

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
FIRST SHIP LEASE TRUST**

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 58.

In our opinion, the accompanying 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 Singapore Business Trusts Act, Chapter 31A (the Act) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2016 and of the consolidated financial performance, consolidated changes in unitholders' funds and consolidated statement of cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the consolidated financial statements which states that the Group incurred a net loss of US\$30,995,000 and a total comprehensive loss of US\$30,728,000 for the financial year ended 31 December 2016. As at 31 December 2016, the Group's and the Trust's current liabilities exceeded current assets by US\$179,375,000 and US\$170,963,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Trust to continue as going concerns and therefore that they may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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(cont'd)

Material Uncertainty Related to Going Concern (cont'd)

Nevertheless, in the preparation of the financial statements, the management of the Trustee-Manager believes that the use of the going concern assumption is appropriate after taking into consideration the following factors:

- (i) The management of the Trustee-Manager has prepared a cash flow projection and is of the view that the Group and the Trust will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- (ii) The Group and the Trust will continue to receive financial support from its lenders and refinancing of the current bank loan will be successful.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.