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Independent auditors' report

Unitholders of First Ship Lease Trust

Report on the financial statements

We have audited the accompanying financial statements of First Ship Lease Trust (the "Trust") (constituted in the Republic of Singapore pursuant to a Deed of Trust dated 19 March 2007) and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Trust as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS42.

Trustee-Manager's responsibility for the financial statements

The Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Business Trusts Act (the "Act") and International Financial Reporting Standards.

The Trustee-Manager has acknowledged that its responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee-Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Trust as at 31 December 2012 and the results, changes in unitholders' funds and cash flows of the Group for the year ended on that date.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.2 to the financial statements, which indicates that lenders of the amortising term loan facility with a carrying amount of US\$430,218,000 as at 31 December 2012, have granted the Trust temporary relaxation of two loan covenants (relating to Security Value-to-Loan ratio and Debt Service Coverage ratio) for 12 months. The relaxation will expire on 30 June 2013, which falls within 6 months of the reporting date. Covenants under the original loan agreement will be reinstated from 1 July 2013 and the Trust may breach the original Security Value-to-Loan ratio and the Debt Service Coverage ratio covenants. Should the Trust breach either of the two loan covenants after the expiry of the relaxation period, lenders shall have the ability to exercise their remedies under the loan agreement. Management believes the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments, and it intends to resolve such potential breach of these two loan covenants with the lenders prior to 30 June 2013.

The above circumstance indicates the existence of a material uncertainty that may affect the Group's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this material uncertainty.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.



KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
28 February 2013