

Global Ship Lease, Inc.  
Form 6-K  
March 15, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Form 6 K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13A-16 OR 15D-16**  
**UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: March 15, 2012**

**Commission File Number 001-34153**

**GLOBAL SHIP LEASE, INC.**

**(Exact name of Registrant as specified in its Charter)**

**c/o Portland House,**

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

**Stag Place,**

**London SW1E 5RS,**

**United Kingdom**

**(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-I Rule 101(b)(1). Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7). Yes  No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

**Information Contained in this Form 6 K Report**

Attached hereto as Exhibit I is a press release dated March 14, 2012 of Global Ship Lease, Inc. (the Company ) reporting the Company s financial results for the fourth quarter of 2011 and the year ended December 31, 2011. Attached hereto as Exhibit II are the Company s interim unaudited consolidated financial statements for the three month period ended December 31, 2011 and the year ended December 31, 2011.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL SHIP LEASE, INC.

Date: March 15, 2012

By: /s/ Ian J. Webber  
Ian J. Webber  
Chief Executive Officer

**Exhibit I**

Investor and Media Contacts:

The IGB Group

David Burke

646-673-9701

**Global Ship Lease Reports Results for the Fourth Quarter of 2011**

**LONDON, ENGLAND March 14, 2012** - Global Ship Lease, Inc. (NYSE:GSL), a containership charter owner, announced today its unaudited results for the three months and year ended December 31, 2011.

**Fourth Quarter and Year To Date Highlights**

- Reported revenue of \$39.7 million for the fourth quarter 2011, down from \$40.0 million for the fourth quarter 2010 due mainly to 12 days offhire in the fourth quarter 2011 of which seven were for a planned drydocking. Revenue for the year ended December 31, 2011 was \$156.3 million compared to \$158.8 million for the year ended December 31, 2010 due to 106 days offhire in 2011, of which 95 were for planned drydockings, compared to a total of three days unplanned offhire in 2010

- Reported net income of \$10.9 million for the fourth quarter 2011, after a \$4.0 million non-cash interest rate derivative mark-to-market gain. For the fourth quarter 2010 the reported net income was \$1.2 million, after a \$17.1 million impairment charge relating to purchase commitments on two vessels and \$11.7 million non-cash mark-to-market gain. Excluding the mark-to-market items, normalized net income<sup>(1)</sup> was \$6.8 million for the fourth quarter 2011 compared to \$6.6 million for the fourth quarter 2010

- For the year ended December 31, 2011, net income was \$9.1 million, after a \$13.6 million non-cash impairment charge relating to the expiry of purchase options on two vessels and a \$0.9 million non-cash mark-to-market loss. The net loss of \$4.0 million for the year ended December 31, 2010 was after \$17.1 million impairment charge and a mark-to-market loss of \$15.3 million. Normalized net income for the year ended December 31, 2011 was \$23.6 million compared to \$28.4 million for the year ended December 31, 2010

- Generated \$26.6 million of EBITDA<sup>(1)</sup> for the fourth quarter 2011, up slightly on \$26.4 million for the fourth quarter 2010. EBITDA for the year ended December 31, 2011 was \$103.7 million, compared to \$108.9 million for the year ended December 31, 2010 due mainly to six planned drydockings in 2011 compared to none in 2010 and increased crew costs

- Repaid \$15.3 million in debt during the fourth quarter of 2011; repaid \$49.2 million in 2011 and \$115.5 million since August 2009

- Agreed with lenders to waive, until November 30, 2012, the requirement under the credit facility to perform loan-to-value tests

Ian Webber, Chief Executive Officer of Global Ship Lease, stated, "During 2011, we generated sizeable and stable cash flows while continuing to focus on improving our financial position. Our fleet of vessels performed as expected, maintaining high utilization and generating EBITDA of \$103.7 million for the full year. We continued to strengthen our balance sheet for the long-term benefit of Global Ship Lease and its shareholders, repaying \$49.2 million of debt in 2011 and \$115.5 million since August 2009. As we progress through 2012, we remain well positioned as a result of our long-term fixed rate contracts. We have no purchase obligations and will continue to pay down debt."

Mr. Webber continued, "During the fourth quarter, we worked with our lenders and drew on the strength of our business model, which generates predictable and stable cash flows, to waive our loan-to-value test until November 30, 2012. This success insulates the Company and its shareholders from near-term volatility in asset values. Importantly, our long-term time charters, which have an average remaining duration on a weighted basis of over eight years representing contracted revenue of \$1.2 billion, remain unaffected by asset values and the loan-to-value ratio."

#### SELECTED FINANCIAL DATA - UNAUDITED

(thousands of U.S. dollars)

	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenue	39,714	40,035	156,268	158,837
Operating Income	16,503	(773)	49,927	51,773
Net Income (Loss)	10,860	1,226	9,071	(3,971)
EBITDA (1)	26,579	26,405	103,703	108,906
Normalised Net Income (1)	6,811	6,598	23,597	28,433

- (1) EBITDA and Normalized net income are non-US Generally Accepted Accounting Principles (US GAAP) measures, as explained further in this press release, and are considered by Global Ship Lease to be useful measures of its performance. Reconciliations of such non-GAAP measures to the interim unaudited financial information are provided in this Earnings Release.

#### Revenue and Utilization

The 17 vessel fleet generated revenue from fixed rate long-term time charters of \$39.7 million in the three months ended December 31, 2011, down \$0.3 million on revenue of \$40.0 million for the comparative period in 2010 due to 12 days offhire including seven for planned drydocking of one vessel, which spanned the year end. During the three months ended December 31, 2011, there were 1,564 ownership days, the same as the comparable period in 2010. The 12 days offhire in the three months ended December 31, 2011, gives a utilization of 99.2%. In the comparable period of 2010, there was one day off-hire, for utilization of 99.9%.

For the year ended December 31, 2011, revenue was \$156.3 million, down \$2.5 million on revenue of \$158.8 million in the comparative period, mainly due to the effect of 106 days offhire including 95 days for planned drydockings.

## Edgar Filing: Global Ship Lease, Inc. - Form 6-K

The table below shows fleet utilization for the three months and years ended December 31, 2011 and 2010 and for the year ended December 31, 2009.

Days	Three months ended				
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Ownership days	1,564	1,564	6,205	6,205	5,968
Planned offhire - scheduled drydock	(7)	0	(95)	0	(32)
Unplanned offhire	(5)	(1)	(11)	(3)	(42)
Operating days	1,552	1,563	6,099	6,202	5,894
Utilization	99.2%	99.9%	98.3%	99.9%	98.8%

The drydocking of six vessels had been completed by December 31, 2011. The drydocking of one further vessel commenced late December 2011 and was completed early January 2012. In 2012, six further vessels are scheduled to be drydocked. Two drydockings are scheduled for each of 2013 and 2014, and none in 2015.

### *Vessel Operating Expenses*

Vessel operating expenses, which include costs of crew, lubricating oil, spares and insurance, were \$11.5 million for the three months ended December 31, 2011. The average cost per ownership day was \$7,333 up \$11 or 0.2% on \$7,322 for the rolling four quarters ended September 30, 2011. Increased lubricating oil costs from unit cost increases in the three months ended December 31, 2011 have been offset by savings elsewhere and a benefit during the quarter from exchange rate movements on the portion of crew costs denominated in euros. The fourth quarter 2011 average daily cost was up \$55 or 0.8% from the average daily cost of \$7,278 for the comparative period in 2010 due to higher lubricating oil and crew costs offset by a reduction in the cost of supplies which were unusually high in the comparative period due to the phasing of purchases.

For the year ended December 31, 2011 vessel operating expenses were \$45.5 million or an average of \$7,336 per day compared to \$42.1 million in the comparative period or \$6,780 per day. The increase of \$556 per day, or 8.2%, is mostly for increased crew wages, including an adverse effect from exchange rate movements, increased lubricating oil costs and for costs associated with drydockings that cannot be capitalized.

### *Depreciation*

Depreciation of \$10.1 million for the three months ended December 31, 2011 was the same as in the comparative period in 2010 as there were no changes to the fleet.

Depreciation for the year ended December 31, 2011 was \$40.1 million, the same as in the comparative period.

### *General and Administrative Costs*

General and administrative costs incurred were \$1.8 million in the three months ended December 31, 2011, compared to \$2.4 million in the fourth quarter of 2010 due to reduced legal and professional fees.

For the year ended December 31, 2011, general and administrative costs were \$7.4 million compared to \$8.3 million for 2010. The reduction is due to a fall in the charge for stock based compensation which was \$0.6 million in 2011 and \$1.0 million in 2010 and for lower legal and professional fees.

*Impairment charge*

In November 2010, the Company signed agreements with the sellers of two 4,250 TEU newbuildings to (i) terminate the Company's obligations under contracts entered into in September 2008 to purchase the vessels on their delivery to the sellers by the builder, which was anticipated to be at the end of 2010 and (ii) grant the Company options to purchase the vessels on the first anniversary of their delivery by the builder to the sellers. Under US GAAP, an impairment charge totalling \$17.1 million was recognised in the three months ended December 31, 2010 comprised \$15.5 million released deposits not including interest earned, \$1.3 million interest capitalised thereon and \$0.3 million other predelivery capital expenditure.

The purchase of these vessels was always predicated on achieving a strong return for shareholders by acquiring the vessels, which had time charters attached, at an attractive price and with financing on favorable terms. As the Company considered it unlikely that it would be able to obtain committed finance on acceptable terms before the expiry of the options on September 16, 2011 for one vessel and October 4, 2011 for the other, intangible assets totaling \$13.6 million relating to these options were written off in the second quarter 2011. Both purchase options were allowed to expire.

*Other operating income*

Other operating income in the three months ended December 31, 2011 was \$0.1 million, compared to \$0.2 million in the fourth quarter of 2010 period.

For the year ended December 31, 2011, other operating income was \$0.3 million, compared to \$0.4 million for the prior year.

*EBITDA*

As a result of the above, EBITDA was \$26.6 million for the three months ended December 31, 2011 up slightly from \$26.4 million for the three months ended December 31, 2010.

EBITDA for the year ended December 31, 2011 was \$103.7 million compared to \$108.9 million in 2010. The reduction of \$5.2 million, or 4.8%, is mainly due to loss of revenue during drydockings, increased crew costs from wage increases and costs associated with the drydockings.

*Interest Expense*

Interest expense, excluding the effect of interest rate derivatives which do not qualify for hedge accounting, for the three months ended December 31, 2011 was \$5.1 million. The Company's borrowings under its credit facility averaged \$499.0 million during the three months ended December 31, 2011. There were \$48.0 million preferred shares throughout the period giving total average borrowings through the three months ended December 31, 2011 of \$547.0 million. Interest expense in the comparative period in 2010 was \$6.0 million on average borrowings, including the preferred shares, of \$595.6 million.

For the year ended December 31, 2011, interest expense, excluding the effect of interest rate derivatives which do not qualify for hedge accounting, was \$20.6 million. The Company's borrowings under its credit facility averaged \$562.8 million during 2011, including \$48.0 million preferred shares throughout the period. Interest expense for the year ended December 31, 2010 was \$23.8 million based on average borrowings in that year, including the preferred shares, of \$615.7 million.

Interest income for the three months and years ended December 31, 2011 and 2010 was not material.

*Change in Fair Value of Financial Instruments*

The Company hedges its interest rate exposure by entering into derivatives that swap floating rate debt for fixed rate debt to provide long-term stability and predictability to cash flows. As these hedges do not qualify for hedge accounting under US GAAP, the outstanding hedges are marked to market at each period end with any change in the fair value being booked to the income and expenditure account. The Company's derivative hedging instruments gave a realized loss of \$4.8 million in the three months ended December 31, 2011 for settlements of swaps in the period, as current LIBOR rates are lower than the average fixed rates. Further, there was a \$4.0 million unrealized gain for revaluation of the balance sheet position given current LIBOR and movements in the forward curve for interest rates. This compares to a realized loss of \$4.3 million in the three months ended December 31, 2010 and an unrealized gain of \$11.7 million.

For the year ended December 31, 2011 the realized loss from hedges was \$19.4 million and the unrealized loss was \$0.9 million. This compares to a realized loss in the year ended December 31, 2010 of \$16.7 million and an unrealized loss of \$15.3 million.

At December 31, 2011, interest rate derivatives totaled \$580.0 million against floating rate debt of \$531.6 million, including the preferred shares. As a consequence, the Company is over hedged which arises from accelerated amortization of the credit facility debt and not incurring additional floating rate debt anticipated to be drawn in connection with the originally intended purchases of the two 4,250 TEU vessels at the end of 2010. \$253.0 million of the interest rate derivatives at a fixed rate of 3.40% expire mid March 2013. The total mark-to-market unrealized loss recognized as a liability on the balance sheet at December 31, 2011 was \$45.3 million.

Unrealized mark-to-market adjustments have no impact on operating performance or cash generation in the period reported.

*Taxation*

Taxation for the three months ended December 31, 2011 was a \$0.2 million credit compared to a \$0.6 million credit in the fourth quarter of 2010. The credit results from movements in the balance for deferred tax.

Taxation for the year ended December 31, 2011 was a \$0.1 million charge, the same as 2010.

*Net Income/Loss*

Net income for the three months ended December 31, 2011 was \$10.9 million after \$4.0 million non-cash interest rate derivative mark-to-market gain. For the three months ended December 31, 2010 net income was \$1.2 million, after \$17.1 million non-cash impairment charge and \$11.7 million non-cash interest rate derivative mark-to-market gain. Normalized net income, excluding the effect of the non-cash interest rate derivative mark-to-market gains and impairment charge, was \$6.8 million for the three months ended December 31, 2011 and \$6.6 million for the three months ended December 31, 2010.

Net income was \$9.1 million for the year ended December 31, 2011 after the non-cash impairment charge of \$13.6 million and a \$0.9 million non-cash interest rate derivative mark-to-market loss. For the year ended December 31, 2010, net loss was \$4.0 million after a \$17.1 million non-cash impairment charge and a \$15.3 million non-cash interest rate derivative mark-to-market loss. Normalized net income was \$23.6 million for the year ended December 31, 2011 and \$28.4 million for the year ended December 31, 2010.

*Credit Facility*

The container shipping industry is currently experiencing a significant cyclical downturn. As a consequence, there has been a decline in charter free market values of containerships commencing July



## Edgar Filing: Global Ship Lease, Inc. - Form 6-K

2011. While the Company's stable business model largely insulates it from volatility in the freight and charter markets, a covenant in the credit facility with respect to the Leverage Ratio, which is the ratio of outstanding drawings under the credit facility and the aggregate charter free market value of the secured vessels, causes the Company to be sensitive to significant declines in vessel values. Under the terms of the credit facility, the Leverage Ratio cannot exceed 75%. The Leverage Ratio has little impact on the Company's operating performance as cash flows are largely predictable under its business model.

In anticipation of the scheduled test of the Leverage Ratio as at November 30, 2011 when the Company expected that the Leverage Ratio would be between 75% and 90%, the Company agreed with its lenders to waive the requirement to perform the Leverage Ratio test until November 30, 2012. Under the terms of the waiver, the fixed interest margin to be paid over LIBOR increased to 3.50%, prepayments became based on cash flow rather than a fixed amount of \$10 million per quarter, and dividends on common shares cannot be paid.

In the three months ended December 31, 2011 a total of \$15.3 million of debt was prepaid leaving a balance outstanding of \$483.6 million.

### *Dividend*

Global Ship Lease is not currently able to pay a dividend on common shares.

### *Fleet*

The following table provides information, as at December 31, 2011, about the on-the-water fleet of 17 vessels chartered to CMA CGM.

Vessel Name	Capacity in TEUs (1)	Year Built	Purchase Date And Charter Commencement	Remaining Charter Term (2) (years)	Daily Charter Rate	
Ville d Orion	4,113	1997	December 2007	1.00	\$ 28,500	
Ville d Aquarius	4,113	1996	December 2007	1.00	\$ 28,500	
CMA CGM Matisse	2,262	1999	December 2007	5.00	\$ 18,465	
CMA CGM Utrillo	2,262	1999	December 2007	5.00	\$ 18,465	
Delmas Keta	2,207	2003	December 2007	6.00	\$ 18,465	
Julie Delmas	2,207	2002	December 2007	6.00	\$ 18,465	
Kumasi	2,207	2002	December 2007	6.00	\$ 18,465	
Marie Delmas	2,207	2002	December 2007	6.00	\$ 18,465	
CMA CGM La Tour	2,272	2001	December 2007	5.00	\$ 18,465	
CMA CGM Manet	2,272	2001	December 2007	5.00	\$ 18,465	
CMA CGM Alcazar	5,089	2007	January 2008	9.00	\$ 33,750	
CMA CGM Château d If	5,089	2007	January 2008	9.00	\$ 33,750	
CMA CGM Thalassa	11,040	2008	December 2008	14.00	\$ 47,200	
CMA CGM Jamaica	4,298	2006	December 2008	11.00	\$ 25,350	
CMA CGM Sambhar	4,045	2006	December 2008	11.00	\$ 25,350	
CMA CGM America	4,045	2006	December 2008	11.00	\$ 25,350	
CMA CGM Berlioz	6,621	2001	August 2009	9.75	\$ 34,000	12

(1) *Twenty-foot Equivalent Units.*

(2) *Plus or minus 90 days at Charterer's option*

### **Conference Call and Webcast**

Global Ship Lease will hold a conference call to discuss the Company's results for the three months ended December 31, 2011 today, Wednesday, March 14, 2012 at 10:30 a.m. Eastern Time. There are two ways to access the conference call:

(1) Dial-in: : (866) 966-9439 or (631) 510-7498; Passcode: 55763695

Please dial in at least 10 minutes prior to 10:30 a.m. Eastern Time to ensure a prompt start to the call.



(2) Live Internet webcast and slide presentation: <http://www.globalshiplease.com>

If you are unable to participate at this time, a replay of the call will be available through Wednesday, March 28, 2012 at (866) 247-4222 or (631) 510-7499. Enter the code 55763695 to access the audio replay. The webcast will also be archived on the Company's website: <http://www.globalshiplease.com>.

### **Annual Report on Form 20F**

Global Ship Lease, Inc has filed its Annual Report for 2010 with the Securities and Exchange Commission. A copy of the report can be found under the Investor Relations section (Annual Reports) of the Company's website at <http://www.globalshiplease.com>. Shareholders may request a hard copy of the audited financial statements free of charge by contacting the Company at [info@globalshiplease.com](mailto:info@globalshiplease.com) or by writing to Global Ship Lease, Inc, care of Global Ship Lease Services Limited, Portland House, Stag Place, London SW1E 5RS or by telephoning +44 (0) 207 869 8806.

### **About Global Ship Lease**

Global Ship Lease is a containership charter owner. Incorporated in the Marshall Islands, Global Ship Lease commenced operations in December 2007 with a business of owning and chartering out containerships under long-term, fixed rate charters to top tier container liner companies.

Global Ship Lease owns 17 vessels with a total capacity of 66,349 TEU with an average age, weighted by TEU capacity, at December 31, 2011 of 7.8 years. All of the current vessels are fixed on long-term charters to CMA CGM with an average remaining term of 7.1 years, or 8.3 years on a weighted basis.

### **Reconciliation of Non-U.S. GAAP Financial Measures**

#### **A. EBITDA**

EBITDA represents Net income (loss) before interest income and expense including amortization of deferred finance costs, realized and unrealized gain (loss) on derivatives, income taxes, depreciation, amortization and impairment charges. EBITDA is a non-US GAAP quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. We believe that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA is not defined in US GAAP and should not be considered to be an alternate to Net income (loss) or any other financial metric required by such accounting principles.

**EBITDA - UNAUDITED***(thousands of U.S. dollars)*

	Three months ended Dec 31, 2011	Three months ended Dec 31, 2010	Year ended Dec, 31 2011	Year ended Dec, 31 2010
Net income (loss)	10,860	1,226	9,071	(3,971)
Adjust: Depreciation	10,076	10,096	40,131	40,051
Impairment charge		17,082	13,645	17,082
Interest income	(20)	(24)	(56)	(185)
Interest expense	5,136	5,962	20,564	23,828
Realized loss on interest rate derivatives	4,788	4,343	19,393	16,727
Unrealized (gain) loss on interest rate derivatives	(4,049)	(11,710)	881	15,322
Income tax	(212)	(570)	74	52
<b>EBITDA</b>	<b>26,579</b>	<b>26,405</b>	<b>103,703</b>	<b>108,906</b>

**B. Normalized net income**

Normalized net income represents Net income (loss) adjusted for the unrealized gain (loss) on derivatives, the accelerated write off of a portion of deferred financing costs and impairment charges. Normalized net income is a non-GAAP quantitative measure which we believe will assist investors and analysts who often adjust reported net income for non-operating items such as change in fair value of derivatives to eliminate the effect of non cash non-operating items that do not affect operating performance or cash generated. Normalized net income is not defined in US GAAP and should not be considered to be an alternate to Net income (loss) or any other financial metric required by such accounting principles.

**NORMALIZED NET INCOME - UNAUDITED***(thousands of U.S. dollars)*

	Three months ended Dec 31 2011	Three months ended Dec, 31 2010	Year ended Dec, 31 2011	Year Ended Dec, 31 2010
Net income (loss)	10,860	1,226	9,071	(3,971)
Adjust: Change in value of derivatives	(4,049)	(11,710)	881	15,322
Impairment charge		17,082	13,645	17,082
Normalized net income	6,811	6,598	23,597	28,433

### Safe Harbor Statement

This communication contains forward-looking statements. Forward-looking statements provide Global Ship Lease's current expectations or forecasts of future events. Forward-looking statements include statements about Global Ship Lease's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as anticipate, believe, continue, estimate, expect, intend, may, ongoing, plan, potential, predict, project, will or similar words or phrases, or the negatives of those words or phrases, are used in forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements are based on assumptions that may be incorrect, and Global Ship Lease cannot assure you that these projections included in these forward-looking statements will come to pass. Actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

The risks and uncertainties include, but are not limited to:

future operating or financial results;

expectations regarding the future growth of the container shipping industry, including the rates of annual demand and supply growth;

the financial condition of CMA CGM, our sole charterer and only source of operating revenue, and its ability to pay charterhire in accordance with the charters;

Global Ship Lease's financial condition and liquidity, including its ability to obtain additional waivers which might be necessary under the existing credit facility or obtain additional financing to fund capital expenditures, vessel acquisitions and other general corporate purposes;

Global Ship Lease's ability to meet its financial covenants and repay its credit facility;

Global Ship Lease's expectations relating to dividend payments and forecasts of its ability to make such payments including the availability of cash and the impact of constraints under its credit facility;

future acquisitions, business strategy and expected capital spending;

operating expenses, availability of crew, number of off-hire days, drydocking and survey requirements and insurance costs;

general market conditions and shipping industry trends, including charter rates and factors affecting supply and demand;

assumptions regarding interest rates and inflation;

changes in the rate of growth of global and various regional economies;

risks incidental to vessel operation, including piracy, discharge of pollutants and vessel accidents and damage including total or constructive total loss;

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

estimated future capital expenditures needed to preserve its capital base;

Global Ship Lease's expectations about the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of its ships;

Global Ship Lease's continued ability to enter into or renew long-term, fixed-rate charters;

the continued performance of existing long-term, fixed-rate time charters;

Global Ship Lease's ability to capitalize on its management's and board of directors' relationships and reputations in the containership industry to its advantage;

changes in governmental and classification societies' rules and regulations or actions taken by regulatory authorities;

expectations about the availability of insurance on commercially reasonable terms;

unanticipated changes in laws and regulations including taxation;

potential liability from future litigation.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Global Ship Lease's actual results could differ materially from those anticipated in forward-looking statements for many reasons specifically as described in Global Ship Lease's filings with the SEC. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this communication. Global Ship Lease undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this communication or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks Global Ship Lease describes in the reports it will file from time to time with the SEC after the date of this communication.

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Income

(Expressed in thousands of U.S. dollars except share data)

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
<b>Operating Revenues</b>				
Time charter revenue	\$ 39,714	\$ 40,035	\$ 156,268	\$ 158,837
<b>Operating Expenses</b>				
Vessel operating expenses	11,470	11,383	45,517	42,067
Depreciation	10,076	10,096	40,131	40,051
General and administrative	1,765	2,410	7,384	8,253
Impairment charge		17,082	13,645	17,082
Other operating (income)	(100)	(163)	(336)	(389)
Total operating expenses	23,211	40,808	106,341	107,064
<b>Operating Income (Loss)</b>	16,503	(773)	49,927	51,773
<b>Non Operating Income (Expense)</b>				
Interest income	20	24	56	185
Interest expense	(5,136)	(5,962)	(20,564)	(23,828)
Realized loss on interest rate derivatives	(4,788)	(4,343)	(19,393)	(16,727)
Unrealized gain (loss) on interest rate derivatives	4,049	11,710	(881)	(15,322)
<b>Income (Loss) before Income Taxes</b>	10,648	656	9,145	(3,919)
Income taxes	212	570	(74)	(52)
<b>Net Income (Loss)</b>	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
<b>Earnings per Share</b>				
Weighted average number of Class A common shares outstanding				
Basic	47,460,969	47,126,391	47,262,549	46,910,604
Diluted	47,460,969	47,390,171	47,448,012	46,910,604
Net income (loss) in \$ per Class A common share				
Basic	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Diluted	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Weighted average number of Class B common shares outstanding				
Basic and diluted	7,405,956	7,405,956	7,405,956	7,405,956
Net income (loss) in \$ per Class B common share				
Basic and diluted	\$ nil	\$ nil	\$ nil	\$ nil



## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	December 31, 2011	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 25,814	\$ 28,360
Restricted cash	3,027	3,027
Accounts receivable	13,911	7,341
Prepaid expenses	726	712
Other receivables	839	264
Deferred tax	19	265
Deferred financing costs	1,168	1,009
<b>Total current assets</b>	<b>45,504</b>	<b>40,978</b>
Vessels in operation	890,249	922,498
Other fixed assets	54	10
Intangible assets vessel purchase options		13,645
Intangible assets other	92	26
Deferred tax	10	
Deferred financing costs	3,626	3,865
<b>Total non-current assets</b>	<b>894,031</b>	<b>940,044</b>
<b>Total Assets</b>	<b>\$ 939,535</b>	<b>\$ 981,022</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities</b>		
Current portion of long term debt	\$ 46,000	\$ 44,500
Intangible liability charter agreements	2,119	2,119
Accounts payable	1,286	1,391
Accrued expenses	4,953	5,575
Derivative instruments	15,920	17,798
<b>Total current liabilities</b>	<b>70,278</b>	<b>71,383</b>
Long term debt	437,612	488,269
Preferred shares	48,000	48,000
Intangible liability charter agreements	20,050	22,169
Derivative instruments	29,395	26,637
<b>Total long-term liabilities</b>	<b>535,057</b>	<b>585,075</b>
<b>Total Liabilities</b>	<b>\$ 605,335</b>	<b>\$ 656,458</b>

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

**Stockholders Equity**

Class A Common stock authorized 214,000,000 shares with a \$0.01 par value;			
47,463,978 shares issued and outstanding (2010 47,130,467)	\$	475	\$ 471
Class B Common stock authorized 20,000,000 shares with a \$0.01 par value;			
7,405,956 shares issued and outstanding (2010 7,405,956)		74	74
Additional paid in capital		351,856	351,295
Accumulated deficit		(18,205)	(27,276)
<b>Total Stockholders Equity</b>		<b>334,200</b>	<b>324,564</b>
<b>Total Liabilities and Stockholders Equity</b>	\$	<b>939,535</b>	\$ <b>981,022</b>

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	Three months ended		Year ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Cash Flows from Operating Activities</b>				
Net income (loss)	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities</b>				
Depreciation	10,076	10,096	40,131	40,051
Impairment charge		17,082	13,645	17,082
Amortization of deferred financing costs	313	429	1,101	1,106
Change in fair value of certain derivative instruments	(4,049)	(11,710)	881	15,322
Amortization of intangible liability	(530)	(529)	(2,119)	(2,119)
Settlements of hedges which do not qualify for hedge accounting	4,788	4,343	19,393	16,727
Share based compensation	109	131	565	980
Decrease (increase) in other receivables and other assets	(7,365)	982	(6,952)	1,020
Decrease in accounts payable and other liabilities	(3,124)	(505)	(823)	(992)
Unrealized foreign exchange gain	(14)	(10)	(21)	(15)
<b>Net Cash Provided by Operating Activities</b>	<b>11,064</b>	<b>21,535</b>	<b>74,872</b>	<b>85,191</b>
<b>Cash Flows from Investing Activities</b>				
Settlements of hedges which do not qualify for hedge accounting	(4,788)	(4,343)	(19,393)	(16,727)
Cash paid for other fixed assets	(2)		(59)	(12)
Cash paid to acquire intangible assets			(97)	
Cash paid for purchase of vessels, vessel prepayments and vessel deposits		(384)		(1,670)
Costs relating to drydockings	(2,666)		(7,705)	(164)
Acquisition of vessel purchase options		(13,645)		(13,645)
Variation in restricted cash		16,235		
<b>Net Cash Used in Investing Activities</b>	<b>(7,456)</b>	<b>(2,137)</b>	<b>(27,254)</b>	<b>(32,218)</b>
<b>Cash Flows from Financing Activities</b>				
Repayments of debt	(15,341)	(20,373)	(49,157)	(55,423)
Issuance costs of debt	(1,007)		(1,007)	
<b>Net Cash Used in Financing Activities</b>	<b>(16,348)</b>	<b>(20,373)</b>	<b>(50,164)</b>	<b>(55,423)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(12,740)</b>	<b>(975)</b>	<b>(2,546)</b>	<b>(2,450)</b>
<b>Cash and Cash Equivalents at start of Period</b>	<b>38,554</b>	<b>29,335</b>	<b>28,360</b>	<b>30,810</b>
<b>Cash and Cash Equivalents at end of Period</b>	<b>\$ 25,814</b>	<b>\$ 28,360</b>	<b>\$ 25,814</b>	<b>\$ 28,360</b>

**Supplemental information**

Non cash investing and financing activities

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

Total interest paid	\$ 4,673	\$ 5,563	\$ 19,518	\$ 22,368
Income tax paid	\$ 13	\$ 203	\$ 144	\$ 210

**GLOBAL SHIP LEASE, INC.**  
**INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS AND YEAR ENDED DECEMBER 31, 2011**

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	Note	December 31, 2011	December 31, 2010
<b>Assets</b>			
Cash and cash equivalents		\$ 25,814	\$ 28,360
Restricted cash	9	3,027	3,027
Accounts receivable		13,911	7,341
Prepaid expenses		726	712
Other receivables		839	264
Deferred tax		19	265
Deferred financing costs		1,168	1,009
<b>Total current assets</b>		<b>45,504</b>	<b>40,978</b>
Vessels in operation	4	890,249	922,498
Other fixed assets		54	10
Intangible assets - vessel purchase options	5		13,645
Intangible assets - other	5	92	26
Deferred tax		10	
Deferred financing costs		3,626	3,865
<b>Total non-current assets</b>		<b>894,031</b>	<b>940,044</b>
<b>Total Assets</b>		<b>\$ 939,535</b>	<b>\$ 981,022</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Current portion of long term debt	6	\$ 46,000	\$ 44,500
Intangible liability - charter agreements		2,119	2,119
Accounts payable		1,286	1,391
Accrued expenses		4,953	5,575
Derivative instruments	10	15,920	17,798
<b>Total current liabilities</b>		<b>70,278</b>	<b>71,383</b>
Long term debt	6	437,612	488,269
Preferred shares	9	48,000	48,000
Intangible liability - charter agreements		20,050	22,169
Derivative instruments	10	29,395	26,637
<b>Total long-term liabilities</b>		<b>535,057</b>	<b>585,075</b>

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

<b>Total Liabilities</b>	\$ 605,335	\$ 656,458
--------------------------	------------	------------

Commitments and contingencies 8  
See accompanying notes to interim unaudited consolidated financial statements

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets (continued)

(Expressed in thousands of U.S. dollars except share data)

		December 31,	December 31,
	Note	2011	2010
<b>Stockholders Equity</b>			
Class A Common stock authorized 214,000,000 shares with a \$0.01 par value;			
47,463,978 shares issued and outstanding (2010 47,130,467)	9	\$ 475	\$ 471
Class B Common stock authorized 20,000,000 shares with a \$0.01 par value;			
7,405,956 shares issued and outstanding (2010 7,405,956)	9	74	74
Additional paid in capital		351,856	351,295
Accumulated deficit		(18,205)	(27,276)
<b>Total Stockholders Equity</b>		<b>334,200</b>	<b>324,564</b>
<b>Total Liabilities and Stockholders Equity</b>		<b>\$ 939,535</b>	<b>\$ 981,022</b>

See accompanying notes to interim unaudited consolidated financial statements



## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Income

(Expressed in thousands of U.S. dollars except share data)

	Note	Three months ended December 31,		Year ended December 31,	
		2011	2010	2011	2010
<b>Operating Revenues</b>					
Time charter revenue		\$ 39,714	\$ 40,035	\$ 156,268	\$ 158,837
<b>Operating Expenses</b>					
Vessel operating expenses		11,470	11,383	45,517	42,067
Depreciation	4	10,076	10,096	40,131	40,051
General and administrative		1,765	2,410	7,384	8,253
Impairment charge			17,082	13,645	17,082
Other operating (income)		(100)	(163)	(336)	(389)
Total operating expenses		23,211	40,808	106,341	107,064
<b>Operating Income (Loss)</b>		16,503	(773)	49,927	51,773
<b>Non Operating Income (Expense)</b>					
Interest income		20	24	56	185
Interest expense		(5,136)	(5,962)	(20,564)	(23,828)
Realized loss on interest rate derivatives	10	(4,788)	(4,343)	(19,393)	(16,727)
Unrealized gain (loss) on interest rate derivatives	10	4,049	11,710	(881)	(15,322)
<b>Income (Loss) before Income Taxes</b>		10,648	656	9,145	(3,919)
Income taxes		212	570	(74)	(52)
<b>Net Income (Loss)</b>		\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
<b>Earnings per Share</b>					
Weighted average number of Class A common shares outstanding					
Basic	12	47,460,969	47,126,391	47,262,549	46,910,604
Diluted	12	47,460,969	47,390,171	47,448,012	46,910,604
Net income (loss) in \$ per Class A common share					
Basic	12	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Diluted	12	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Weighted average number of Class B common shares outstanding					
Basic and diluted	12	7,405,956	7,405,956	7,405,956	7,405,956
Net income (loss) in \$ per Class B common share					
Basic and diluted	12	\$ nil	\$ nil	\$ nil	\$ nil

See accompanying notes to interim unaudited consolidated financial statements



## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	Note	Three months ended		Year ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Cash Flows from Operating Activities</b>					
Net income (loss)		\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities</b>					
Depreciation	4	10,076	10,096	40,131	40,051
Impairment charge			17,082	13,645	17,082
Amortization of deferred financing costs		313	429	1,101	1,106
Change in fair value of certain derivative instruments	10	(4,049)	(11,710)	881	15,322
Amortization of intangible liability		(530)	(529)	(2,119)	(2,119)
Settlements of hedges which do not qualify for hedge accounting	10	4,788	4,343	19,393	16,727
Share based compensation	11	109	131	565	980
Decrease (increase) in other receivables and other assets		(7,365)	982	(6,952)	1,020
Decrease in accounts payable and other liabilities		(3,124)	(505)	(823)	(992)
Unrealized foreign exchange gain		(14)	(10)	(21)	(15)
<b>Net Cash Provided by Operating Activities</b>		<b>11,064</b>	<b>21,535</b>	<b>74,872</b>	<b>85,191</b>
<b>Cash Flows from Investing Activities</b>					
Settlements of hedges which do not qualify for hedge accounting	10	(4,788)	(4,343)	(19,393)	(16,727)
Cash paid for other fixed assets		(2)		(59)	(12)
Cash paid to acquire intangible assets				(97)	
Cash paid for purchase of vessels, vessel prepayments and vessel deposits			(384)		(1,670)
Costs relating to drydockings		(2,666)		(7,705)	(164)
Acquisition of vessel purchase options			(13,645)		(13,645)
Variation in restricted cash			16,235		
<b>Net Cash Used in Investing Activities</b>		<b>(7,456)</b>	<b>(2,137)</b>	<b>(27,254)</b>	<b>(32,218)</b>
<b>Cash Flows from Financing Activities</b>					
Repayments of debt		(15,341)	(20,373)	(49,157)	(55,423)
Issuance costs of debt		(1,007)		(1,007)	
<b>Net Cash Used in Financing Activities</b>		<b>(16,348)</b>	<b>(20,373)</b>	<b>(50,164)</b>	<b>(55,423)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(12,740)</b>	<b>(975)</b>	<b>(2,546)</b>	<b>(2,450)</b>
<b>Cash and Cash Equivalents at start of Period</b>		<b>38,554</b>	<b>29,335</b>	<b>28,360</b>	<b>30,810</b>
<b>Cash and Cash Equivalents at end of Period</b>		<b>\$ 25,814</b>	<b>\$ 28,360</b>	<b>\$ 25,814</b>	<b>\$ 28,360</b>

Edgar Filing: Global Ship Lease, Inc. - Form 6-K

**Supplemental information**

Non cash investing and financing activities

Total interest paid	\$ 4,673	\$ 5,563	\$ 19,518	\$ 22,368
Income tax paid	\$ 13	\$ 203	\$ 144	\$ 210

See accompanying notes to interim unaudited consolidated financial statements

Page 4

**Global Ship Lease, Inc.**

**Interim Unaudited Consolidated Statements of Changes in Stockholders' Equity**

(Expressed in thousands of U.S. dollars except share data)

	Number of Common Stock at \$0.01 Par value	Common Stock	Additional Paid in Capital	Accumulated Deficit	Stockholders Equity
<b>Balance at December 31, 2009</b>	54,086,150	\$ 541	\$ 350,319	\$ (23,305)	\$ 327,555
Restricted Stock Units (note 11)			980		980
Class A Shares issued (note 9)	450,273	4	(4)		
Net loss for the period				(3,971)	(3,971)
<b>Balance at December 31, 2010</b>	54,536,423	\$ 545	\$ 351,295	\$ (27,276)	\$ 324,564
Restricted Stock Units (note 11)			565		565
Class A Shares issued (note 9)	333,511	4	(4)		
Net income for the period				9,071	9,071
<b>Balance at December 31, 2011</b>	54,869,934	\$ 549	\$ 351,856	\$ (18,205)	\$ 334,200

See accompanying notes to interim unaudited consolidated financial statements

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements

(Expressed in thousands of U.S. dollars)

**1. General**

On August 14, 2008, Global Ship Lease, Inc. (the Company or GSL) merged indirectly with Marathon Acquisition Corp. (Marathon), a company then listed on The American Stock Exchange. Following the merger, the Company became listed on the New York Stock Exchange on August 15, 2008.

**2. Nature of Operations and Basis of Preparation****(a) Nature of Operations**

The Company owns and charters out containerships under long term time charters. All vessels are time chartered to CMA CGM S.A. (CMA CGM) for remaining terms as at December 31, 2011 ranging from one to 14 years (see note 7). The following table provides information about the 17 vessels chartered to CMA CGM and which are reflected in these interim unaudited consolidated financial statements:

Vessel Name	Capacity in TEUs <sup>(1)</sup>	Year Built	Purchase Date by GSL <sup>(2)</sup>	Charter Remaining Duration (years) <sup>(3)</sup>	Daily Charter Rate
Ville d Orion	4,113	1997	December 2007	1.00	\$ 28.500
Ville d Aquarius	4,113	1996	December 2007	1.00	\$ 28.500
CMA CGM Matisse	2,262	1999	December 2007	5.00	\$ 18.465
CMA CGM Utrillo	2,262	1999	December 2007	5.00	\$ 18.465
Delmas Keta	2,207	2003	December 2007	6.00	\$ 18.465
Julie Delmas	2,207	2002	December 2007	6.00	\$ 18.465
Kumasi	2,207	2002	December 2007	6.00	\$ 18.465
Marie Delmas	2,207	2002	December 2007	6.00	\$ 18.465
CMA CGM La Tour	2,272	2001	December 2007	5.00	\$ 18.465
CMA CGM Manet	2,272	2001	December 2007	5.00	\$ 18.465
CMA CGM Alcazar	5,089	2007	January 2008	9.00	\$ 33.750
CMA CGM Château d If	5,089	2007	January 2008	9.00	\$ 33.750
CMA CGM Thalassa	11,040	2008	December 2008	14.00	\$ 47.200
CMA CGM Jamaica	4,298	2006	December 2008	11.00	\$ 25.350
CMA CGM Sambhar	4,045	2006	December 2008	11.00	\$ 25.350
CMA CGM America	4,045	2006	December 2008	11.00	\$ 25.350
CMA CGM Berlioz	6,621	2001	August 2009	9.75	\$ 34.000

(1) Twenty-foot Equivalent Units.

(2) Purchase dates of vessels related to the Company's time charter business.

(3) As at December 31, 2011

---

**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**2. Nature of Operations and Basis of Preparation (continued)**

**(b) Basis of Preparation**

**(i) Counterparty risk**

All of the Company's vessels are chartered to CMA CGM and payments to the Company under the charters are currently its sole source of operating revenue. The Company is consequently highly dependent on the performance by CMA CGM of its obligations under the charters. The container shipping industry is volatile and is currently experiencing a cyclical downturn and many container shipping companies are reporting losses.

CMA CGM is discussing with its lenders the rescheduling of certain repayments and the adjustment of certain covenants to take account of the cyclical nature of the container shipping industry.

Nevertheless, if CMA CGM ceases doing business or fails to perform its obligations under the charters, the Company's business, financial position and results of operations would be materially adversely affected as it is probable that, even if the Company was able to find replacement charters, such replacement charters would be at significantly lower daily rates and shorter durations. If such events occur, there would be significant uncertainty about the Company's ability to continue as a going concern.

The Company has experienced continued delays in receiving charterhire from CMA CGM, where between one and four instalments have been outstanding up to the date of these financial statements. Under the charter contracts charterhire is due to be paid every 15 days in advance on the 1st and 16th of each month. As at December 31, 2011, two periods of charterhire, due on December 1 and December 16, 2011, were outstanding amounting to \$13,314. This was received in January 2012. As at close of business on March 13, 2012, one period of charterhire, due on March 1, 2012 and totalling \$6,442 was outstanding.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

If CMA CGM is unable to reach agreements with its lenders and ceases doing business or otherwise fails to perform its obligations under the Company's charters, Global Ship Lease's business, financial position and results of operations would be materially adversely affected as it is probable that, should the Company be able to find replacement charters, these would be at significantly lower daily rates and for shorter durations than currently in place. In this situation there would be significant uncertainty about the Company's ability to continue as a going concern.

**(i) Credit Facility**

A further consequence of the current cyclical downturn is that there have been declines in charter free market values of containerships. Under the terms of the Company's credit facility, the Leverage Ratio, being the ratio of outstanding drawings under the credit facility and the aggregate charter free market value of the secured vessels which are under charter, cannot exceed 75%. On November 30, 2011, due to the downturn in market values, the Company announced a waiver from its lenders of the requirement to perform the Leverage Ratio test at November 30, 2011 and April 30, 2012. The next scheduled Leverage Ratio test is November 30, 2012. Should charter free market values not improve, a further waiver or other relief may be required in respect of the test as at November 30, 2012.

If relief in respect of the test due as at November 30, 2012 is required and is not obtained and the Leverage Ratio is above 75%, the lenders may declare an event of default and accelerate some or all of the debt or require the Company to provide additional security which would raise substantial doubt about the Company's ability to continue as a going concern. The Company was compliant with all of its financial covenants at

## Edgar Filing: Global Ship Lease, Inc. - Form 6-K

December 30, 2011 and at the date of issuance of these financial statements.

As a result of the waiver, the relevant debt is classified as non-current in the consolidated balance sheet and the consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities, or any other adjustments that might result should the Company be unable to continue as a going concern.

Page 7



---

Global Ship Lease, Inc.

Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

**3. Accounting Policies and Disclosure**

The accompanying financial information is unaudited and reflects all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair statement of financial position and results of operations for the interim periods presented. The financial information does not include all disclosures required under United States Generally Accepted Accounting Principles ( US GAAP ) for annual financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company's financial statements as of December 31, 2010 filed with the Securities and Exchange Commission on May 19, 2011 in the Company's Annual Report on Form 20-F.

*Impairment Testing*

The decline in charter free vessel values referred to in note 2(b)(ii) was seen as an indicator of potential impairment of the carrying value of the Company's vessels. Accordingly, an impairment test, based on expected undiscounted cash flows by vessel, was performed as at September 30, 2011. A test of impairment was also undertaken as at December 31, 2010.

The assumptions used involve a considerable degree of estimation. Actual conditions may differ significantly from the assumptions and thus actual cash flows may be significantly different to those expected with a material effect on the recoverability of each vessel's carrying amount. The most significant assumptions made for the determination of expected cash flows are (i) charter rates on expiry of existing charters, which are based on a reversion to the historical mean for each category of vessel, adjusted to reflect current and expected market conditions (ii) off-hire days, which are based on actual off-hire statistics for the Company's fleet (iii) operating costs, based on current levels escalated over time based on long term trends (iv) dry docking frequency, duration and cost and (v) estimated useful life which is assessed as a total of 30 years. In the case of an indication of impairment, the results of a recoverability test would also be sensitive to the discount rate applied.

Based on the assumptions made, the expected undiscounted future cash flows exceed the vessels' carrying amounts as of September 30, 2011 and December 31, 2010 and accordingly no impairment has been recognised.

*Recently issued accounting standards*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued an accounting pronouncement that amended fair value measurement and disclosure requirements (Topic 820). This amendment does not affect valuation practices used by the Company. The amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this pronouncement is not expected to have an effect on the interim unaudited consolidated financial statements of the Company other than minor disclosure amendments.

In June 2011, FASB issued an amendment on the presentation and disclosure of comprehensive income (Topic 220). An entity will have the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. The pronouncement eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendment is effective for annual periods, and interim periods beginning after December 15, 2011. The adoption of this pronouncement is not expected to have an effect on the interim unaudited consolidated financial statements of the Company.

Management do not believe that any recently issued, but not yet effective accounting pronouncements, if currently adopted, would have a material impact on the interim unaudited consolidated financial statements of the Company.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

## 4. Vessels in Operation, less Accumulated Depreciation

	December 31, 2011	December 31, 2010
Cost	\$ 1,012,051	\$ 1,008,330
Accumulated Depreciation	(122,325)	(85,832)
Drydock expenditure in progress	523	
<b>Net book value</b>	<b>\$ 890,249</b>	<b>\$ 922,498</b>

## 5. Intangible Assets

	December 31, 2011	December 31, 2010
Opening balance vessel purchase options and software development	\$ 13,671	\$ 13,645
Impairment vessel purchase options	(13,645)	
Additions software development	61	26
Depreciation software development	(5)	
<b>Closing balance</b>	<b>\$ 92</b>	<b>\$ 13,671</b>

## Vessel Purchase Options

On November 8, 2010, the Company signed agreements with the sellers of two 4,250 TEU newbuildings to terminate the purchase obligations under contracts entered into in September 2008 and grant the Company options to purchase the vessels one year later. Intangible assets relating to these purchase options were recognised at the fair value of the purchase options on the date of the agreement.

The purchase options were to be declared by September 16, 2011 for one vessel and October 4, 2011 for the other. The purchase of these vessels was always predicated on achieving a strong return for shareholders by acquiring the vessels, which had time charters attached, at an attractive price and securing financing on favorable terms. As the Company was unable to obtain committed finance on acceptable terms, the intangible assets relating to these purchase options was written off in the second quarter 2011 and the purchase options have subsequently lapsed.

## 6. Long-Term Debt

In December 2007 the Company entered into an \$800,000 senior secured credit facility with ABN AMRO Bank N.V. (formerly Fortis Bank Nederland N.V.), Citigroup Global Markets Limited (formerly Citibank), HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, KFW IpeX Bank GmbH and DnB NOR Bank ASA. Subsequently, Bank of Scotland plc joined the syndicate.

## Edgar Filing: Global Ship Lease, Inc. - Form 6-K

Amounts borrowed under the credit facility bear interest at U.S. dollar Libor plus a margin of 2.50%, 3.00% or 3.50% depending on the Leverage Ratio (being the ratio of the balance outstanding on the credit facility to the aggregate charter free market value of the secured vessels), determined at the end of April, May, August and November each year with updated valuations to be obtained for the tests at the end of April and November.

The Leverage Ratio is not permitted to exceed 75%.

Further to an amendment to the credit facility agreed in August 2009, between June 30, 2010 and April 30, 2011, borrowings under the credit facility were repaid quarterly in an amount equal to free cash in excess of \$20,000 determined as at the previous month end subject to a minimum of \$40,000 repayment a year on a rolling 12 month trailing basis. On this basis, repayments of the credit facility were made in the year ended December 31, 2010 amounting to \$51,330. A further repayment of \$13,816 was made on March 31, 2011.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

**6. Long-Term Debt (continued)**

At April 30, 2011 the Leverage Ratio was less than 75% and greater than 65%. Accordingly, from that date (i) interest margin paid on borrowings was 3.00% (ii) prepayments of borrowings were fixed at \$10,000 per quarter, and (iii) the Company was able to make dividend payments to common shareholders. On this basis, further repayments of \$10,000 were made on both June 30, 2011 and September 30, 2011.

Due to the downturn after April 2011 in charter free market values for containerships, the Company obtained a waiver from its lenders of the requirement to perform the Leverage Ratio test at November 30, 2011 and April 30, 2012. Accordingly from November 30, 2011 (i) the interest margin on borrowings reverted to 3.50% (ii) prepayments of borrowings are to be made quarterly in an amount equal to free cash in excess of \$20,000 determined as at the previous month end subject to a minimum of \$40,000 repayment a year on a rolling 12 month trailing basis, and (iii) the Company is unable to make dividend payments to common shareholders. On this basis, a repayment of \$15,341 was made on December 31, 2011.

The next Leverage Ratio test is scheduled for November 30, 2012.

The final maturity date of the credit facility is August 14, 2016 at which point any remaining outstanding balance must be repaid.

The credit facility is secured by, inter alia, first priority mortgages on each of the Company's 17 vessels, a pledge of shares of the vessel owning subsidiaries as well as assignments of earnings and insurances. The financial covenants in the credit facility are: a) a minimum cash balance of the lower of \$15,000 or six months net interest expense; b) net debt to total capitalization ratio not to exceed 75%; c) EBITDA to debt service, on a trailing four-quarter basis, to be no less than 1.10 to 1; and d) a minimum net worth of \$200,000 (with all terms as defined in the credit facility).

Long-term debt is summarized as follows:

	<b>December 31,</b>	December 31,
	<b>2011</b>	2010
Credit facility, at Libor USD + 2.50% to 3.50%	\$ 483,612	\$ 532,769
Less current instalments of long-term debt	(46,000)	(44,500)
	<b>\$ 437,612</b>	<b>\$ 488,269</b>

Based on (i) management's reasonable estimate of cash flows from January 1, 2012 and (ii) the Leverage Ratio being at or below 75% at the next scheduled test date of November 30, 2012, the estimated repayments in each of the relevant periods are as follows:

<b>Year ending December 31,</b>	
2012	\$ 46,000
2013	40,000
2014	40,000
2015	40,000
2016	317,612

**\$ 483,612**

The amount of excess cash generated may vary significantly from management's estimates and consequently the repayment profile of outstanding debt may be significantly different from that presented. Further, the Leverage Ratio may not be at or below 75% as at November 30, 2012 in which case, assuming a continuation of the current waiver, quarterly prepayments will continue to be based on free cash in excess of \$20,000 at the measurement dates.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

**7. Related Party Transactions**

CMA CGM is presented as a related party as it was, until the merger referred to in Note 1, the parent company of Global Ship Lease, Inc. and at December 31, 2011 is a significant shareholder of the Company, owning Class A and Class B common shares representing a 45% voting interest in the Company.

Amounts due to and from CMA CGM companies are summarized as follows:

	December 31, 2011	December 31, 2010
Current account (below)	\$ 2,597	\$ 1,946
<b>Amounts due to CMA CGM companies presented within liabilities</b>	<b>\$ 2,597</b>	<b>\$ 1,946</b>
Current account (below)	\$ 13,911	\$ 7,341
<b>Amounts due from CMA CGM companies presented within assets</b>	<b>\$ 13,911</b>	<b>\$ 7,341</b>

CMA CGM charters all of the Company's vessels and one of its subsidiaries provides the Company with ship management services. The current account balances at December 31, 2011 and December 31, 2010 relate to amounts payable to or recoverable from CMA CGM group companies.

CMA CGM holds all of the Series A preferred shares of the Company. During the three months to December 31, 2011, the Company incurred costs in respect of dividends on these preferred shares of \$292 (2010: \$285). Costs during the year to December 31, 2011 were \$1,125 (2010: \$1,136).

**Time Charter Agreements**

All of the Company's vessels are time chartered to CMA CGM. Under each of the time charters, hire is payable in advance and the daily rate is fixed for the duration of the charter. The charters are for remaining periods as at December 31, 2011 of between one and 14 years (see note 2(a)). All the \$1,202,913 future charter hire receivable for the fleet set out in note 8 relates to the 17 ships currently chartered to CMA CGM.

**Ship Management Agreements**

The Company outsources day to day technical management of its 17 vessels to a ship manager, CMA Ships Limited, a wholly owned subsidiary of CMA CGM. The Company pays CMA Ships Limited an annual management fee of \$114 per vessel and reimburses costs incurred on its behalf, mainly being for the provision of crew, lubricating oils and routine maintenance. Such reimbursement is subject to a cap of between \$5.4 and \$8.8 per day per vessel depending on the vessel. The impact of the cap is determined quarterly and for the fleet as a whole. Ship management fees expensed for the three months and year ended December 31, 2011 amounted to \$484 (2010: \$489) and \$1,938 (2010: \$1,943) respectively.

Except for transactions with CMA CGM companies, the Company did not enter into any other related party transactions.



## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except share data)

**8. Commitments and Contingencies****Charter Hire Receivable**

The Company has entered into long term time charters for its vessels. The charter hire is fixed for the duration of the charter. The charters for the vessels were originally for periods of between five and 17 years and the maximum future annual charter hire receivable for the fleet of 17 vessels as at December 31, 2011 is as follows:

Year ending December 31,	Fleet as at December 31, 2011
2012	156,502
2013	135,952
2014	135,952
2015	135,952
2016	135,013
Thereafter	503,542
	<b>\$ 1,202,913</b>

**9. Share Capital**

At December 31, 2011 the Company had two classes of common shares. The rights of holders of Class B common shares are identical to those of holders of Class A common shares, except that the dividend rights of holders of Class B common shares are subordinated to those of holders of Class A common shares until certain financial conditions, mainly relating to the record of dividend payments, have been met when the Class B common shares would convert to Class A common shares on a one-for-one basis. The financial conditions have not yet been met and accordingly the conversion has not taken place.

Restricted stock units are granted periodically to the Directors and management, under the Company's 2008 Equity Incentive Plan, as part of their compensation arrangements (see note 11).

The Series A preferred shares rank senior to the common shares and are mandatorily redeemable in 12 quarterly instalments commencing August 31, 2016. They are classified as a long-term liability. The dividend that preferred shareholders are entitled to is presented as part of interest expense.

On August 24, 2010, 39,531,348 Public Warrants, which gave the holder the right to purchase one Class A common share at a price of \$6, and 5,500,000 Sponsor Warrants, which had similar terms except that the exercise had to be on a cashless basis, expired. There are 6,188,088 Class A Warrants outstanding which expire on September 1, 2013 and give the holders the right to purchase one Class A common share at a price of \$9.25.

As at December 31, 2011, total proceeds received in 2008 from the exercise of Public Warrants prior to their expiry were \$3,027 (December 31, 2010: \$3,027). Such funds are to be used to redeem the Series A preferred shares, with a minimum redemption amount of \$5,000. As this threshold has not been reached, none of the preferred shares have been redeemed and the funds are classified as restricted cash in the balance sheet.





## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except share data)

**10. Interest Rate Derivatives and Fair Value Measurements**

The Company is exposed to the impact of interest rate changes on its variable rate debt. Accordingly, the Company has entered into interest rate swap agreements to manage the exposure to interest rate variability. As of December 31, 2011 a total of \$580,000 of debt was swapped into fixed rate debt at a weighted average rate of 3.59%. None of the Company's interest rate agreements qualify for hedge accounting and therefore the net changes in the fair value of the interest rate derivative assets and liabilities at each reporting period are reflected in the current period operations as unrealized gains and losses on derivatives. Cash flows related to interest rate derivatives (initial payments for the derivatives and periodic cash settlements) are included within cash flows from investing activities in the consolidated statement of cash flows.

Realized gains or losses from interest rate derivatives are recognized in the statement of income. In addition, the interest rate derivatives are marked to market at each reporting period end and are recorded at fair values. This generates unrealized gains or losses. The unrealized gain on interest rate derivatives for the three months ended December 31, 2011 was \$4,049 (2010: gain of \$11,710). The unrealized loss on interest rate derivatives for the year ended December 31, 2011 was \$881 (2010: \$15,322).

Derivative instruments held by the Company are categorized as level 2 in the fair value hierarchy. As at December 31, 2011, these derivatives represented a liability of \$45,316 (December 31, 2010: \$44,435).

**11. Share-Based Compensation**

Share based awards are summarized as follows:

	Restricted Stock Units			
	Number of Units		Weighted Average Fair Value on Grant date	Actual Fair Value on Vesting date
	Management	Directors		
<b>Un-Vested as at January 1, 2010</b>	<b>560,000</b>	<b>150,273</b>	<b>\$ 4.21</b>	<b>n/a</b>
Vested in January 2010		(150,273)	1.83	1.46
Granted on March 1, 2010		58,511	1.88	n/a
Vested in September 2010	(210,000)		4.93	2.67
Vested in October 2010	(90,000)		4.93	2.65
<b>Un-Vested as at December 31, 2010</b>	<b>260,000</b>	<b>58,511</b>	<b>\$ 4.23</b>	<b>n/a</b>
Vested in January 2011		(58,511)	1.88	5.04
Granted on March 17, 2011	15,000	17,886	6.15	n/a
Vested in September 2011	(206,250)		4.84	2.35
Granted on September 2, 2011	150,000		3.07	n/a
Vested in October 2011	(68,750)		4.84	1.96
<b>Un-Vested as at December 31, 2011</b>	<b>150,000</b>	<b>17,886</b>	<b>\$ 3.40</b>	<b>n/a</b>

Using the graded vesting method of expensing the restricted stock unit grants, the calculated weighted average fair value of the stock units is recognized as compensation cost in the consolidated statement of income over the vesting period. During the three months and year ended December 31, 2011, the Company recognized a total of \$109 (2010: \$131) and \$566 (2010: \$980) share based compensation cost respectively.

## Edgar Filing: Global Ship Lease, Inc. - Form 6-K

As at December 31, 2011, there was a total of \$352 unrecognized compensation cost relating to the above share based awards (December 31, 2010: \$255). The remaining cost is expected to be recognized over a period of 22 months.

---

**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars except share data)

**11. Share-Based Compensation (continued)**

The restricted stock units granted to three members of management on August 14, 2008 were to vest over a period of three years; one third on the first anniversary of the merger, one third on the second anniversary and one third on the third anniversary. The vesting dates were amended and a total of 260,000 vested in September and October 2009, a further 260,000 vested in September and October 2010 and for the final tranche 195,000 units vested during September 2011 and the balance of 65,000 units vested during October 2011.

The restricted stock units granted to one member of management on November 12, 2008 were to vest over a period of two years; half on the first anniversary of the merger and half on the second anniversary. The vesting date of the both tranches was amended and a total of 40,000 vested in September and October 2009 and the remaining 40,000 vested in September and October 2010.

The restricted stock units granted to Directors on May 18, 2009 and March 1, 2010 vested in January 2010 and January 2011 respectively. The restricted stock units granted to Directors on March 17, 2011 vested in January 2012.

Restricted stock units totalling 15,000 were granted to one member of management on March 17, 2011 to vest in September and October 2011. 11,250 units vested during September 2011 and the balance of 3,750 units vested during October 2011. The restricted stock units granted to four members of management on September 2, 2011 are to vest over two years; half during September and October 2012 and the remaining half during September and October 2013.

**12. Earnings per Share**

Basic earnings per common share is presented under the two-class method and is computed by dividing the earnings applicable to common stockholders by the weighted average number of common shares outstanding for the period.

Under the two class method, net income, if any, is first reduced by the amount of dividends declared in respect of common shares for the current period, if any, and the remaining earnings are allocated to common shares and participating securities to the extent that each security can share the earnings assuming all earnings for the period are distributed. For the three months and year ended December 31, 2011, no dividend was declared (2010: nil dividends). The Class B common shareholders' dividend rights are subordinated to those of holders of Class A common shares. Net income for the relevant period is allocated based on the contractual rights of each class of security and as there was insufficient net income to allow any dividend on the Class B common shares no earnings were allocated to Class B common shares.

Losses are only allocated to participating securities in a period of net loss if, based on the contractual terms, the relevant common shareholders have an obligation to participate in such losses. No such obligation exists for Class B common shareholders and, accordingly, losses would only be allocated to the Class A common shareholders.

On August 24, 2010 39,531,348 Public Warrants exercisable at \$6.00 to purchase Class A common shares and 5,500,000 Sponsor Warrants, exercisable on a cashless basis at \$6.00, expired. At September 30, 2011, there were 6,188,088 Class A Warrants to purchase Class A common shares at an exercise price of \$9.25 outstanding which are due to expire on September 1, 2013. In addition, there were 167,886 restricted stock units granted and unvested as part of management's equity incentive plan and as part of the Directors' compensation for 2011. As of December 31, 2011 only Class A and B common shares are participating securities.

For the three months ended December 31, 2011 and the year ended December 31, 2010, the diluted weighted average number of Class A common shares outstanding is the same as the basic weighted average number of shares outstanding. The diluted weighted average number of shares excludes the outstanding restricted stock units and the outstanding warrants as these would have had an antidilutive effect. For the three months ended December 31, 2010 and the year ended December 31, 2011, the diluted weighted average number of shares includes the incremental effect of outstanding stock based incentive awards but excludes the effect of outstanding warrants as these were antidilutive.



## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except per share data)

## 12. Earnings per Share (continued)

(In thousands, except share data)	Three months ended		Year ended	
	December 31,		December 31,	
	2011	2010	2011	2010
<b>Class A common shares</b>				
Weighted average number of common shares outstanding (B)	47,460,989	47,126,391	47,262,549	46,910,604
Dilutive effect of share-based awards		263,780	185,463	
Common shares and common share equivalents (F)	47,460,989	47,390,171	47,448,012	46,910,604
<b>Class B common shares</b>				
Weighted average number of common shares outstanding (D)	7,405,956	7,405,956	7,405,956	7,405,956
Dilutive effect of share-based awards				
Common shares (H)	7,405,956	7,405,956	7,405,956	7,405,956
<b>Basic Earnings per Share</b>				
Net income (loss) available to shareholders	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
Available to:				
- Class A shareholders for period	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
- Class A shareholders for arrears				
- Class B shareholders for period				
- allocate pro-rata between Class A and B				
Net income (loss) available for Class A (A)	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
Net income (loss) available for Class B (C)				
Basic Earnings per share:				
Class A (A/B)	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Class B (C/D)				
<b>Diluted Earnings per Share</b>				
Net income (loss) available to shareholders	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
Available to:				
- Class A shareholders for period	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
- Class A shareholders for arrears				
- Class B shareholders for period				
- allocate pro rata between Class A and B				
Net income (loss) available for Class A (E)	\$ 10,860	\$ 1,226	\$ 9,071	\$ (3,971)
Net income (loss) available for Class B (G)				
Diluted Earnings per share:				
Class A (E/F)	\$ 0.23	\$ 0.03	\$ 0.19	\$ (0.08)
Class B (G/H)				

**13. Subsequent Events**

There are no subsequent events other than those disclosed elsewhere in these financial statements.