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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 2013, 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 FS44.

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, Chapter 31A (the Act) and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts 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 2013 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 of the consolidated financial statements, which indicates that the lenders of the amortising term loan facility, with a carrying amount of US\$377,492,000 as at 31 December 2013, had previously granted the Trust temporary relaxation ("Relaxation") of two loan covenants, relating to Security Value-to-Loan ratio and Debt Service Coverage ratio ("the Covenants"). The Relaxation expired on 31 December 2013.

As the Trust did not fully comply with the relaxed covenants and conditions attached thereto as at 31 December 2013, the entire bank loan could have been called for repayment at any time upon notification by the lenders. Accordingly, the loan balance was classified within current liabilities, giving rise to the deficiency in net current assets, amounting to US\$364,377,000 as at 31 December 2013. In February 2014, the lenders agreed to revise the relaxed Covenants until 31 December 2014 ("Relaxation extension"). The Relaxation extension is awaiting execution from the lenders and is granted on the basis that the Trust meets certain conditions (the "Conditions") during the Relaxation extension period.

Should the lenders not execute the Relaxation extension or where the Trust breaches either of the two loan Covenants upon the expiry of the Relaxation extension, the lenders shall have the ability to exercise their remedies under the loan agreement. Management is of the view that the Relaxation extension will be executed and any conditions attached thereto will be met. Management is also of the view that any potential breach of the Covenants, upon expiry of the Relaxation extension, will be resolved and the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments. Accordingly, it is appropriate to continue using the going concern basis for the preparation of the consolidated financial statements

The above circumstances indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this material uncertainty. In the event that the Group is unable to continue as a going concern, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
7 April 2014