered into the following term loan facilities:

- (a) US\$50 million loan facility agreement with Hellenic Bank Public Company Limited;
- (b) US\$40 million loan facility agreement with Chailease International Financial Services Co., Ltd.; and
- (c) US\$18 million loan facility agreement with Amsterdam Trade Bank N.V.

The US\$40 million loan with Chailease International Financial Services Co., Ltd. was fully repaid in FY 2020.

The US\$50 million loan with Hellenic Bank Public Company Limited and the US\$18 million loan with Amsterdam Trade Bank N.V. were fully prepaid in March 2021.

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1(c) Condensed Interim Consolidated Statement of Cash Flows

		Group			
		3Q 2021	3Q 2020	9 Months 2021	9 Months 2020
Note	US\$'000	US\$'000	US\$'000	US\$'000	
Operating activities:					
	(Loss)/Profit before tax	(2,489)	467	(1,610)	8,471
Adjustments for:					
	Depreciation expense on vessels	1,316	2,410	4,618	12,834
	Impairment on vessels	1,950	1,972	2,569	7,277
	Impairment on Non-Current Asset Classified as Held-for-Sale	-	101	-	101
	Amortisation of debt transaction costs	53	86	236	603
	Amortisation of initial direct costs	-	10	-	107
	Interest income	(6)	(9)	(26)	(262)
	Interest expense	152	396	430	1,834
	Gain on disposal of vessels	(338)	(2,112)	(905)	(4,801)
		638	3,321	5,312	26,164
Changes in working capital:					
	Trade and other receivables	202	3,221	1,338	8,001
	Inventories	(347)	361	(347)	-
	Trade and other payables	(207)	(424)	(380)	(139)
	Lease income received in advance	-	(8)	(756)	748
	Cash generated from operating activities	286	6,471	5,167	34,774
	Income tax paid	-	-	(11)	(29)
	Cash flows generated from operating activities	286	6,471	5,156	34,745
Investing activities:					
	Acquisition of vessel	(5,000)	-	(5,000)	-
	Vessels initial direct costs	(53)	-	(57)	-
	Costs incurred for the vessels under construction	35	(5,432)	(59,691)	(20,507)
	Costs incurred for vessel equipment	(1,309)	(156)	(3,362)	(1,205)
	Costs incurred for dry-docking	(915)	-	(915)	-
	Interest received	6	8	26	294
	Net proceeds on disposal of vessels	9,298	15,477	123,935	79,765
	Cash flows generated from investing activities	2,062	9,897	54,936	58,347
Financing activities:					
	Loan drawdown	-	-	15,000	-
	Security deposit	-	-	(500)	-
	Payment of upfront closing fees	(10)	-	(581)	-
	Distribution to unitholders	-	-	(35,361)	(53,042)
	Pledged deposit	-	-	500	-
	Repayment of secured bank loans	(750)	(3,633)	(1,991)	(15,955)
	Prepayment of secured bank loans	-	(4,453)	(28,761)	(23,049)
	Interest paid	(153)	(404)	(448)	(2,323)
	Cash flows used in from financing activities	(913)	(8,490)	(52,142)	(94,369)
	Net increase/(decrease) in cash and cash equivalents	1,435	7,878	7,950	(1,277)
	Cash and cash equivalents at beginning of period	26,709	32,781	20,194	41,936
	Cash and cash equivalents at end of period	28,144	40,659	28,144	40,659
Comprising:-					
	Cash at Bank	28,144	40,659	28,144	40,659
	Short-term deposits	-	-	-	-
		28,144	40,659	28,144	40,659

1(c) Condensed Interim Consolidated Statement of Cash Flows (cont'd)

Note(s):

- (a) In accordance with the terms of the relevant loan facility agreement, a security deposit in the aggregate amount of US\$0.5 million was placed with Chailease International Financial Services (Singapore) Pte. Ltd. The security deposit will be returned upon full and final repayment of the loan (or partially upon repayment of a tranche relating to a vessel), including interest and any other amounts due and payable.

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

	Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2021 Group				
At 1 January 2021	561,332	(6,725)	(425,043)	129,564
Total comprehensive loss for the period	-	-	(1,610)	(1,610)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(35,361)	(35,361)
At 30 September 2021	561,332	(6,725)	(462,014)	92,593

	Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2020 Group				
At 1 January 2020	561,332	(6,725)	(351,726)	202,881
Total comprehensive income for the period	-	-	8,469	8,469
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(53,042)	(53,042)
At 30 September 2020	561,332	(6,725)	(396,299)	158,308

	Units in Issue	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000
2021 Trust			
At 1 January 2021	561,332	(483,463)	77,869
Total comprehensive loss for the quarter	-	(580)	(580)
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(35,361)	(35,361)
At 30 September 2021	561,332	(519,404)	41,928

	Units in Issue	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000
2020 Trust			
At 1 January 2020	561,332	(403,410)	157,922
Total comprehensive loss for the quarter	-	(287)	(287)
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(53,042)	(53,042)
At 30 September 2020	561,332	(456,739)	104,593

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1(d)(ii) and 1(d)(iii) Details of any changes in Units and Total number of issued units

	Note	3Q 2021 Units	FY 2020 Units
At the beginning of the period		1,768,057,636	1,768,057,636
Units issued during the period		-	-
At the end of the period		1,768,057,636	1,768,057,636

There were no treasury shares and no subsidiary holdings as at 30 September 2021 and as at 30 September 2020.

1(d)(iv) Sales, transfers, cancellation and/or use of treasury units

Nil.

1(d)(v) Sales, transfers, cancellation and/or use of subsidiary holdings

Nil.

1(e) Notes to the Condensed Interim Consolidated Financial Statements

(i) Basis of Preparation

The condensed interim financial statements for the nine months ended 30 September 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and the Group's performance since the most recent audited annual financial statements for the year ended 31 December 2020.

The financial statements are presented in United States Dollars, which is the Trust's functional currency. All financial information presented in United States Dollars have been rounded to the nearest thousand, unless otherwise stated.

The Group has applied the same accounting policies and methods of computation applied in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2020.

(ii) Changes to Accounting Policies

The Group has adopted new and revised International Financial Reporting Standards ("IFRSs"), that are mandatory for application from 1 January 2021. The adoption of these IFRSs Interpretations and amendments to IFRSs did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

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1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(iii) Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 interim period.

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.

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.

The residual values of the vessels are estimated based on the average scrap steel price per light weight ton 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.

Refer to paragraph 1(b)(i)(a).

Impairment Assessment of Vessels

Impairment 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 a “value-in-use” methodology.

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 contract rates and/or inflation-adjusted daily rates from observable historical trends of 5 to 10 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.

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(iii) Use of judgements and estimates (cont'd)

Impairment Assessment of Vessels (cont'd)

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses using a pre-tax discount rate of 11.00% (December 2020: 11.00%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows.

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:

Classification of Leases

The Group owns vessels and leases them to lessees under fixed 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.

(iv) Seasonal operations

The Group's businesses are affected by seasonal and cyclical factors as the Group is active in the shipping industry which is cyclical and subject to seasonality and volatility based on factors beyond the control of the Group. In particular, the Group owns several tanker vessels which are used in the transport of oil and oil products which have seasonal demand fluctuations influenced by, inter alia, climate and weather conditions. Tanker markets are typically stronger during the winter months as a result of cooler temperatures and higher oil consumption in the northern hemisphere, but weaker during the spring and summer months as a result of warmer temperatures and lower oil consumption in the northern hemisphere, and refinery maintenance which is typically conducted in the summer months. The seasonality may result in quarter-to-quarter volatility in the operating and financial results of the Group. Cyclical changes in the market environment, such as a worsening of the current global economic conditions, affecting the demand for seaborne transportation of oil and oil products, changes in the supply and demand for oil and oil products, changes in the supply of tonnage and/or other unpredictable events may also cause tanker freight rates and vessel values to fluctuate and decline, adversely affecting the operations and financial results of the Group.

(v) Segment Reporting

The Trustee-Manager has determined the Group as one reportable segment as the Group is involved in the leasing and chartering of vessels which is carried out in international waters.

Geographical information

Revenue from external customers are attributed to the regions based on the customers' country of origin.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(v) Segment Reporting (cont'd)

	Revenue	
	9 Months 2021	9 Months 2020
	US\$'000	US\$'000
Asia	14,791	24,529
Europe	5,239	4,927
Others	-	12,041
Total	20,030	41,497

With respect to the presentation of vessels by 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 vessels to specific geographical locations.

(vi) Disaggregation of Revenue

	Group	
	9 Months 2021	9 Months 2020
	US\$'000	US\$'000
<u>Performance obligations satisfied over time</u>		
Bareboat charter lease income	5,239	15,609
Time charter income	4,286	6,210
Pool income	3,415	19,127
Freight income	7,090	551
Total	20,030	41,497

Bareboat charter lease income relates to lease income derived from operating leases, time charter income relates to income derived from two vessels time chartered to an international transportation provider, pool income relates to income substantially derived from vessels deployed on pool arrangements, and freight income relates to income derived from vessels trading in the spot market.

(vii) Significant items

	Group	
	9 Months 2021	9 Months 2020
	US\$'000	US\$'000
<u>Income</u>		
Gain on disposal of vessels	905	4,801
<u>Expenses</u>		
Depreciation on vessels	(4,618)	(12,834)
Impairment on vessels	(2,569)	(7,277)
Impairment on Non-Current Asset Classified as Held-for-Sale	-	(101)
Finance expenses		
- bank loans	(428)	(1,829)
- interest to agent	(2)	(5)
- amortisation of debt transaction costs	(236)	(603)
Net foreign exchange loss	(10)	(7)
Total	(676)	(2,444)

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(viii) Related Party Transactions

Significant transactions with related parties are as follows conducted at terms agreed between the parties.

	Group	
	9 Months 2021	9 Months 2020
	US\$'000	US\$'000
<u>Transactions with the Trustee-Manager</u>		
Management fees	348	1,218
Trustee fees	20	36
Disposal fees	106	412
Acquisition fees	50	-
<u>Transactions with other related parties</u>		
Directors' fees paid to non-executive directors ⁽¹⁾	165	159
Technical management fees paid to Prime Tanker Management Inc. ⁽²⁾	68	251

(1) Directors' fees paid to the four non-executive, independent directors.

(2) Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 1,292,288,508 of the Trust's issued units as at 30 September 2021.

(ix) Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	Group	
	9 Months 2021	9 Months 2020
	US\$'000	US\$'000
<u>Income tax</u>		
Current tax expense	-	8
Over provision in prior year	-	(10)
Total	-	(2)

(x) Commitments

(a) Operating lease commitments

The undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group	
	30 September 2021	30 September 2020
	US\$'000	US\$'000
Within one year	2,026	4,069
Between one to two years	6,971	6,962
Between two to three years	6,142	1,204
Between three to four years	5,020	1,222
Between four to five years	5,053	-
After five years	4,591	-
Total	29,803	13,457

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1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(x) Commitments (cont'd)

(b) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

Shipbuilding contracts
(Two LR2 Product Tankers)
Within one year

Group	
30 September 2021	30 September 2020
US\$'000	US\$'000
-	58,560

(xi) Fair Value Measurement

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust. The fair value hierarchy has the following levels:

- 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).

(a) Vessels

Fair value measurement disclosure of vessels is disclosed in paragraph 1(b)(i) Note (a).

(b) Non-derivative financial liabilities

The carrying amount of the variable rate bank loans, which are repriced on a monthly or quarterly basis at prevailing market interest rates (Level 2), closely reflects the corresponding fair values.

(c) 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 due to their short period to maturity and where the effect of discount is immaterial.

The Group does not have financial assets at fair value through other comprehensive income.

(xii) Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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

The condensed statements of financial position of the Group and the Trust as at 30 September 2021 and the related condensed consolidated income statements, condensed statements of comprehensive income and condensed consolidated statement of cash flows of the Group and the condensed statements of changes in unitholders' funds of the Group and the Trust for the nine-month period then ended and certain explanatory notes have not been audited or reviewed.

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

Refer to paragraph 1(e)(ii).

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

Refer to paragraph 1(b)(i)(a), 1(e)(ii) and 8(b)(i).

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			
	3Q 2021	3Q 2020	9 Months 2021	9 Months 2020
Basic and diluted (loss)/earnings per unit is based on:				
(Loss)/Profit for the quarter/ period (US\$'000)	(2,489)	463	(1,610)	8,469
Weighted average number of issued units (basic and diluted) ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Basic and diluted (loss)/earnings per unit based on weighted average number of units in issue (US Cents)	(0.14)	0.03	(0.09)	0.48
Number of issued units at end of quarter/ period ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)	1.50	1.50	3.50	3.00

As at 30 September 2021, the Trust did not have any outstanding instrument with potentially dilutive effect.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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	30 Sep 2021		31 Dec 2020	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.05	0.02	0.07	0.04

Note(s):

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

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

8. Review of Performance

The breakdown of the revenue and the net result from operations is as follows:

3Q 2021 vs 3Q 2020

	Group		
	3Q 2021	3Q 2020	Change
	US\$'000	US\$'000	%
Revenue	7,223	8,573	(15.7)
Voyage expenses	(2,922)	6	N.M.
Vessel operating expenses	(2,767)	(4,230)	(34.6)
Management fees	(110)	(212)	(48.1)
Trustee fees	(5)	(10)	(50.0)
Other Trust expenses [^]	(790)	(798)	(1.0)
Adjusted EBITDA^{^^}	629	3,329	(81.1)
Depreciation expense on vessels	(1,316)	(2,410)	(45.4)
Impairment on vessels	(1,950)	(1,972)	(1.1)
Impairment on Non-Current Asset Classified as Held-for-Sale	-	(101)	(100.0)
Gain on disposal of vessels	338	2,112	(84.0)
Results from operating activities (EBIT)	(2,299)	958	N.M.
Finance income	6	9	(33.3)
Finance expenses	(196)	(500)	(60.8)
(Loss)/Profit before tax (EBT)	(2,489)	467	N.M.
Income tax expense	-	(4)	(100.0)
(Loss)/Profit for the period	(2,489)	463	N.M.

[^] 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.

^{^^} Excluding gains/losses from the disposal of vessels and vessel impairments.

a. Adjusted EBITDA

Bareboat charter

i) Product tankers

Pelican Fisher, acquired by the Trust on 17 September 2021 is on bareboat charter to James Fisher Everard. Together with the other seven product tankers on bareboat charter to James Fisher Everard, they generated an adjusted EBITDA of US\$1.72 million in the quarter under review.

Time charter/Spot

i) Chemical tankers

The two chemical tankers, *FSL New York* and *FSL London*, have been employed on time charters since 12 June 2018 and 19 June 2018 and entered spot trading on 12 June 2021 and 2 August 2021 respectively. These vessels generated an adjusted EBITDA of US\$0.78 million in the quarter under review. *FSL New York* was sold on 29 September 2021.

8. Review of Performance (cont'd)

Pool/Revenue Sharing Agreement/Spot

i) Product tankers

FSL Singapore was deployed in a MR pool in April 2018 and entered spot trading on 01 May 2021. *FSL Singapore* entered shipyard for dry-docking on 26 July 2021. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$1.31) million in the quarter under review.

ii) Crude oil tanker

FSL Hong Kong has been deployed in a revenue sharing agreement since April 2017 and entered spot trading on 08 July 2021. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$0.35) million in the quarter under review.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 45.4% (US\$1.09 million) as a result of the disposal of one product tanker in March 2021, three containerships during the year 2020 and one chemical tanker in September 2021 and changes to residual value of eight product tankers and one crude oil tanker.

Depreciation on 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 July 2021. As a result of the change, depreciation expense for 3Q 2021 decreased by US\$0.15 million in aggregate.

- Crude oil tankers - *FSL Hong Kong*
- Product tankers - *Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, Speciality, Seniority, Superiority and FSL Singapore*

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount of *Clyde Fisher* had exceeded the recoverable amount and an impairment of US\$1.95 million for the vessel was recognized in the quarter under review.

c. Results from operating activities

FSL Trust incurred a net loss of US\$2.3 million in the quarter under review, compared to an operating profit of US\$1.0 million in the same period last year.

8. Review of Performance (cont'd)

d. Finance expenses

Finance expenses in 3Q 2021, including an exchange gain of US\$9,000 (3Q 2020: exchange loss US\$18,000), decreased by 60.8% (US\$0.3 million) mainly due to the lower outstanding indebtedness and LIBOR rates and lower amortisation of debt transaction costs.

For 3Q 2021, FSL Trust incurred a net loss of US\$2.5 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The tanker market is still suffering from reduced oil production and refinery throughput driven by reduced global demand for oil and oil products following the impacts of the COVID-19 pandemic on global demand for oil and oil products, leading to continuously depressed ton-mile demand and freight rates for tankers. As the winter season is approaching, coupled with the need for re-stocking requirements as the result reduced oil stocks in major economies world-wide as well as increased economic activity and commercial aviation, it is anticipated that demand for oil and oil products will increase. Uncertainties remain as to the timing and pace of an increase of oil production as well as a full recovery and return to pre-pandemic levels. Contracting of tanker newbuildings remains subdued amid technological uncertainties surrounding environmental regulations which, in combination with the aging of the active fleet, is expected to provide supportive supply fundamentals in the medium-term.

With 8 of the 11 vessels in the portfolio operating under fixed-rate period charters, generating contracted revenue of approx. US\$29.8 million over a dollar-weighted average remaining lease period of approximately 4 years (excluding optional extension periods and early termination options) and providing stability and cash flow visibility, the Trust is in a solid financial position and continues to follow the strategy of disposing older, environmentally less friendly vessels that do not have period charter coverage, whilst focusing to develop accretive projects in a challenging investment environment.

11. Distribution

(a) Current financial period

Any distributions declared for the current financial period	:	Yes
Amount	:	US\$26,520,865
Distribution Period	:	1 July 2021 to 30 September 2021
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US1.50 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

11. Distribution (cont'd)

(b) Corresponding Period of the Immediate Preceding Financial Period (cont'd)

Any distributions declared for the previous corresponding period	:	Yes
Amount	:	US\$26,520,865
Distribution Period	:	1 July 2020 to 30 September 2020
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US1.50 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

(c) Payment Date : 10 December 2021

(d) Books closure date : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 10 November for the purposes of determining each unitholder's entitlement to the Distribution of US1.50 cents per unit. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 10 November will be entitled to the Distribution to be paid on 10 December 2021.

(e) Currency election procedures : Unitholders whose units are held directly through CDP will receive their distribution in the Singapore dollar equivalent of the US1.50 cents per unit declared. Unitholders who wish to elect to receive the distribution in US dollars can do so by submitting a "Currency Election Notice" by 5.00 p.m. on 26 November 2021.

12. If no distribution has been declared/recommended, a statement to that effect and the reason(s) for the decision

Not applicable.

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

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

14. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Trustee-Manager, FSL Trust Management Pte. Ltd. confirms that it has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

15. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Trustee-Manager has confirmed that, to the best of their knowledge, that nothing has come to their attention which may render these interim financial results to be false or misleading in any material aspect.

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

By Order of the Board
FSL Trust Management Pte. Ltd.
(Company Registration No. 200702265R)
as Trustee-Manager of First Ship Lease Trust

Markus Wenker
Chief Financial Officer
1 November 2021