



FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

Corporate Information

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

As at 30 June 2023, the vessel portfolio comprised 8 tankers of different sizes, all of which are employed under fixed-rate period charters.

The combined portfolio of vessels had an average age of approximately 17 years and a dollar-weighted average remaining lease period of approximately 3 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

	1H 2023	1H 2022	Change
	US\$'000	US\$'000	%
Revenue	4,100	13,420	(69.4)
Adjusted EBITDA ⁽¹⁾	3,046	3,134	(2.8)
Profit for the period	1,821	2,232	(18.4)
Net distributable amount	-	1,025	(100.0)
Amount to be distributed	-	28,289	(100.0)
Distribution per unit (US Cents)	-	1.60	(100.0)
Average number of vessels	8.0	10.9	(26.6)

Note(s):

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

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

		Group		
		1H 2023	1H 2022	Change
		US\$'000	US\$'000	%
	Note			
Revenue		4,100	13,420	(69.4)
Depreciation expense on vessels	(a)	(1,436)	(2,343)	(38.7)
Gain on disposal of vessels	(b)	401	1,899	(78.9)
Voyage expenses		31	(5,295)	N.M.
Vessel operating expenses		(15)	(4,116)	(99.6)
Management fees		(700)	(257)	172.4
Trustee fees		(6)	(8)	(25.0)
Other trust expenses		(364)	(610)	(40.3)
Results from operating activities		2,011	2,690	(25.2)
Finance income		530	3	N.M.
Finance expenses		(664)	(461)	44.0
Profit before tax		1,877	2,232	(15.9)
Income tax expense		(56)	-	100.0
Profit for the period		1,821	2,232	(18.4)
Earnings per unit (US cents)				
Basic		0.10	0.13	(23.1)
Diluted		0.10	0.13	(23.1)

Note(s):

- (a) Including amortisation of dry-docking costs.
- (b) These relate to the sale of two chemical tankers (*FSL New York* and *FSL London*) and one crude oil tanker (*FSL Hong Kong*) in prior financial years.

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

		Group	
		1H 2023	1H 2022
		US\$'000	US\$'000
Profit for the period		1,821	2,232
Total comprehensive income, net of tax		1,821	2,232

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

1(a)(iii) Distribution Statements

		1H 2023	1H 2022
	Note	US\$'000	US\$'000
Profit for the period		1,821	2,232
Add: Non-cash adjustments	(a)	1,037	188
Net cash generated from operations		2,858	2,420
Less: Repayment of secured bank loans		(1,782)	(1,782)
Income available for distribution		1,076	638
Add: Utilisation of cash retained from previous periods	(b)	-	387
Less: Cash retained in the current period		(1,076)	-
Net distributable amount		-	1,025
Capital distribution		-	27,264
Total distribution	(c)	-	28,289
Comprising:(i) Tax-exempt distribution		-	28,282
(ii) Tax-exempt (one-tier) distribution		-	7
Amount to be distributed		-	28,289
Units at end of period ('000)		1,768,058	1,768,058
Distribution per unit (US Cents)		-	1.60

Note(s):

(a) Non-cash adjustments

	Group	
	1H 2023	1H 2022
	US\$'000	US\$'000
Depreciation expense on vessels [^]	1,436	2,085
Gain on disposal of vessels	(401)	(1,899)
Amortisation of initial direct costs ^{^^}	2	2
	1,037	188

[^] 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) No distribution has been recommended by the Board for the half year ended 30 June 2023.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

		30 June 2023		31 December 2022	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels	(a)	32,841	-	33,913	-
Subsidiaries		-	27,534	-	27,534
		32,841	27,534	33,913	27,534
Current assets					
Trade and other receivables		1,239	81	1,438	110
Cash and cash equivalents	(b)	31,507	25,680	30,116	23,673
		32,746	25,761	31,554	23,783
Total assets		65,587	53,295	65,467	51,317
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(508,369)	(531,705)	(510,190)	(531,952)
Total equity		52,963	29,627	51,142	29,380
Non-current liabilities					
Secured bank loans	(c)	8,389	-	10,107	-
Current liabilities					
Trade and other payables		750	23,612	808	21,931
Secured bank loans	(c)	3,429	-	3,404	-
Income tax payable		56	56	6	6
		4,235	23,668	4,218	21,937
Total liabilities		12,624	23,668	14,325	21,937
Total equity and liabilities		65,587	53,295	65,467	51,317

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

Note(s):

(a) Vessels

Group	<u>Vessels</u> US\$'000	<u>Initial direct costs</u> US\$'000	<u>Total</u> US\$'000
As at 30 June 2023			
<u>Cost</u>			
At 1 January 2023	118,398	719	119,117
Additions	366	-	366
At 30 June 2023	118,764	719	119,483
Less:			
<u>Accumulated depreciation/ amortisation and impairments</u>			
At 1 January 2023	84,530	674	85,204
Depreciation/amortisation charge for the period	1,436	2	1,438
At 30 June 2023	85,966	676	86,642
<u>Carrying amount</u>			
At 30 June 2023	32,798	43	32,841
As at 31 December 2022			
Cost	118,398	719	119,117
Less: Accumulated depreciation/ amortisation and impairments	84,530	674	85,204
Net book value	33,868	45	33,913

During the half year ended 30 June 2023, there was a revision to the gain on disposal of US\$401,000 for one chemical tanker (*FSL New York*) disposed in September 2021, one chemical tanker (*FSL London*) disposed in July 2022 and one crude oil tanker (*FSL Hong Kong*) disposed in June 2022.

During the half year ended 30 June 2023, no further impairment is recorded for the vessels as the recoverable amount based on value in use calculations/fair value less costs of disposal was higher than their carrying values (1H 2022: no impairment). As at 30 June 2023, the carrying amount of the vessels was US\$32,841,000 (FY 2022: US\$33,913,000).

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.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

Note(s):

(a) Vessels (cont'd)

Vessel portfolio as at 30 June 2023:

<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

(b) Cash and cash equivalents comprise:

	30 June 2023		31 December 2022	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks	6,912	1,085	7,550	1,107
Short-term deposits	24,595	24,595	22,566	22,566
Cash and cash equivalents	31,507	25,680	30,116	23,673
Cash and cash equivalents in the Consolidated Statement of Cash Flows	31,507	25,680	30,116	23,673

(c) Aggregate amount of the Group's borrowings and debt securities

	30 June 2023	31 December 2022
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	3,565	3,564
Less: Unamortised debt transaction costs	(136)	(160)
	3,429	3,404
<u>Repayable after one year</u>		
Secured bank loans	8,539	10,322
Less: Unamortised debt transaction costs	(150)	(215)
	8,389	10,107

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

Note(s):

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

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. for the refinancing of six vessels. In October 2021, the Trustee-Manager, on behalf of FSL Trust, through one of its subsidiaries, entered into another US\$3.95 million term loan facility agreement with Chailease International Financial Services (Singapore) Pte. Ltd. for the refinancing of one vessel. The pricing of the two loans is USD LIBOR plus 3.975% and each of the loans is secured by the following collaterals:

- (i) a first priority mortgage over the relevant vessel(s);
- (ii) a first priority assignment of the relevant vessels' rights, title, interest in the insurances to and for each relevant vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the relevant vessels' rights, title and interest in and to the charter agreements and the charter income of each relevant vessel;
- (iv) pledges of the shares of the relevant vessel-owning subsidiaries and their bank accounts; and
- (v) a corporate guarantee by the Trustee-Manager, on behalf of FSL Trust.

The aggregate outstanding balance under the loans was US\$12.10 million as at 30 June 2023 and, as at 30 June 2023, the Group is in compliance with the terms of the loans.

Completion of London Interbank Offered Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR") transitions

Both term loan facilities with Chailease International Financial Services (Singapore) Pte. Ltd. with LIBOR-based benchmark rate has been replaced by Term SOFR-based benchmark rate. The revised pricing of the two loans is Term SOFR plus 4.08948% with effect from Q3 2023.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

1(c) Condensed Interim Consolidated Statement of Cash Flows

	Note	Group	
		1H 2023	1H 2022
		US\$'000	US\$'000
Operating activities:			
Profit before tax		1,877	2,232
Adjustments for:			
Depreciation expense on vessels		1,436	2,343
Amortisation of debt transaction costs		89	112
Amortisation of initial direct costs		2	2
Interest income		(530)	(3)
Interest expense		571	374
Gain on disposal of vessels		(401)	(1,899)
		3,044	3,161
Change in working capital:			
Trade and other receivables		193	2,408
Inventories		-	(440)
Trade and other payables		348	(63)
Cash generated from operations		3,585	5,066
Income tax paid		(6)	(1)
Cash flows generated from/(used in) operating activities		3,579	5,065
Investing activities:			
Costs incurred for vessel equipment		(366)	(270)
Costs incurred for dry-docking		-	(333)
Interest received		536	3
Net proceeds on disposal of vessels		-	18,665
Cash flows generated from/(used in) investing activities		170	18,065
Financing activities:			
Repayment of secured bank loans		(1,782)	(1,782)
Interest paid		(576)	(372)
Cash flows generated from/(used in) financing activities		(2,358)	(2,154)
Net increase in cash and cash equivalents		1,391	20,976
Cash and cash equivalents at beginning of period		30,116	3,667
Cash and cash equivalents at end of period		31,507	24,643
Comprising:-			
Cash at banks		6,912	24,643
Short-term deposits		24,595	-
		31,507	24,643

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

2023 Group

At 1 January 2023
Total comprehensive income for the period
At 30 June 2023

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(503,465)	51,142
-	-	1,821	1,821
561,332	(6,725)	(501,644)	52,963

2022 Group

At 1 January 2022
Total comprehensive income for the period
At 30 June 2022

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(488,447)	66,160
-	-	2,232	2,232
561,332	(6,725)	(486,215)	68,392

2023 Trust

At 1 January 2023
Total comprehensive income for the period
At 30 June 2023

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(531,952)	29,380
-	247	247
561,332	(531,705)	29,627

2022 Trust

At 1 January 2022
Total comprehensive loss for the period
At 30 June 2022

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(539,235)	22,097
-	(411)	(411)
561,332	(539,646)	21,686

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

Note	1H 2023 Units	FY 2022 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 June 2023 and as at 30 June 2022.

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 half year ended 30 June 2023 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 2022.

The financial statements are presented in United States Dollars (US\$), which is the Trust's functional currency. All financial information presented in US\$ have been rounded to the nearest thousand (US\$'000), 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 2022.

(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 2023. 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.

(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.

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

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

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.

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.

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses using a pre-tax discount rate of 14.08% (December 2022: 14.08%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows.

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

(iii) Use of judgements and estimates (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 interim financial statements are as follows:

Classification of leases

The Group owns vessels and leases them to lessees under fixed rate bareboat 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 not affected significantly by seasonal or cyclical factors during the financial period.

(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.

	Revenue	
	1H 2023	1H 2022
	US\$'000	US\$'000
Asia	-	1,691
Europe	3,949	3,878
North America	151	7,851
Total	4,100	13,420

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.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

(vi) Disaggregation of revenue

	Group	
	1H 2023	1H 2022
	US\$'000	US\$'000
<u>Performance obligations satisfied over time</u>		
Bareboat charter lease income	3,949	3,877
Pool income	-	1,062
Freight income	151	8,481
Total	4,100	13,420

Bareboat charter lease income relates to lease income derived from operating leases, pool income relates to income substantially derived from vessels deployed on pool arrangements, and freight income relates to income substantially derived from vessel trading in the spot market.

(vii) Significant items

	Group	
	1H 2023	1H 2022
	US\$'000	US\$'000
<u>Income</u>		
Gain on disposal of vessels	401	1,899
<u>Expenses</u>		
Depreciation on vessels	(1,436)	(2,343)
Finance expenses		
- bank loans	(571)	(370)
- interest to agent	-	(4)
- amortisation of debt transaction costs	(89)	(112)
Net foreign exchange (loss)/gain	(4)	25
Total finance expenses	(664)	(461)

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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	
	1H 2023	1H 2022
	US\$'000	US\$'000
<u>Transactions with the Trustee-Manager</u>		
Management fees	700	257
Trustee fees	6	8
Disposal fees	-	97
<u>Transactions with other related parties</u>		
Directors' fees paid to non-executive directors ⁽¹⁾	55	90
Corporate secretarial fees paid to FSL Asset Management Pte. Ltd. ⁽²⁾	11	4
Technical management fees paid to Prime Tanker Management Inc. ⁽³⁾	-	225
Commercial management fees paid to Prime Tanker Management Inc. ⁽³⁾	-	99

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

(2) FSL Asset Management Pte Ltd is the 100% shareholder of FSL Trust Management Pte Ltd, who is deemed interested in 77 of the Trust's issued units as at 30 June 2023.

(3) Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 1,283,671,008 of the Trust's issued units as at 30 June 2023.

(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	
	1H 2023	1H 2022
	US\$'000	US\$'000
<u>Income tax</u>		
Current tax expense	56	-
Total	56	-

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

(x) Commitments

(a) Operating lease commitments

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

	Group	
	1H 2023	1H 2022
	US\$'000	US\$'000
Within one year	4,032	3,906
Between one to two years	8,130	6,142
Between two to three years	6,038	5,020
Between three to four years	1,670	5,053
Between four to five years	1,077	1,670
After five years	1,844	2,921
Total	22,791	24,712

(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 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 HALF YEAR ENDED 30 JUNE 2023

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 June 2023 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 six-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(e)(ii).

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	
	1H 2023	1H 2022
Basic and diluted earnings per unit is based on:		
Profit for the period (US\$'000)	1,821	2,232
Weighted average number of issued units (basic and diluted) ('000)	1,768,058	1,768,058
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.10	0.13
Number of issued units at end of period ('000)	1,768,058	1,768,058
Distribution per unit (US Cents)	-	1.60

As at 30 June 2023, 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 HALF YEAR ENDED 30 JUNE 2023

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 June 2023		31 December 2022	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.03	0.02	0.03	0.02

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.

8. Review of Performance

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

1H 2023 vs 1H 2022

	Group		
	1H 2023	1H 2022	Change
	US\$'000	US\$'000	%
Revenue	4,100	13,420	(69.4)
Voyage expenses	31	(5,295)	N.M.
Vessel operating expenses	(15)	(4,116)	(99.6)
Management fees	(700)	(257)	172.4
Trustee fees	(6)	(8)	(25.0)
Other Trust expenses [^]	(364)	(610)	(40.3)
Adjusted EBITDA^{^^}	3,046	3,134	(2.8)
Depreciation expense on vessels	(1,436)	(2,343)	(38.7)
Gain on disposal of vessels	401	1,899	(78.9)
Results from operating activities (EBIT)	2,011	2,690	(25.2)
Finance income	530	3	N.M.
Finance expenses	(664)	(461)	44.0
Profit before tax (EBT)	1,877	2,232	(15.9)
Income tax expense	(56)	-	100.0
Profit for the period	1,821	2,232	(18.4)

[^] 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) Specialised tankers

All eight vessels are on bareboat charter to James Fisher Everard Limited and generated an adjusted EBITDA of US\$3.20 million in aggregate in the period under review.

8. Review of Performance (cont'd)

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 38.7% (US\$0.91 million) as a result of:

- (a) lower depreciation expenses of US\$0.88 million due to the disposal of one crude oil tanker in June 2022 and one product tanker in October 2022.
- (b) lower depreciation expenses of US\$0.07 million due to lower depreciation arising from impairment on vessel taken in prior year.

c. Results from operating activities

FSL Trust generated an operating profit of US\$2.01 million in the period under review, compared to US\$2.69 million in the same period last year.

d. Finance expenses

Finance expenses during the half year ended 30 June 2023, including an exchange loss of US\$4,000 (1H 2022: exchange gain of US\$25,000), increased by 44.0% (US\$0.20 million) mainly due to increases in USD LIBOR rates.

For the half year ended 30 June 2023, FSL Trust achieved a net profit of US\$1.82 million (1H 2022: US\$2.23 million).

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Tanker market conditions are currently softer than the first half of the previous year. Factors influencing demand include the reduction in production from OPEC exporters, warmer weather in Europe and the demand from China making slower than expected recovery post the lifting of the zero-Covid policy. The global macro-economic headwinds are now affecting the consumers' demand in some major economies.

The introduction of new environmental regulations is expected to have an impact on supply fundamentals and, thus, tanker market conditions.

All of the Trust's vessels operate under fixed-rate period charters and the market exposure of the Trust is limited to one vessel that has an additional profit share.

11. Distribution

(a) Current financial period

Any distributions declared for the current financial period : No

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the previous corresponding period : Yes

Amount : US\$28,288,922

Distribution Period : 1 April 2022 to 30 June 2022

Distribution Type : Cash, Tax-exempt Distribution

Distribution Rate : US1.60 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.

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

To conserve liquidity for investment opportunities.

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.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

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

Roger Woods
Chief Executive Officer
03 August 2023