



**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 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 31 December 2021, the vessel portfolio comprised 11 vessels of which 8 vessels were employed on fixed-rate period charters.

The combined portfolio of vessels had an average age of approximately 15 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**

	<b>4Q 2021</b>	<b>4Q 2020</b>	<b>Change</b>	<b>12 Months 2021</b>	<b>12 Months 2020</b>	<b>Change</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
Revenue	4,945	6,835	(27.7)	24,975	48,332	(48.3)
Adjusted EBITDA <sup>(1)</sup>	1,441	3,054	(52.8)	6,763	29,118	(76.8)
Profit/(Loss) for the quarter/ period	88	(2,223)	N.M.	(1,522)	6,246	N.M.
Net distributable amount	-	-	-	2,812	27,150	(89.6)
Amount to be distributed	-	-	-	61,882	53,042	16.7
Distribution per unit (US Cents)	-	-	-	3.50	3.00	16.7
Average number of vessels	11.0	12.3	(10.6)	11.3	14.5	(22.1)

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**

		<b>Group</b>					
		<b>4Q 2021</b>	<b>4Q 2020</b>	<b>Change</b>	<b>12 Months 2021</b>	<b>12 Months 2020</b>	<b>Change</b>
<b>Note</b>		<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
	<b>Revenue</b>	4,945	6,835	(27.7)	24,975	48,332	(48.3)
(a)	Depreciation expense on vessels	(1,168)	(1,934)	(39.6)	(5,786)	(14,768)	(60.8)
(b)	Gain on disposal of vessels	180	166	8.4	1,085	4,967	(78.2)
	Impairment on vessels	(149)	(3,117)	(95.2)	(2,718)	(10,394)	(73.9)
	Impairment on Non-Current Asset Classified as Held-for-Sale	-	-	-	-	(101)	(100.0)
	Voyage expenses	(500)	-	100.00	(4,610)	(276)	1570.3
	Vessel operating expenses	(2,290)	(3,294)	(30.5)	(11,155)	(15,538)	(28.2)
	Management fees	(107)	(147)	(27.2)	(455)	(1,365)	(66.7)
	Trustee fees	(5)	(9)	(44.4)	(25)	(45)	(44.4)
	Other Trust expenses	(602)	(331)	81.9	(1,967)	(1,990)	(1.2)
	<b>Results from operating activities</b>	304	(1,831)	N.M.	(656)	8,822	N.M.
	Finance income	5	18	(72.2)	31	280	(88.9)
	Finance expenses	(220)	(411)	(46.5)	(896)	(2,855)	(68.6)
	<b>Profit/(Loss) before tax</b>	89	(2,224)	N.M.	(1,521)	6,247	N.M.
	Income tax expense	(1)	1	N.M.	(1)	(1)	-
	<b>Profit/(Loss) for the period</b>	88	(2,223)	N.M.	(1,522)	6,246	N.M.
	<b>Earnings per unit (US cents)</b>						
	Basic	0.00	(0.13)	N.M.	(0.09)	0.35	N.M.
	Diluted	0.00	(0.13)	N.M.	(0.09)	0.35	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**

		<b>Group</b>			
		<b>4Q 2021</b>	<b>4Q 2020</b>	<b>12 Months 2021</b>	<b>12 Months 2020</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
	<b>Profit/(Loss) for the period</b>	88	(2,223)	(1,522)	6,246
	<b>Total comprehensive income/(loss)/, net of tax</b>	88	(2,223)	(1,522)	6,246

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

		4Q 2021	4Q 2020	12 Months 2021	12 Months 2020
	Note	US\$'000	US\$'000	US\$'000	US\$'000
<b>Profit/(Loss) for the period</b>		88	(2,223)	(1,522)	6,246
Add: Non-cash adjustments	(a)	1,049	4,638	6,918	19,228
<b>Net cash generated from operations</b>		1,137	2,415	5,396	25,474
Less: Repayment of secured bank loans		(750)	(1,871)	(2,741)	(17,826)
Prepayment of secured bank loans	(b)	-	-	-	(2,944)
<b>Income available for distribution</b>		387	544	2,655	4,704
Add: Utilisation of cash retained from previous periods	(c)	-	-	2,462	22,446
Less: Cash retained in the current period		(387)	(544)	(2,305)	-
<b>Net distributable amount</b>		-	-	2,812	27,150
Capital distribution		-	-	59,070	25,892
<b>Total distribution</b>	(d)	-	-	61,882	53,042
Comprising:(i) Tax-exempt distribution		-	-	61,837	52,576
(ii) Tax-exempt (one-tier) distribution		-	-	45	466
<b>Amount to be distributed</b>		-	-	61,882	53,042
Units at end of period ('000)		1,768,058	1,768,058	1,768,058	1,768,058
<b>Distribution per unit (US Cents)</b>		-	-	3.50	3.00

Note(s):

(a) Non-cash adjustments

	Group			
	4Q 2021	4Q 2020	12 Months 2021	12 Months 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels <sup>^</sup>	1,080	1,686	5,285	13,685
Impairment on vessels	149	3,117	2,718	10,394
Impairment on Non-Current Asset Classified as Held-for-Sale	-	-	-	101
Gain on disposal of vessels	(180)	(166)	(1,085)	(4,967)
Amortisation of initial direct costs <sup>^^</sup>	-	1	-	15
	1,049	4,638	6,918	19,228

<sup>^</sup> Excluding amortisation of dry-docking costs.

<sup>^^</sup> Excluding amortisation of deferred arrangement fees.

(b) For the year ended 31 December 2021, US\$28.8 million of the cash proceeds from the disposal of the two LR2 product tanker newbuildings was used to prepay secured bank loans. For the year ended 31 December 2020, US\$15.6 million of the cash proceeds from the sale of two product tankers and one crude oil tanker as well as US\$4.5 million of cash freely available to the Trust were used to prepay secured bank loans. However, as these amounts were not generated from operations, they have not been included in this statement.

(c) 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.

(d) No distribution has been recommended by the Board for the fourth quarter of 2021.

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

		31 December 2021		31 December 2020	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
	<b>Note</b>				
<b>Non-current assets</b>					
Vessels	(a)	66,171	-	136,105	-
Subsidiaries		-	28,318	-	35,072
		66,171	28,318	136,105	35,072
<b>Current assets</b>					
Trade and other receivables		4,946	83	5,036	32,145
Cash and cash equivalents	(b)	3,667	792	20,694	10,877
Non-current assets classified as held-for-sale	(a)	8,890	-	-	-
		17,503	875	25,730	43,022
<b>Total assets</b>		83,674	29,193	161,835	78,094
<b>Equity attributable to unitholders of FSL Trust</b>					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(495,172)	(539,235)	(431,768)	(483,463)
<b>Total equity</b>		66,160	22,097	129,564	77,869
<b>Non-current liabilities</b>					
Secured bank loans	(c)	13,507	-	13,303	-
<b>Current liabilities</b>					
Trade and other payables		645	7,095	1,663	214
Lease income received in advance		-	-	756	-
Secured bank loans	(c)	3,361	-	16,538	-
Income tax payable		1	1	11	11
		4,007	7,096	18,968	225
<b>Total liabilities</b>		17,514	7,096	32,271	225
<b>Total equity and liabilities</b>		83,674	29,193	161,835	78,094

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

Note(s):

(a) Vessels

<b>Group</b>	<u>Vessels</u>	<u>Vessels</u> <u>under</u> <u>construction</u>	<u>Initial</u> <u>direct costs</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>12 months ended 31 December 2021</b>				
<u>Cost</u>				
At 1 January 2021	372,964	43,319	2,716	418,999
Additions	10,836	59,510	54	70,400
Disposals	(78,874)	(102,829)	(533)	(182,236)
Reclassified to non-current assets classified as held-for-sale	(54,938)	-	-	(54,938)
At 31 December 2021	<u>249,988</u>	<u>-</u>	<u>2,237</u>	<u>252,225</u>
 <u>Less:</u>				
<u>Accumulated depreciation/ amortisation and impairments</u>				
At 1 January 2021	280,630	-	2,264	282,894
Depreciation/amortisation charge for the period	5,786	-	1	5,787
Impairment recognised in the income statement	2,718	-	-	2,718
Disposals	(59,220)	-	(77)	(59,297)
Reclassified to non-current assets classified as held-for-sale	(46,048)	-	-	(46,048)
At 31 December 2021	<u>183,866</u>	<u>-</u>	<u>2,188</u>	<u>186,054</u>
 <u>Carrying amount</u>				
At 31 December 2021	<u>66,122</u>	<u>-</u>	<u>49</u>	<u>66,171</u>
 <b>As at 31 December 2020</b>				
Cost	372,964	43,319	2,716	418,999
Accumulated depreciation/ amortisation and impairments	280,630	-	2,264	282,894
Net book value	<u>92,334</u>	<u>43,319</u>	<u>452</u>	<u>136,105</u>

During the twelve-month period ended 31 December 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\$124,024,000, resulting in a gain on disposal of US\$958,000.

In addition, during the twelve-month period ended 31 December 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 twelve-month period ended 31 December 2021, the Group recognised an impairment on vessels amounting to US\$2,718,000 based on value in use calculations/fair value less costs of disposal (FY 2020: US\$10,394,000 based on value in use calculations/fair value less costs of disposal). As at 31 December 2021, the carrying amount of the vessels was US\$66,171,000 (FY 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 31 December 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 31 December 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 31 December 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	Idle
FSL Hong Kong	Crude Oil Tanker	2007	115,000 DWT	Spot/Pool

(b) Cash and cash equivalents comprise:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash and cash equivalents	3,667	792	20,694	10,877
Less: Restricted cash <sup>^</sup>	-	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	3,667	792	20,194	10,877

<sup>^</sup> 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

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Secured bank loans</b>		
<u>Repayable within one year</u>		
Secured bank loans	3,564	16,666
Less: Unamortised debt transaction costs	(203)	(128)
	3,361	16,538
<u>Repayable after one year</u>		
Secured bank loans	13,886	13,336
Less: Unamortised debt transaction costs	(379)	(33)
	13,507	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. 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:

- (i) a first priority mortgage over the relevant vessels;
- (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\$17.45 million as at 31 December 2021 and, as at 31 December 2021, the Group is in compliance with the terms of the loans.

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**

		<b>Group</b>			
		<b>4Q 2021</b>	<b>4Q 2020</b>	<b>12 Months 2021</b>	<b>12 Months 2020</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Note</b>					
	<b>Operating activities:</b>				
	Profit/(Loss) before tax	89	(2,224)	(1,521)	6,247
	Adjustments for:				
	Depreciation expense on vessels	1,168	1,934	5,786	14,768
	Impairment on vessels	149	3,117	2,718	10,394
	Impairment on Non-Current Asset Classified as Held-for-Sale	-	-	-	101
	Amortisation of debt transaction costs	54	52	290	655
	Amortisation of initial direct costs	1	4	1	111
	Interest income	(5)	(18)	(31)	(280)
	Interest expense	174	333	604	2,167
	Gain on disposal of vessels	(180)	(166)	(1,085)	(4,967)
		1,450	3,032	6,762	29,196
	Changes in working capital:				
	Trade and other receivables	(648)	111	690	8,112
	Inventories	347	-	-	-
	Trade and other payables	(622)	75	(1,002)	(64)
	Lease income received in advance	-	8	(756)	756
	<b>Cash generated from operating activities</b>	<b>527</b>	<b>3,226</b>	<b>5,694</b>	<b>38,000</b>
	Income tax paid	-	-	(11)	(29)
	<b>Cash flows generated from operating activities</b>	<b>527</b>	<b>3,226</b>	<b>5,683</b>	<b>37,971</b>
	<b>Investing activities:</b>				
	Acquisition of vessel	-	-	(5,000)	-
	Vessels initial direct costs	3	-	(54)	-
	Costs incurred for the vessels under construction	181	(982)	(59,510)	(21,489)
	Costs incurred for vessel equipment	(1,154)	(1,546)	(4,516)	(2,751)
	Costs incurred for dry-docking	(405)	-	(1,320)	-
	Interest received	5	19	31	313
	Net proceeds on disposal of vessels	89	7,542	124,024	87,307
	<b>Cash flows (used in)/generated from investing activities</b>	<b>(1,281)</b>	<b>5,033</b>	<b>53,655</b>	<b>63,380</b>
	<b>Financing activities:</b>				
	Loan drawdown	3,950	-	18,950	-
	Security deposit	(100)	-	(600)	-
	Payment of upfront closing fees	(130)	-	(711)	-
	Distribution to unitholders	(26,521)	(26,521)	(61,882)	(79,563)
	Pledged deposit	-	-	500	-
	Repayment of secured bank loans	(750)	(1,871)	(2,741)	(17,826)
	Prepayment of secured bank loans	-	-	(28,761)	(23,049)
	Interest paid	(172)	(332)	(620)	(2,655)
	<b>Cash flows used in from financing activities</b>	<b>(23,723)</b>	<b>(28,724)</b>	<b>(75,865)</b>	<b>(123,093)</b>
	Net decrease in cash and cash equivalents	(24,477)	(20,465)	(16,527)	(21,742)
	Cash and cash equivalents at beginning of period	28,144	40,659	20,194	41,936
	Cash and cash equivalents at end of period	3,667	20,194	3,667	20,194
	<b>Comprising:-</b>				
	Cash at Bank	3,667	20,194	3,667	20,194
	Short-term deposits	-	-	-	-
		3,667	20,194	3,667	20,194



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

Note(s):

- (a) In accordance with the terms of the relevant term loan facility agreements referred to in note (c) to paragraph 1(b)(i) above, two security deposits in the amount of US\$0.5 million and US\$0.1 million, respectively, were placed with Chailease International Financial Services (Singapore) Pte. Ltd. The security deposits will be returned upon full and final repayment of the loans (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**

	<b>Units in Issue</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2021 Group</b>				
At 1 January 2021	561,332	(6,725)	(425,043)	129,564
Total comprehensive loss for the period	-	-	(1,522)	(1,522)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(61,882)	(61,882)
At 31 December 2021	561,332	(6,725)	(488,447)	66,160

	<b>Units in Issue</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2020 Group</b>				
At 1 January 2020	561,332	(6,725)	(351,726)	202,881
Total comprehensive income for the period	-	-	6,246	6,246
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(79,563)	(79,563)
At 31 December 2020	561,332	(6,725)	(425,043)	129,564

	<b>Units in Issue</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2021 Trust</b>			
At 1 January 2021	561,332	(483,463)	77,869
Total comprehensive income for the period	-	6,110	6,110
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(61,882)	(61,882)
At 31 December 2021	561,332	(539,235)	22,097

	<b>Units in Issue</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>2020 Trust</b>			
At 1 January 2020	561,332	(403,410)	157,922
Total comprehensive loss for the period	-	(490)	(490)
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(79,563)	(79,563)
At 31 December 2020	561,332	(483,463)	77,869

**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

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

Note	4Q 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 31 December 2021 and as at 31 December 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 twelve months ended 31 December 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 11.72% (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 FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

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

**(v) Segment Reporting (cont'd)**

	Revenue	
	12 Months 2021	12 Months 2020
	US\$'000	US\$'000
Asia	15,953	29,212
Europe	7,264	6,590
Others	1,758	12,530
<b>Total</b>	<b>24,975</b>	<b>48,332</b>

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	
	12 Months 2021	12 Months 2020
	US\$'000	US\$'000
<u>Performance obligations satisfied over time</u>		
Bareboat charter lease income	7,265	17,458
Time charter income	4,388	8,414
Pool income	3,939	21,909
Freight income	9,383	551
<b>Total</b>	<b>24,975</b>	<b>48,332</b>

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	
	12 Months 2021	12 Months 2020
	US\$'000	US\$'000
<u>Income</u>		
Gain on disposal of vessels	1,085	4,967
<u>Expenses</u>		
Depreciation on vessels	(5,786)	(14,768)
Impairment on vessels	(2,718)	(10,394)
Impairment on Non-Current Asset Classified as Held-for-Sale	-	(101)
Finance expenses		
- bank loans	(602)	(2,162)
- interest to agent	(2)	(5)
- amortisation of debt transaction costs	(290)	(655)
Net foreign exchange loss	(2)	(33)
<b>Total</b>	<b>(896)</b>	<b>(2,855)</b>

**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 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.

	<b>Group</b>	
	<b>12 Months 2021</b>	<b>12 Months 2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Transactions with the Trustee-Manager</u>		
Management fees	455	1,365
Trustee fees	25	45
Disposal fees	106	451
Acquisition fees	50	-
<u>Transactions with other related parties</u>		
Directors' fees paid to non-executive directors <sup>(1)</sup>	219	212
Technical management fees paid to Prime Tanker Management Inc. <sup>(2)</sup>	142	297
Commercial management fees paid to Prime Tanker Management Inc. <sup>(2)</sup>	10	-

(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 1,283,671,008 of the Trust's issued units as at 31 December 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:

	<b>Group</b>	
	<b>12 Months 2021</b>	<b>12 Months 2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Income tax</u>		
Current tax expense	1	10
Over provision in prior year	-	(9)
<b>Total</b>	<b>1</b>	<b>1</b>

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**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

**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 to be received after the reporting date are as follows:

	<b>Group</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Within one year	7,738	11,048
Between one to two years	6,142	5,037
Between two to three years	5,020	5,146
Between three to four years	5,053	3,995
Between four to five years	1,670	4,015
After five years	2,921	594
<b>Total</b>	<b>28,544</b>	<b>29,835</b>

(b) Capital commitments

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

	<b>Group</b>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Shipbuilding contracts</u> <u>(Two LR2 Product Tankers)</u>		
Within one year	-	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.



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

**(xi) Fair Value Measurement (cont'd)**

(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.

**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 31 December 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 twelve-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).

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**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

**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 2021	4Q 2020	12 Months 2021	12 Months 2020
Basic and diluted earnings/(loss) per unit is based on:				
Profit/(Loss) for the quarter/ period (US\$'000)	88	(2,223)	(1,522)	6,246
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 earnings/(loss) per unit based on weighted average number of units in issue (US Cents)	- *	(0.13)	(0.09)	0.35
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)	-	-	3.50	3.00

As at 31 December 2021, the Trust did not have any outstanding instrument with potentially dilutive effect.

\* Less than 0.01 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 2021		31 Dec 2020	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.04	0.01	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 FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

**8. Review of Performance**

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

4Q 2021 vs 4Q 2020

	Group		
	4Q 2021	4Q 2020	Change
	US\$'000	US\$'000	%
<b>Revenue</b>	4,945	6,835	(27.7)
Voyage expenses	(500)	-	100.0
Vessel operating expenses	(2,290)	(3,294)	(30.5)
Management fees	(107)	(147)	(27.2)
Trustee fees	(5)	(9)	(44.4)
Other Trust expenses <sup>^</sup>	(602)	(331)	81.9
<b>Adjusted EBITDA<sup>^^</sup></b>	<b>1,441</b>	<b>3,054</b>	<b>(52.8)</b>
Depreciation expense on vessels	(1,168)	(1,934)	(39.6)
Impairment on vessels	(149)	(3,117)	(95.2)
Gain on disposal of vessels	180	166	8.4
<b>Results from operating activities (EBIT)</b>	<b>304</b>	<b>(1,831)</b>	<b>N.M.</b>
Finance income	5	18	(72.2)
Finance expenses	(220)	(411)	(46.5)
<b>Profit/(Loss) before tax (EBT)</b>	<b>89</b>	<b>(2,224)</b>	<b>N.M.</b>
Income tax expense	(1)	1	N.M.
<b>Profit(Loss) for the quarter</b>	<b>88</b>	<b>(2,223)</b>	<b>N.M.</b>

<sup>^</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.

<sup>^^</sup> 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\$1.92 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 incurred an adjusted EBITDA of (US\$0.28) million in the quarter under review. *FSL New York* was sold on 29 September 2021 and *FSL London* is idle.

**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 for the period 26 July to 2 November 2021. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$0.58 million in the quarter under review.

*FSL Osaka* was deployed in a MR pool since November 2015 and entered spot trading on 17 January 2021, before she was sold in March 2021. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$0.13) million in the quarter under review. *FSL Osaka* was sold on 23 March 2021.

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\$0.38) million in the quarter under review.

*FSL Shanghai*, until she was sold in March 2020, has been deployed in a revenue sharing agreement since September 2017. There was a revision to the vessel operating expenses resulting in an adjusted EBITDA of (US\$0.03) million in the quarter under review.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 39.6% (US\$0.77 million) as a result of the disposal of one product tanker in March 2021 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 4Q 2021 decreased by US\$0.16 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\$0.15 million for the vessel was recognized in the quarter under review.

**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

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

c. Results from operating activities

FSL Trust generated an operating profit of US\$0.3 million in the quarter under review, compared to an operating loss of US\$1.8 million in the same period last year.

d. Finance expenses

Finance expenses in 4Q 2021, including an exchange gain of US\$8,000 (4Q 2020: exchange loss US\$25,000), decreased by 46.5% (US\$0.2 million) mainly due to the lower outstanding indebtedness and LIBOR rates.

For 4Q 2021, FSL Trust achieved a net profit of US\$0.09 million.

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

FY 2021 vs FY 2020

	<b>Group</b>		
	<b>12 Months 2021</b>	<b>12 Months 2020</b>	<b>Change</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
<b>Revenue</b>	24,975	48,332	(48.3)
Voyage expenses	(4,610)	(276)	1570.3
Vessel operating expenses	(11,155)	(15,538)	(28.2)
Management fees	(455)	(1,365)	(66.7)
Trustee fees	(25)	(45)	(44.4)
Other Trust expenses <sup>^</sup>	(1,967)	(1,990)	(1.2)
<b>Adjusted EBITDA<sup>^^</sup></b>	<b>6,763</b>	<b>29,118</b>	<b>(76.8)</b>
Depreciation expense on vessels	(5,786)	(14,768)	(60.8)
Impairment on vessels	(2,718)	(10,394)	(73.9)
Impairment on Non-Current Asset Classified as Held-for-Sale	-	(101)	(100.0)
Gain on disposal of vessels	1,085	4,967	(78.2)
<b>Results from operating activities (EBIT)</b>	<b>(656)</b>	<b>8,822</b>	<b>N.M.</b>
Finance income	31	280	(88.9)
Finance expenses	(896)	(2,855)	(68.6)
<b>(Loss)/Profit before tax (EBT)</b>	<b>(1,521)</b>	<b>6,247</b>	<b>N.M.</b>
Income tax expense	(1)	(1)	-
<b>(Loss)/Profit for the period</b>	<b>(1,522)</b>	<b>6,246</b>	<b>N.M.</b>

<sup>^</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.

<sup>^^</sup> Excluding gains/losses from the disposal of vessels and vessel impairments.

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

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\$6.9 million in FY 2020 (FY 2020: US\$6.2 million).

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\$1.8 million in FY 2020 (FY 2020: US\$3.2 million). *FSL New York* was sold on 29 September 2021 and *FSL London* is idle.

Pool/Revenue Sharing Agreement/Spot

i) Product tankers

*FSL Osaka* was deployed in a MR pool since November 2015 and entered spot trading on 17 January 2021. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$0.07) million in FY 2021 (FY 2020: US\$2.9 million). *FSL Osaka* was ultimately sold on 23 March 2021.

*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 for the period 26 July to 2 November 2021. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of (US\$0.02) million in FY 2021 (FY 2020: US\$2.7 million).

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\$0.83) million in FY 2021 (FY 2020: US\$3.7 million).

*FSL Shanghai*, until she was sold in March 2020, has been deployed in a revenue sharing agreement since September 2017. There was a revision to the vessel operating expenses resulting in an adjusted EBITDA of (US\$0.04) million in FY 2021.

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

a. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 60.8% (US\$8.98 million) as a result of:

(a) lower depreciation expenses of US\$7.9 million due to the disposal of three containerships in FY 2020, disposal of one product tanker and one chemical tanker during the year and changes to residual value of eight product tankers and one crude oil tanker.

(b) lower depreciation of US\$0.3 million due to lower depreciation arising from impairment on vessels taken this year.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount *Clyde Fisher* and *FSL Singapore* had exceeded the recoverable amount and an impairment of US\$2.7 million for the two vessels was recognized.

b. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$0.7 million in FY 2021 (FY 2020: operating profit of US\$8.8 million).

c. Finance expenses

Finance expenses in FY 2021, including an exchange loss of US\$2,000 (FY 2020: US\$33,000), decreased 68.6% (US\$1.96 million) mainly due to the lower outstanding indebtedness and LIBOR rates and lower amortisation of debt transaction costs.

For the year ended 31 December 2021, FSL Trust incurred a net loss of US\$1.5 million.

**9. Variance from Prospect Statement**

Not applicable.

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**10. Outlook and Prospects**

Following a slight seasonal improvement in the fourth quarter of 2021, ton-mile demand and freight rates for tankers continue to suffer from a weak overall tanker market environment, characterised by reduced oil production and refinery throughput driven by muted global demand for oil and oil products following the impact of the COVID-19 pandemic. The increase in oil production that market participants widely anticipated were not realised. We remain cautious in our near-term forecast for the tanker markets as uncertainties remain in respect of the global pandemic. This would continue to impact essential demand factors for oil and oil products such as global aviation, as well as the timing and pace of an increase of oil production and a full market recovery to pre-pandemic levels. The supply fundamentals show positive signs for the medium- and long-term as 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.

The uncertainties surrounding the near-term tanker market environment primarily affect 3 vessels of the Trust, as 8 of the 11 vessels in the portfolio operate under fixed-rate period charters. The Trust continues to actively manage its vessel portfolio and market exposure, and follows the strategy of disposing older, environmentally less friendly vessels that do not have period charter coverage.

**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 : No

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

The current liquidity of the Trust does not justify a distribution.

**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. 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.



**FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2021**

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

Please refer to Section 8.

**17. Breakdown of Revenue and Net Profit**

	Group		
	FY 2021	FY 2020	Change
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	12,807	32,924	(61.1)
(b) Net profit after tax reported for first half year	879	8,006	(89.0)
(c) Revenue reported for second half year	12,168	15,408	(21.0)
(d) Net loss after tax reported for second half year	(2,401)	(1,760)	36.4

**18. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2021**

	FY 2021	FY 2020
	US\$'000	US\$'000
In respect of the period:		
1 July 2021 to 30 September 2021	26,521	-
1 April 2021 to 30 June 2021	-	-
1 January 2021 to 31 March 2021	35,361	-
1 October 2020 to 31 December 2020	-	-
1 July 2020 to 30 September 2020	-	26,521
1 April 2020 to 30 June 2020	-	-
1 January 2020 to 31 March 2020	-	26,521
1 October 2019 to 31 December 2019	-	26,521

**19. 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

Markus Wenker  
 Chief Financial Officer  
 3 February 2022