FLEX LNG

FLEX LNG Group

Consolidated and Company Annual Report and Financial Statement 2015

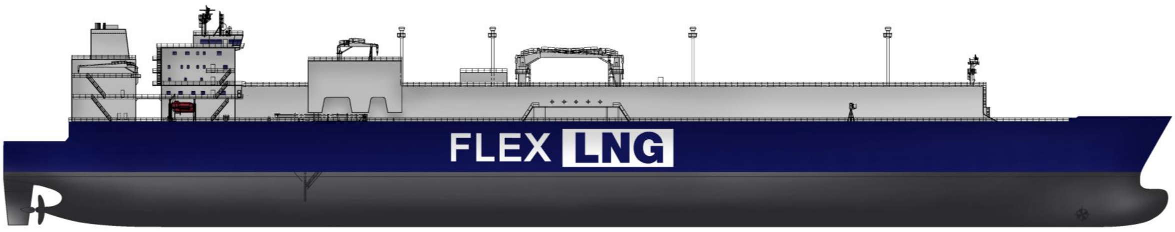

Illustration courtesy of Samsung Heavy Industries

General Information, FLEX LNG Ltd

Directors

David McManus (Chairman)
Robin Bakken
Marius Hermansen

Company Secretary

Manx Secretarial Services Limited
Jubilee Buildings, Victoria Street
Douglas, IM1 2SH
Isle of Man

Registered Office

Craigmuir Chambers
P.O. Box 71
Road Town
Tortola
British Virgin Islands

Auditors

Ernst & Young AS
Thormøhlens gate 53 D, NO-5008 Bergen
P.O. Box 6163 Postterminalen
NO-5892 Bergen, Norway

Bankers

Barclays
Victoria Street
Douglas, IM99 1AJ
Isle of Man

Lloyds Bank
PO Box 328, Victory House
Douglas, IM99 3JY
Isle of Man

HSBC
1st Floor, 60 Queen Victoria Street,
London, EC4N 4TR
United Kingdom

SparebankenVest
PB 7999,
5020 Bergen,
Norway

Chairman's Statement

In 2015 the Company has worked with Samsung Heavy Industries (Samsung) on the plan approval, vendor selection and design changes on the two new 174,000 m^3 LNG carriers. The propulsion system has been converted from DFDE to the fuel efficient 2-stroke slow speed MEGI main engines. The Company believes that the revised vessel design is ideally suited to meet the growth in demand, as new production comes on stream and as the older vessels in the LNG fleet are replaced. The MEGI propulsion system is expected to provide significate reductions in unit freight costs against both DFDE and Steam LNG carriers. The construction timetable with Samsung remains on track with steel cutting commencing in 2016 and delivery in January and April 2018.

In April 2016 the Group secured an amendment to the existing working capital facility and now expects that this will provide working capital up until delivery, at which point additional funds will be required to fund the delivery instalments.

In July 2015 the Company announced a proposed transaction with EXMAR NV (EXMAR) and Geveran Trading Co. Ltd. (GEVERAN) on the main terms for an acquisition of their respective Liquefied Natural Gas assets and Liquefied Natural Gas Infrastructure in exchange for new shares in the Company being issued. The parties were not able to agree on the definitive transaction documents and the Company announced in September that the transaction would not proceed. The Company will continue to examine other strategic alternatives, to add value to the Company and its shareholders, including considerations of opportunities across the LNG value chain. The current condition of the LNG market could give interesting consolidation and growth opportunities for the Company. The Company believes that the Geveran backing will assist the Group, as it looks to grow into a leading investment vehicle for LNG vessels.

I believe the Company remains well placed to build an attractive position in the LNG shipping market with the newest generation of fuel efficient LNG carriers. The Group has a flat organisation which can react quickly and opportunistically to target prospects within the LNG value chain. In addition the Group is able to leverage off the expertise and experience within the Frontline organisation to assist the Group grow the business.

David McManus

Chairman

FLEX LNG

BOARD OF DIRECTOR'S REPORT 2015

Business update

The Company on 1 July 2015 announced a proposed transaction with EXMAR and GEVERAN on the main terms for an acquisition of EXMAR's and GEVERAN's respective Liquefied Natural Gas assets and Liquefied Natural Gas Infrastructure in exchange for new shares in the Company being issued to EXMAR and GEVERAN. The parties were not able to agree on the definitive transaction documents and the Company announced on 23 September that the transaction would not proceed.

The Company continues with the construction of its two LNG carriers and will examine other strategic alternatives to add value to the Company and its shareholders, including considerations of opportunities across the LNG value chain. The current condition of the LNG market could give interesting consolidation and growth opportunities for the Company, with a number of commercial opportunities being pursued. The Company is working to complete the plan approval for the two vessels and remains on target to start steel cutting in 2016.

Funding and Going Concern

On the present overhead structure and budgeted costs, the Company believes that the working capital raised in 2014 will provide sufficient working capital to operate towards the end of 2016. Given this the Company has been in discussion with Metrogas to amend the existing working capital facility and in April 2016 agreed an amendment to provide the estimated working capital funds until delivery, additional details note 16.2.

Risks

The FLEX LNG Group is currently focused on becoming a leading owner of fuel efficient LNG carrier vessels. The Group is exposed to a variety of commercial, operational and financial risks, including market risks, credit risks, interest rate, capital risk and liquidity risks.

The uncertainties and risks include those detailed in the 2015 accounts and as summarised below. These include: the ability to secure employment contracts on reasonable terms for the two vessels being constructed by Samsung; managing the design and construction period; obtaining delivery finance on reasonable terms; and the general LNG and LNG shipping market conditions and trends.

The Company has historically funded its operation from equity. Obtaining such financing may be subject to market risks and other risks that may influence the availability, structure and terms of such financing. In 2014 the Group in addition raised $7.0m of debt finance to part cover the construction phase of the vessels. Given the existing loan agreement, overhead structure and budgeted costs, the Company believes that this will provide sufficient working capital to operate towards the end of 2016, but will need to obtain additional working capital. Given this the Company has been discussing with Metrogas to amend the existing working capital facility, which will provide these funds up to delivery. In April 2016 the Group agreed an extension and increase to the existing working capital facility and the Company now expects that this will provide funds to operate until delivery of the vessels. In addition there can be no assurance that construction supervision costs will be as forecast.

BOARD OF DIRECTOR'S REPORT 2015 (continued)

Risks (continued)

In all cases where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all. Additional detail on working capital requirements and an analysis of the risks to the Company are provided in accounts notes 1.4, 17, 18, and 19 and Corporate Governance section 10.

Income Statement and Balance Sheet

The Group cash balances at 31 December were $3.7m (2014: $6.7m) with a $3.0m outflow year to date (2014: $5.2m net inflow). In the twelve months in 2015 the operating cash outflow was $2.8m (principally the operating loss after adjusting for the non cash, working capital movements and finance costs paid). The 2015 movement includes the payment of mandatory bid costs ($0.4m), which completed in late 2014, additional 2015 restructure costs and $0.2m in relation to the Exmar transaction. The retained loss for the year was $2.5m (2014: $2.6m - loss), which has been transferred to reserves.

During the year the Company has continued to hold the investments in its subsidiaries and managed the strategic direction of the Group. The cash balances at 31 December were $3.6m (2014: $6.5m). In the twelve months in 2015 the operating cash outflow was $2.1m (principally the operating loss less the non cash income statement entries, working capital movements and interest paid) and investing activities outflow $0.8m (loans to subsidiaries). The retained loss for the year was $1.7m (2014: $1.5m - loss), which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

The Board

There have been changes in the composition of the Board during the financial year. In December 2015 Jens Jensen stood down and we thank him for his significant contribution to Board discussions.

Environmental Reporting

The Company has an objective that all activities that are performed are to be carried out so as to minimise negative impacts to people and the environment. Given the pre-commercial nature of the operations there is currently minimal corporate impact on the environment.

Working Environment and Personnel

At the end of 2015, FLEX LNG and its subsidiaries had in total 3 employees, 3 men and no woman. All personnel are employed by FLEX LNG Management Limited. There have not been any serious injuries or accidents in the current or prior year and total absence due to sickness has been minimal during the accounting year. FLEX LNG's Board of Directors currently consists of 3 men. The Company's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

BOARD OF DIRECTOR'S REPORT 2015 (continued)

Post Balance Sheet Events
There have been no significant post balance sheet events, other than those listed in note 16.

Corporate Governance
The Group is committed to good corporate governance; additional details may be found in the corporate governance report.

Board of Directors of FLEX LNG Ltd
28 April 2016

David McManus (Chairman)

Robin Bakken

Marius Hermansen

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2015 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Board of Directors of FLEX LNG Ltd
28 April 2016

David McManus (Chairman)

Robin Bakken

Marius Hermansen

FLEX LNG

Corporate Governance Report

1) Implementation and reporting on corporate governance

As a company incorporated in the British Virgin Islands ("BVI"), the Company is subject to BVI laws and regulations. Additionally, as a consequence of being listed on Oslo Axess, the Company must comply with section 3-3b) of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance (the "Code of Practice") on a "comply or explain" basis. Further, the Company has in place a Memorandum and Articles of Association, which set forth certain governance provisions. The Norwegian Accounting Act is found on www.lovdata.no and the Code of Practice is found on www.nues.no.

The Group is committed to ensuring that high standards of corporate governance are maintained and is committed to high ethical standards in dealings with all stakeholders, including shareholders, debtors, customers, vendors and employees. Strong corporate governance principles help to ensure that the Groups' standards are applied to all its operations, and the Board has furthermore implemented a Code of Conduct and Ethics and the Company will also look to comply with the material aspects of the Code of Practice for Reporting IR Information. Additionally policies have been put in place to cover health and safety, quality and environment commitment. The Company believes that these policies broadly set out the Company's corporate social responsibility. Further information in this respect is available on www.flexlng.com.

The Board of Directors has based its corporate governance practices on the principles set out in the Code of Practice. However, since the Company is governed by BVI laws and regulations, and given the pre commercial nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum and Articles of Association, BVI and Norwegian law.

2) Business

FLEX LNG is currently focused on becoming a leading owner of fuel efficient LNG carrier vessels. The objectives are within the framework of the Company's Memorandum and Articles of Associations, which may be reviewed at www.flexlng.com. The objectives stipulated in the Memorandum and Articles of Associations are as follows: 'commercial activity relating to securing hydrocarbon feed stock for floating liquefaction projects, constructing, owning and operating floating liquefaction vessels and/or LNG vessels and sales and marketing of hydrocarbons and business in connection therewith, including investing in other companies.'

The Group operates principally through its subsidiaries. The Company is currently focused on the construction of the two LNG carrier vessels on order from Samsung, including obtaining commercial charter parties. The business principles are as follows;

- Protection of human lives and the environment and servicing our customers are the top priorities. By working with clients to jointly explore business opportunities FLEX LNG intends to develop long lasting relationships based on trust and a goal of creating economic value
- FLEX LNG will strive to provide superior shareholder returns
- FLEX LNG will aim to attract and retain highly qualified individuals through compensation packages that align employees and shareholders' interest
- Creativity and innovation spearheads the commercial and technical work conducted by FLEX LNG. In an effort to stay ahead of competition FLEX LNG will relentlessly drive for continuous improvements that permeate the FLEX LNG culture
- FLEX LNG emphasises integrity and honesty in the way it does business

3) Equity and dividends

Equity

The appropriate level of equity for the Group is evaluated by the Board on an ongoing basis, via reviews at the Board meetings. Total share capital at 31 December 2015 was USD 1,278,696.73, divided into 127,869,673 shares of USD 0.01 each. The directors believe this is currently satisfactory given the Group's business and objectives, but will be increased if the Company raises additional funds.

Debt

The Company has borrowed $7.0m from Metrogas for the provision of working capital. The Company expects to raise additional finance to cover the construction phase for the two LNG carriers. Once on charter the debt-to-equity leverage of the LNG carriers will be dependent upon the contract structure and the debt market at that point in time.

Corporate Governance Report (continued)

3) Equity and dividends (continued)

Dividend policy

As the Group has yet to produce stable cash flow, or to secure a commercial contract, dividends will not be considered in the near term.

Equity mandates

As a BVI company it has an unlimited maximum for the authorised number of shares per its Memorandum and Articles of Association. To issue new shares or amend the authorised number of shares, it requires an ordinary shareholder resolution and Board approval. Should the Company seek a mandate to increase the company's capital it will look to define the purpose for the mandate. The issued share capital for the Group is detailed in the annual and quarterly reports which may be viewed at www.flexlng.com.

In connection with the issuance of shares in the Company, the shareholders have (except to the extent they are waived) pre-emptive rights to the new share on a pro-rata basis. Currently, the Board has not resolved and does not intend for the Company to acquire its own shares.

4) Equal treatment of shareholders and transactions with close associates

The Company has only one share class, with identical voting rights. All shareholders are treated equally and the Articles of Association do not contain any restrictions on voting rights. Where there is a need to waive the pre-emption rights of existing shareholders this will be justified at the time of approval or where based on an existing mandate justified in the stock exchange announcement in relation to the increase. Where the Company carries out a transaction in its own shares the intention is for this to occur through the stock exchange or at prevailing stock exchange prices, to ensure equal treatment of all shareholders.

All transactions between the Group and its close associates as defined by the Group's Code of Conduct are at arm's length and market prices. The Memorandum and Articles of Associations and the Group's Code of Conduct require Board members and executive staff to disclose interests in transactions entered into with the Group. Where appropriate the Group ensures third party independent evaluation, where defined by the Code of Conduct, or determines that the transaction is on an arm's length basis and at market prices. Any transactions between the Group and close associates will be detailed as related party transactions in note 14 to the financial statements. The costs incurred are, in the Company's opinion, made at market terms.

5) Freely negotiable shares

With limited exception, all shares in the Company are freely negotiable, and the Articles of Association contain no form of restriction on the negotiability of the shares, or on voting rights.

However, as a BVI company, and to protect existing Norwegian shareholders from adverse tax consequences in Norwegian Controlled Foreign Corporations Regulations, the Group may, in accordance with the Articles of Association, deny the transfer of shares which would lead to Norwegian ownership being deemed a Controlled Foreign Company. This type of restriction is normal for British Virgin Islands and other low-tax jurisdiction companies listed on the Oslo Axess.

Furthermore, the shareholders of the Company have on the Annual General Meeting in 2015 and 2014 resolved to issue up to 100% of the remuneration for the directors for the two years as new shares in the Company, that are to be subject to a lock-up. The two share issuances covering the board remuneration for the 2015 and 2014 year shall become unlocked either on the first or second anniversary after their respective grants.

6) General meetings

The Annual General Meeting ("AGM") is the forum for the Company's shareholders to participate in major decisions, and is held each year. The Company's Articles of Associations require 14 days notice for Annual and other Shareholder Meetings, rather than 21 days. Currently, given that the Company is pre-commercial, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on. The notice for Annual and Extraordinary General Meetings shall include relevant material to enable the shareholders to make an informed decision, including the recommendation of the nomination committee and to vote separately on each matter being considered, including the candidates nominated for election. The documentation will be sent to shareholders either electronically or on paper. Registration can be made in writing or by e-mail. All shareholders are entitled to speak and vote at the General Meetings. The Board of Directors shall take steps to ensure that as many shareholders as possible can exercise their rights by participating in General Meetings, for instance by setting deadlines for shareholders to give notice of their intention to attend the meeting (if any) as close to the date of the meeting as possible and by giving shareholders who are not able to attend the option to vote by proxy. The Board of the Company shall make arrangements for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

Corporate Governance Report (continued)

6) General meetings (continued)

The AGM shall be organised in such a way as to facilitate dialogue between shareholders and the officers of the Company. Thus, the Board of Directors will ensure that a member of the Board and the auditor will be available to answer questions. The Board of Directors has not made arrangements for an independent Chairman for each AGM, or for the nomination committee to be present; it believes that the Board Chairman can act independently and in the interests of shareholders. The notice of the General Meeting as well as supporting documents will be made available on the website www.flexlng.com as well as www.newsweb.no where the decisions from the general meetings will also be made available.

FLEX LNG strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the shareholders' meeting. In the view of the Company, the current shareholder structure, the shareholder representation, the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board. In addition, given the Company's current development and given the good communications with shareholders, it does not believe that it is necessary for all Directors, Nomination Committee and auditor to be physically present at the General Meetings, or for there to be an independent Chairman, and that 14 days notice is sufficient for the AGM. The Chairman, CFO, and auditor will participate in the meeting at a minimum.

7) Nomination Committee

The Company operates a nominating committee, which is responsible for identifying, recommending board candidates to the AGM and shall justify the recommendation to shareholders against the requirements in section 8) below, taking into account the interests of shareholders in general. The committee's obligations and responsibilities are established in the Company's Articles of Association and via procedures for the nomination committee, as approved by the AGM. This includes the responsibility of proposing members to the Board of Directors and members of the Nomination committee. The Nomination committee shall also propose the fee payable to the members of the Board and the members of the Nomination committee. Currently George Linardarkis and Marcus Hansson comprise the members of the Nomination Committee, are independent of the executive management and the Board. All members are elected by the shareholders for a period until the 2016 AGM and their remuneration was approved at the 2015 AGM. The Company and the Committee can be contacted, if shareholders wish to discuss nominations with the committee, or to submit proposals for candidates for election.

8) Corporate assembly and Board of Directors: composition and independence

As a BVI registered company with 3 employees at 31 December 2015, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.

The Company's Board of Directors shall contain between 3 to 9 directors pursuant to the decision of the General Meeting. The Company's Board of Directors currently comprises 3 directors, of whom all are considered independent of executive management, the composition aims to ensure that the interests of all shareholders are represented. Of the three members, no directors are associated with a shareholder with a holding exceeding 10%, other than Marius Hermansen. The composition of the Board of Directors, including the controls to avoid conflicts of interest, is in accordance with BVI company law, the Memorandum and Articles of Association and good corporate governance practice.

The Company endeavours to ensure that it is constituted by directors with a varied background and the necessary expertise, diversity and capacity to ensure that it can function effectively. The directors are elected by the General Meeting, for service periods of two years or such shorter period as stated in the relevant resolution. Directors may be re-elected and there is no limit on the number of terms that any one director may serve. Re-election of the current directors is due at the AGM in 2016. They may be removed by a majority vote at any time. Currently the Board has elected the Chairman, rather than the shareholders, given the Company's current development status the Company believe that this is satisfactory and that the Chairman can ensure that the board is effective in its tasks of setting and implementing the Company's direction and strategy.

The Directors are encouraged to hold shares in the Company, which the Board believes promotes a common financial interest between the members of the Board and the shareholders of the Company. In accordance with the General Meeting's resolution, the Directors received between 0% and 80% of their remuneration in shares for 2015.

All Directors participated in the 2015 Board meetings.

Corporate Governance Report (continued)

8) Corporate assembly and Board of Directors: composition and independence (continued)

The current Board members are listed below:

Mr. David McManus, Chairman (62) - Independent
Mr. McManus has served on the Board since August 2011, and was elected as chairperson in September 2011. An exceptionally experienced international business leader in the Energy Sector, with strong technical and commercial skills and has previously served as Executive Vice President and Head of International Operations for Pioneer Natural Resources. He is currently serving as non-executive director for a number of listed companies, namely; Hess Corporation, a large NYSE listed oil and gas company with upstream operations in North America, Europe, Africa and Asia; Rockhopper Exploration plc, a UK AIM listed exploration company with assets in the Falkland Islands; Costain plc, one of the UK's leading engineering solutions providers; and Caza Oil and Gas, a dual listed exploration and production company with assets onshore USA. Mr. McManus was previously Chairman of Cape plc an energy service company, which has been involved as a contractor in more than 50% of the world's LNG facilities, including Sakhalin, RasGas, Qatargas, Damietta, Idku, North West Shelf, Pluto and Arzew. He has 39 years of experience in Technical, Commercial, Business Development, General Management and Executive roles across all aspects of the international oil and gas business, including; BG Group, ARCO, Ultramar, Shell and Fluor Corporation. Mr. McManus is a graduate of Heriott Watt University, Edinburgh.

Mr. Robin Bakken, Board member (41) - Independent
Mr. Bakken joined the Board in October 2014, he is a partner with the law firm BA-HR in Oslo, Norway. He has extensive experience in corporate transactions (equity capital markets and M&A), and is currently heading BAHR's corporate practise group. He specializes in securities law, company law and corporate governance, and regularly acts for issuers, investment banks and sponsors in public and private transactions. Mr. Bakken joined BA-HR in 2000, being a partner from 2007. He graduated at the University of Oslo with a law degree in 2000.

Mr. Marius Hermansen, Board member (37)
Mr. Hermansen joined the Board in December 2015, he works for Frontline Management and is involved in S&P activities for Frontline and all related companies. Previously he worked for over 10 years at Fearnleys. He was educated at the Norwegian School of Economics (NHH) in Bergen and started as a trainee with AP Moller-Maersk.

The Executive Management are listed below:

Jostein Ueland, Chief Financial Officer (36)
Mr. Ueland is the co-founder of FLEX LNG, which was established in August 2006 and is the CFO of FLEX LNG Management. Mr. Ueland has worked within the Investment Management Division of Goldman Sachs International in London and as an Equity Research Analyst in Enskilda Securities ASA in Oslo. He has first class experience in valuing companies and was responsible for the IPO research in relation to the listing of APL ASA, Sevan Marine ASA and Odfjell Invest LTD. Mr. Ueland earned his Master's Degree in Finance from the Norwegian School of Economics and Business Administration.

Mr. Trym Tveitnes, PhD, Chief Technical Officer (43)
Mr. Tveitnes is the co-founder of FLEX LNG, which was established in August 2006 and is the CTO of FLEX LNG Management. Mr. Tveitnes joined FLEX LNG from a consultancy in Bergen, Norway, specialising in onshore gas transportation and distribution. Prior to this he worked for the shipping company Höegh LNG in Oslo, focusing on concept development and technical specifications in connection with the Neptune SRV project as well as within Arctic LNG transportation. Mr. Tveitnes also has experience as Senior Engineer at Det Norske Veritas working on technological qualifications of containment systems for large LNG carriers and floating LNG import terminals. Mr. Tveitnes holds a MSc. in Naval Architecture and a PhD in Hydrodynamics from the University of Glasgow.

9) The work of the Board of Directors

The Board is ultimately responsible for the management of the Company and for supervising its day to day management. The Board approves an annual budget plan for the business. In addition, policies have been approved that cover the responsibilities of the Board and those of the Management of FLEX LNG Management Limited. The Company has established a Compensation and Audit Committee. Each committee contains the full Board and is chaired as follows; Compensation – Robin Bakken; and Audit – Marius Hermansen. The committees perform the following roles: Compensation – to review and recommend remuneration for senior management; and Audit – to review the financial reporting and controls for the Group. The audit committee will hold separate meetings with the auditor at least once a year, with the auditor inputting on the agenda items.

Corporate Governance Report (continued)

9) The work of the Board of Directors (continued)

The Board is scheduled to meet in person between one and two times a year, and additionally approximately four times by telephone conferences, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances. In the 12 months in 2015 the Board has convened three time, and has met on one occasion. The main responsibilities of the Board cover the following main areas; strategic planning and decision making for the executive management to implement; ensure Board instructions are complied with; remain well informed on the Company's and Group financial position; production of an annual work plan; ensure the adequacy of executive management and their roles are clearly defined; annually to review the most important areas of risk exposure, including risks and controls related to financial reporting; ensuring an appropriate system of direction, risk management and internal control is established and maintained; to adopt guidelines for the frequency and policy for external financial reporting; and to agree on the dividend policy. The Board are briefed on the Company's financial situation, the vessel construction and charter position, market conditions, the liquidity situation and cash flow forecast.

The Chairman of the Board of Directors carries a particular responsibility for ensuring that the Board of Directors performs its duties in a satisfactory manner and that the Board is well organised. The Board has the overall responsibility for the management of the Group and has delegated the daily management and operations to the CFO, Mr. J. Ueland, who is appointed by and serves at the discretion of the Board, and also reports to the Board. Further, the CFO of the management company is responsible for ensuring that the Company's accounts are in accordance with all applicable legislation, and that the assets of the Company are properly managed. His powers and responsibilities are defined in more detail by the Board of Directors.

The CFO is supported by the other member of the executive management team, Mr. T. Tveitnes (Chief Technical Officer). The executive management team has the collective duty to implement the Company's strategic, technical, financial and other objectives, as well as to protect and secure the Group's organisation and reputation.

In the event that the Chairman of the Board cannot attend a meeting or is conflicted in leading the work of the board, an alternate chairman will lead the meeting.

10) Risk management and internal control

The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of FLEX LNG. Principal among these risks currently are; the ability to secure employment contracts on reasonable terms for the two vessels being constructed by Samsung; managing the design and construction period; obtaining finance on reasonable terms; retaining key staff, general LNG and LNG shipping market conditions and trends, and financial risk. In addition, the following risks inherent in the business plan are monitored: commodity prices, changes in the charter market; exchange rates, competition, the political, regulatory and tax environment, counterparty performance, potential growth of the business and the proposed application of new technology including the potential for vessel obsolesce. The Board, working with the Audit Committee and through the annual audit process, ensures that FLEX LNG has reliable internal controls and systems for risk management.

The Board is presented an annual budget at the end of the preceding financial year. Thereafter, the Board is presented with regular updates and quarterly reporting. Explanations are obtained for material variances. The Audit Committee has the responsibility to evaluate risk exposure and internal control on an annual basis. The Board is also presented financial statements on a quarterly basis, which are reviewed with the executive management. FLEX LNG's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

11) Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors is determined annually by the General Meeting, on the basis of the Board's responsibility, expertise, time commitment and the complexity of the Group's operations, and is disclosed in note 3 to the financial statements. Through the Company's remuneration of directors, part of which has historically been in stock, the Company has encouraged directors to own shares in the Company. The remuneration is not linked to the Company's performance. No non-executive directors have been granted share options and no directors are part of the incentive programs available for the executive management and/or other employees, details in section 12 below.

As a general rule, no directors (or companies with which they are associated) shall take on specific assignments for the Company in addition to their appointment as director. If such assignments are made, it shall be disclosed to the full Board and the remuneration shall be approved by the Board. Further, all remuneration paid to each of the directors shall be described in the Annual Report, details per note 3. Such description shall include details of all elements of the remuneration and benefits of each member of the Board, any remuneration paid in addition to normal director's fees included.

FLEX LNG

Corporate Governance Report (continued)

12) Remuneration of the executive personnel

The executive management's remuneration shall be determined by a convened meeting of the Board of Directors. The Board is advised by the Remuneration Committee as to the appropriate level of salary and benefits to pay. The committee shall when preparing the guidelines take into account the location of the management, the level of remuneration normal within the business of the Group, the phase of the Group's business and the characteristics of the different positions within the executive management. The guidelines shall include a summary of the characteristics of the employee option schemes and bonus schemes applicable to the Group. The process aims to link the performance related element of the remuneration, (options and bonus) to value creation for shareholders. The current option program has been approved by shareholders with the allocation to staff determined by the Remuneration Committee prior to approval by the Board. The scheme was designed to align employees with shareholder value creation and to retain persons within the Group. In 2015 staff exercised the remaining issued share options and at the end of 2015 no share options remain outstanding. The guidelines for the remuneration of the executive management were communicated at the 2015 AGM.

Further information on the remuneration of the executive management is contained in note 3, and options granted in note 13 to the financial statements.

13) Information and communications

FLEX LNG will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with legal requirements. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders; the information is provided in English. The Company also provides information to the market through quarterly and annual reports. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Before the start of the year the Company publishes a summary of the key reporting and meeting dates for the following year.

The Board of Directors has adopted guidelines for the Company's reporting of financial and other information based on openness, equal treatment of all shareholders and participants in the securities market, and restrictions imposed by law. The guidelines also include information requirements to the internal treatment of important information and insider trading instructions and for the Company's contact with shareholders other than through General Meetings. Stock Exchange announcements and press releases, including the financial calendar, are also made available on the Company's website.

14) Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the Board has an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors and the executive management will not seek to hinder or obstruct take-over bids for the Company's shares or activities. In the event of any possible take-over or restructuring situation the Board of Directors will take particular care to protect shareholder value and the common interests of the shareholders. If an offer is made for the Company's shares, the Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board will consider the appropriateness of arranging for a valuation by an independent expert. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board of Directors will not exercise mandates or pass any resolutions to obstruct the take-over bid unless approved by the General Meeting following announcement of the bid. Any transaction that is a disposal of the Company's activities should be decided by the General Meeting. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids for the Company's shares shall only be entered into where it is self-evident that such an agreement is in the common interest of the Company and its shareholders. Additionally any financial compensation should be limited to the costs the bidder has incurred in making the bid. Where agreements are entered into between the Company and the bidder that are material to the market's evaluation of the bid they will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. According to the Norwegian Securities Trading Act, a mandatory offer for the remaining shares will be triggered if a shareholder becomes the owner of more than 1/3 of the shares in the Company.

FLEX LNG

Corporate Governance Report (continued)

15) Auditors

The auditor is appointed by the General Meeting, which also determines the auditor's fee. The auditor submits the main features of the plan for the audit of the Company to the Audit Committee on an annual basis and is responsible for the audit of the consolidated financial statements. The auditor does not participate in meetings of the Board of Directors that deals with the annual accounts. Via the Audit Committee the auditor reviews any material changes in the Company's accounting principles, comments on any material accounting estimates and reports all material matters on which there has been disagreement between the auditor and the executive management of the Company. The Company believes the auditor does not need to be physically present at the Company's AGM given the pre-commercial nature of the Group. Annually the auditor presents to the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The Audit Committee holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present, the Company believes this is sufficient given its size and enables the auditor to communicate with members of the Board. The Company's Management regularly holds discussions with the auditor, in which accounting principles and internal control routines are reviewed and discussed, including the presentation of the quarterly reports.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.

Income Statement - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Note	Group 2015	Group 2014	Company 2015	Company 2014
Operating revenues		0	0	0	0
Administrative expenses	*3*	2,231	3,040	1,572	1,904
Reversal of impairment loss	*8*	0	(450)	0	(426)
Operating (loss)		(2,231)	(2,590)	(1,572)	(1,478)
Finance income	*4*	20	3	20	3
Finance cost	*4*	267	35	189	16
(Loss) before tax		(2,478)	(2,622)	(1,741)	(1,491)
Income tax expense	*7*	7	13	0	0
(Loss) after tax		(2,485)	(2,635)	(1,741)	(1,491)
(Loss) for the year		(2,485)	(2,635)	(1,741)	(1,491)
Attributable to:					
Equity holders of the parent		(2,485)	(2,635)	(1,741)	(1,491)

Earnings per share (USD):		Group 2015	Group 2014	Company 2015	Company 2014
- Basic	*5*	(0.02)	(0.02)	(0.01)	(0.01)
- Diluted	*5*	(0.02)	(0.02)	(0.01)	(0.01)

Statement of Comprehensive Income - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Group 2015	Group 2014	Company 2015	Company 2014
(Loss) for the year	(2,485)	(2,635)	(1,741)	(1,491)
Other comprehensive income to be reclassified to profit or loss:				
Exchange differences on translation	0	9	0	0
Total other comprehensive profit	0	9	0	0
Total comprehensive (loss) for the period	(2,485)	(2,626)	(1,741)	(1,491)
Attributable to:				
Equity holders of the parent	(2,485)	(2,626)	(1,741)	(1,491)

Statement of Financial Position – FLEX LNG Group & Company

As at 31 December *(USD, 000)*	Note	Group 2015	Group 2014	Company 2015	Company 2014
ASSETS					
Non-current assets					
New building assets	*8*	211,270	211,064	0	0
Plant and equipment	*9*	3	3	0	0
Loans and investments	*2*	0	0	213,233	212,474
Total non-current assets		211,273	211,067	213,233	212,474
Current assets					
Other current assets	*10*	252	63	244	9
Cash and cash equivalents	*11*	3,722	6,731	3,646	6,489
Total current assets		3,974	6,794	3,890	6,498
TOTAL ASSETS		215,247	217,861	217,123	218,972
EQUITY AND LIABILITIES					
Equity					
Share capital	*12*	1,279	1,269	1,279	1,269
Share premium	*12*	563,080	562,942	563,080	562,942
Other equity		(356,725)	(354,191)	(356,174)	(354,384)
Equity attributable to equity holders of the parent		207,634	210,020	208,185	209,827
Total equity		207,634	210,020	208,185	209,827
Non-current liabilities					
Other financial liabilities	*14.3*	7,000	7,000	7,000	7,000
Total non-current liabilities		7,000	7,000	7,000	7,000
Current liabilities					
Accounts payable		15	409	9	422
Accruals and other payables		598	432	1,929	1,723
Total current liabilities		613	841	1,938	2,145
Total liabilities		7,613	7,841	8,938	9,145
TOTAL EQUITY AND LIABILITIES		215,247	217,861	217,123	218,972

Board of Directors of FLEX LNG Ltd 28 April 2016

David McManus (Chairman)

Robin Bakken

Marius Hermansen

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

Consolidated Statement of Changes in Equity – FLEX LNG Group

(figures in USD,000)

For the year ended 31 December 2015	Share capital	Share premium reserve	Retained earnings	Exchange translation reserve	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.15	1,269	562,942	(364,848)	0	10,657	210,020
Loss for the period			(2,485)			(2,485)
Other comprehensive income				0		0
Total comprehensive income			(2,485)			(2,485)
Shares issued	10	138			(140)	8
Share-based payment (shares)					91	91
At 31.12.15	1,279	563,080	(367,333)	0	10,608	207,634

For the year ended 31 December 2014	Share capital	Share premium reserve	Retained earnings	Exchange translation reserve	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.14	1,264	562,659	(362,213)	(322)	10,393	211,781
Loss for the period			(2,635)			(2,635)
Other comprehensive income				9		9
Total comprehensive income			(2,635)	9		(2,626)
Shares issued	5	283			(285)	3
Transfer to income statement on subsidiary liquidation (note[1])				313		313
Share-based payment (options)					334	334
Share-based payment (shares)					215	215
At 31.12.14	1,269	562,942	(364,848)	0	10,657	210,020

Note [1]: Historical foreign exchange differences, on consolidation, reclassified to the income statement, following the liquidation of the Norwegian Management Company.

FLEX LNG

Statement of Changes in Equity – FLEX LNG Ltd

(figures in USD,000)

For the year ended 31 December 2015	Share capital	Share premium reserve	Retained earnings	Exchange translation reserve	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.15	1,269	562,942	(365,041)	0	10,657	209,827
Loss for the period			(1,741)			(1,741)
Total comprehensive income			(1,741)			(1,741)
Shares issued	10	138			(140)	8
Share-based payment (shares)					91	91
At 31.12.15	1,279	563,080	(366,782)	0	10,608	208,185

For the year ended 31 December 2014	Share capital	Share premium reserve	Retained earnings	Exchange translation reserve	Option, warrant and shares	Total to the equity owners of the parent
At 01.01.14	1,264	562,659	(363,550)	0	10,393	210,766
Loss for the period			(1,491)			(1,491)
Total comprehensive income			(1,491)			(1,491)
Shares issued	5	283			(285)	3
Share-based payment (options)					334	334
Share-based payment (shares)					215	215
At 31.12.14	1,269	562,942	(365,041)	0	10,657	209,827

Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

FLEX LNG

Consolidated Statement of Cash Flows - FLEX LNG Group

Year ended 31 December
(USD, 000)

Group	Note	2015	2014
Cash flow from operating activities			
(Loss) before tax		(2,478)	(2,622)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	*4*	(20)	(3)
Finance expense	*4*	267	35
Option and warrant costs		0	334
Share based payment expense		91	215
Depreciation	*9*	3	1
Realised loss on liquidation of subsidiary		0	313
Profit on asset disposal	*3*	(1)	0
Working capital adjustments:			
Decrease in prepayments		15	34
(Increase) / decrease in trade and other receivables		(205)	53
(Decrease) / increase in trade and other payables		(228)	397
		(2,556)	(1,243)
Income taxes paid		(7)	(21)
Interest received		21	2
Interest paid		(267)	0
Net cash flow from operating activities		(2,809)	(1,262)
Cash flows from investing activities			
Purchase of plant and equipment	*9*	(3)	(4)
Proceeds from sale of plant and equipment		1	0
Payment on new building assets & capitalised expenditure	*8*	(206)	(539)
Net cash flow used in investing activities		(208)	(543)
Cash flows from financing activities			
Proceeds from issue of share capital	*12*	8	3
Proceeds from long-term borrowings		0	7,000
Net cash flow from financing activities		8	7,003
Net currency translation effect		0	9
Net (decrease) / increase in cash and cash equivalents		(3,009)	5,198
Cash and cash equivalents at beginning of period		6,731	1,524
Cash and cash equivalents at end of period	*11*	3,722	6,731

FLEX LNG

Statement of Cash Flows - FLEX LNG Ltd

Year ended 31 December
(USD, 000)

Company	Note	2015	2014
Cash flow from operating activities			
(Loss) before tax		(1,741)	(1,491)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	*4*	(20)	(3)
Finance expense	*4*	189	16
Impairment loss	*2*	1	24
Option and warrant costs		0	334
Share based payment expense		91	215
Working capital adjustments:			
Decrease in prepayments		7	8
(Increase) / decrease in trade and other receivables		(243)	7
(Decrease) / increase in trade and other payables		(207)	508
		(1,923)	(382)
Interest received		21	2
Interest paid		(189)	0
Net cash flow from operating activities		(2,091)	(380)
Cash flows from investing activities			
Loans and investments in subsidiaries	*2*	(760)	(1,446)
Net cash flow used in investing activities		(760)	(1,446)
Cash flows from financing activities			
Proceeds from issue of share capital	*12*	8	3
Proceeds from long-term borrowings		0	7,000
Net cash flow from financing activities		8	7,003
Net (decrease) / increase in cash and cash equivalents		(2,843)	5,177
Cash and cash equivalents at beginning of period		6,489	1,312
Cash and cash equivalents at end of period	*11*	3,646	6,489

Note 1: General information and significant accounting policies

1.1 Basis for preparation

FLEX LNG Ltd is a limited liability company, incorporated in the British Virgin Islands, and listed on the Oslo Axess Exchange. The Group includes four 100% owned subsidiaries, as at 31/12/15. The Group produces consolidated accounts incorporating these companies and its activities, which are focused on transportation of liquefied natural gas and related activities. The Company is currently constructing two LNG carries with a capacity of 174,000m^3 with Samsung, for delivery in H1 2018. The Company accounts for FLEX LNG Ltd relate to the parent company only and in the following notes it is specified when the detail relates to the consolidated Group or the parent company only. Company accounts are produced to comply with the Oslo listing requirements. Reported values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

The financial statements for the period ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements were approved by the Board of Directors on 28.04.16 for issue on 29.04.16. The financial statements have been prepared on an historical cost basis, except for the valuation of options, which are accounted for at fair value. The financial statements have also been prepared on a going concern basis, additional information is included in notes 17 and 18, and includes comparative information in respect of the previous period.

The Group has implemented new and amended standards with effective date January 1, 2015. The adoption of the new standards/amendments has had no impact on the financial position or performance of the Group or Company.

At the end of 2015, some new standards, changes in existing standards and interpretations have been issued, but have not yet become effective. The Group and Company intends to adopt those standards when they become effective. The standards most likely to have an impact are IFRS 15 – Revenue and IFRS 16 – Leasing. Currently the Group and Company estimate that the implementation will have no impact, or are currently unable to fully determine the impact.

1.2 Functional currency and presentation currency

The Group's presentation currency is USD. This is also the functional currency of all the companies in the Group. Should subsidiaries have a different functional currency they will be translated using the period end rate for balance sheet items and an average rate for the income statement. Translation differences are charged against other comprehensive income. When a foreign subsidiary is partially or completely disposed of or sold, translation differences connected to the subsidiary are recognised in the income statement.

1.3 Basis of consolidation

The Group's consolidated financial statements comprise FLEX LNG and companies in which it has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Details on subsidiaries are provided in note 2. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, FLEX LNG Ltd, using consistent accounting principles.

Note 1: General information and significant accounting policies (continued)

1.3 Basis of consolidation (continued)

Intragroup transactions and balances, including internal profits and unrealised gains and losses, have been eliminated in full. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.

1.4 Use of estimates and judgements when preparing the annual financial statements

The annual financial statements have been prepared in accordance with IFRS. This means that management has used estimates and assumptions that have affected the reported values for assets, liabilities, revenues, expenses, the accompanying disclosures and information on contingent liabilities. Future events and revisions to accounting estimates may lead to these estimates being changed. Changes to accounting estimates are included in the financial statements for the period in which the change occurs. If the changes also apply to future periods, the impact is spread over the current and future periods. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made. The judgements affect the carrying amounts of assets and liabilities when no other sources have been applied in the valuation.

The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in these assumptions could impact the reported fair value.

New build assets

Costs are capitalised as per note 1.8, as detailed in note 8. In determining the amounts that are capitalised, including the carrying amounts for historically capitalised amounts, management will make assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. Three separate broker valuations have been reviewed and the value in use calculation has been based on market based assumptions. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalised costs. Costs are split between the different vessels based on management's view on benefits derived from the expenses incurred. An impairment loss exists when the carrying value of the asset exceeds its recoverable amount.

1.5 Currency transactions

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing at the dates of the transactions. Monetary items are retranslated at the period end exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such cash transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Note 1: General information and significant accounting policies (continued)

1.6 Segments

The Group is operating only one segment with respect to products and services. Segment reporting is thus currently not relevant. Until a Group company concludes a charter, all non-current assets are located in the country of domicile. The FLEX LNGC entities are incorporated in the Isle of Man.

1.7 Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the balance sheet date.

The Group consists of two legal entities incorporated in the British Virgin Islands and three entities in the Isle of Man.

1.8 Non-current assets

Non-current assets are carried at cost less accumulated depreciation and impairment adjustments, if any. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

The depreciation period and method will be reviewed annually to ensure that the method and period used are in accordance with the financial realities of the fixed asset.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes, borrowing costs and direct acquisition costs related to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognised in the income statement as incurred. Where increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognised in the balance sheet as additions to non-current assets.

In accordance with IAS 16, the carrying value also includes capitalised expenses directly attributable to the asset in order to bring it to the location and condition for use in the intended manner. Such expenses include compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, borrowing costs incurred to finance construction, plus other costs that are directly attributable to the assets. Capitalisation will cease once the asset is in the location and condition necessary for it to be able to operate in the manner consistent with its intended design.

On delivery the total expenditure of the vessel will be decomposed to groups of components that have different expected useful lives. The different groups of components would be depreciated over their expected useful lives.

Depreciation on plant and equipment is calculated using the straight-line method to depreciate assets over their useful life. The following periods have been used:

IT Equipment: 2 years

Note 1: General information and significant accounting policies (continued)

1.9 Impairment of assets

Non-current assets

At each reporting date the Group completes an assessment of whether there is an indication that an asset may be impaired. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong. An impairment loss occurs when the carrying amount exceeds the recoverable amount, which is the higher of value in use or the net sales price. The value in use is calculated using the present value of estimated future cash flows. The calculation is performed, if appropriate, at the individual vessel level.

1.10 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

The cash and cash equivalent amount in the cash flow statement include overdraft facilities. The cash flow statement has been prepared in accordance with the indirect method.

1.11 Provisions, contingent liabilities and assets

Provisions are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when, and only when, the Company has an existing liability (legal or assumed) as a result of events that have taken place, it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be measured reliably. Provisions are reviewed at each balance sheet date and the level reflects the best estimate of the obligation. When the time factor is insignificant, the size of the provisions will be equal to the size of the expense required for redemption from the obligation. When the time factor is significant the provisions will be equal to the net present value of future payments to cover the obligation. Increases in provisions due to the time factor will be presented as interest expenses.

Contingent liabilities are defined as;

i. Possible obligations resulting from past events whose existence depend on future events.
ii. Obligations that are not recognised because it is not probable that they will lead to an outflow of resources.
iii. Obligations that cannot be measured with sufficient reliability.

Contingent liabilities are stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent asset are defined as;

i. A possible asset that arises from past events, and
ii. Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

Note 1: General information and significant accounting policies (continued)

1.11 Provisions, contingent liabilities and assets (continued)
A contingent asset is not recognised in the annual financial statements unless realisation is virtually certain, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

New information on the Group’s positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company’s position at the balance sheet date, but which will affect the Group’s position in the future are stated, if significant.

1.12 Options and share based payments – equity settled transactions
At award the fair value of share options is calculated using an appropriate option pricing model.

The option cost is recognised over the period in which the performance is expected to be fulfilled, ending at the date on which the relevant employees become entitled to the award. This includes an assessment of the implicit future service requirement of the award. The expense at each reporting date is based on the Group’s best estimate of the number of equity instruments that will vest. The income statement reflects the movement in the cumulative expense recognised as at the beginning and the end of the period.

Directors of the Company received part of their remuneration in the form of share-based payment transactions, where shares are issued instead of cash remuneration being paid. The value of the services is recognised at the fair value of the shares issued.

1.13 Borrowing costs
Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, they are capitalised as part of the qualifying asset.

1.14 Investment in subsidiaries
Shares in the subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value in the subsidiaries, the Company recognises impairment charges on investments in subsidiaries and intercompany loan receivables. If and when estimated recoverable amounts increase, impairments charges are reversed. There is currently no repayment schedule on the intercompany loans and no interest charged on outstanding balances.

FLEX LNG

Note 2: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Main operations	Ownership share	Voting share
FLEX LNGC 1 Limited	Isle of Man	Shipping	100%	100%
FLEX LNGC 2 Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Management Limited	Isle of Man	Management services	100%	100%
FLEX Petroleum Limited	British Virgin Islands	Holding company	100%	100%

FLEX LNG Ltd – Loans and investments in subsidiaries

Company (USD 000)	2015	2014
FLEX LNGC 1 Limited	106,617	106,237
FLEX LNGC 2 Limited	106,616	106,237
FLEX Petroleum Limited	3,808	3,807
Impairment provision	(3,808)	(3,807)
	213,233	212,474

Loans to 100% subsidiaries are unsecured, interest free and repayable on 30 days notice. It is currently not the intention of FLEX LNG to call in these loans. The loans have been used to cover stage payments to Samsung, capitalised costs, running costs and an allocated share of the management recharge.

Given the non trading nature of FLEX Petroleum the Company continues to hold a provision against this loan balance, with an additional $1k being provided in the year (2014: $24k). This adjustment has no impact at a consolidated level.

Note 3: Administrative expenses

As detailed in note 1.8 capitalised costs include expenses covering compensation for employees, travel costs, consultant fees, legal costs, engineering and design costs, plus other costs that are directly attributable to the assets. The amounts in tables 3.1 to 3.3 are prior to this capitalisation.

3.1 Included in administration expenses USD,000	Group 2015	Group 2014	Company 2015	Company 2014
Depreciation	3	1	0	0
P&L on disposal of assets	(1)	0	0	0
Net foreign exchange differences	4	16	(10)	(12)
Realised loss on liquidation of subsidiary	0	313	0	0
Calculated FV of the options in the period	0	334	0	334

3.2 Auditors

Expensed fee to the auditors is divided into the following services (exclusive of VAT):

USD,000	Group 2015	Group 2014	Company 2015	Company 2014
Audit	34	43	29	35
Tax and other assistance	29	30	16	0
Total Auditor's fees	63	73	45	35

Note 3: Administrative expenses (continued)

3.3 Remuneration

During 2015 FLEX LNG had three Directors, but no employees. All employees are engaged by the management company.

Staff costs USD,000	Group 2015	Group 2014	Company 2015	Company 2014
Wages and salaries	815	870	0	0
Social security costs	100	147	(44)	21
Pension costs	36	41	0	0
Termination costs	126	0	0	0
Total employee benefit expenses	1,077	1,058	(44)	21

Share based payments are covered in note 13. Employees are offered a fixed base salary. The management company contributes to a defined contribution pension scheme for members of staff, who are also offered additional health insurance. The number of man-labour years in 2015 was 5 (2014 – 6). The Company has incurred social security costs ($15k) in relation to the payment of Directors fees in the Isle of Man, less a release of an accrual ($59k) for the social security costs for the options exercised in the period, costs incurred in the management company.

Directors fees FLEX LNG Ltd, USD,000	Company 2015	Company 2014
Current Directors		
David McManus	100	182
Robin Bakken	40	7
Marius Hermansen	3	0
Ex. Directors		
Jens Martin Jensen	37	7
Ian Beveridge	0	58
Christopher Pittinger	0	58
Total Directors' fees	180	312

Between 0% and 80% of the remuneration listed above is paid via the issuance of shares by the Company. Mr. McManus in addition earned a fee of $nil (2014: $2,055) for being a member of the nomination committee.

Executive Management USD,000	Salary	Sundry benefits	Pension	Option costs	Group Total
Jostein Ueland	280	2	14	0	296
Trym Tveitnes	281	5	14	0	300
2015	561	7	28	0	596
2014	550	5	28	160	743

Note 3: Administrative expenses (continued)

3.3 Remuneration (continued)
The Executive Management receive remuneration via the management company FLEX LNG Management Limited. The amounts disclosed are the amounts recognised as an expense during the reporting period. Pension provision is provided under defined contribution schemes at 5%. Mr. Ueland and Tveitnes have contracts of employment that give a three month notice period and with additional amounts in the event of redundancy (one month of salary for each year of service on a pro rata basis). Historically options were granted to Mr. Ueland and Tveitnes, additional details in note 13, all remaining options were exercised in 2016.

Note 4: Finance costs and revenue

Finance cost	Group 2015	Group 2014	Company 2015	Company 2014
Loan interest	267	35	189	16
Total financial cost	267	35	189	16

Finance revenue	Group 2015	Group 2014	Company 2015	Company 2014
Interest income	20	3	20	3
Total financial revenue	20	3	20	3

Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the earnings per share calculation.

Earnings per share:	2015	2014
(Loss) attributable to shareholders – Group $'000	(2,485)	(2,635)
(Loss) attributable to shareholders – Company $'000	(1,741)	(1,491)
Weighted average number of ordinary shares	127,817,061	126,615,864
Effect of dilution:		
Share options [1]	0	0
Weighted average number of shares, adjusted for dilution	127,817,061	126,615,864

[1] the impact of the options were antidilutive and excluded in 2014.

Note 6: Management fees

There are no employees in FLEX LNG Ltd. A contract for management services has been entered into with FLEX LNG Management Limited. According to this agreement, FLEX LNG Management Limited will render services to the Group relating to general administration and contract management. FLEX LNG Management Limited is entitled to compensation covering all its expenses plus a mark-up. The total compensation for 2015 was $1,545k (2014: $1,662k). At the period end the Company owed FLEX LNG Management Limited $1,761k (2014: $1,480k).

Note 7: Income tax

The Group consists of two legal entities incorporated in the BVI and three entities in the Isle of Man. Income or capital gains are not subject to taxation in the BVI, or the Isle of Man. The profits attributable to the Management Company are taxable in the United Kingdom (UK).

(USD,000)	Group 2015	Group 2014
Current income tax charge	10	9
Adjustments in respect of current income tax of previous years	(3)	4
Income tax expense reported in the income statement	7	13

(USD,000)	Company 2015	Company 2014
Current income tax charge	0	0
Adjustments in respect of current income tax of previous years	0	0
Income tax expense reported in the income statement	0	0

A reconciliation between the tax expense and the product of the accounting profit multiplied by the BVI domestic tax rate for the year ended 31 December 2015 and 2014 is as follows:

(USD,000)	Group 2015	Group 2014
Accounting (loss) before income tax	(2,478)	(2,622)
Income tax at 0% (2014:0%) – BVI	0	0
Effect of higher overseas tax rates	7	13
Effective income tax rate of 0.3% (2014: 0.5%)	7	13

(USD,000)	Company 2015	Company 2014
Accounting (loss) before income tax	(1,741)	(1,491)
Income tax at 0% (2014:0%) – BVI	0	0
Effective income tax rate of 0% (2014: 0%)	0	0

Note 8: New Building Assets and Capitalised Costs

(USD,000) – Group	2015	2014
At 1 January – payments on account	210,000	210,000
At 31 December	210,000	210,000
At 1 January – capitalised costs	1,064	525
Additions	206	539
At 31 December	1,270	1,064
At 1 January – Total	211,064	210,525
Additions	206	539
At 31 December	211,270	211,064

In 2015 the Group has capitalised $190k (2014:$532k) of technical staff ($66k), travel ($13k), legal ($15k) and technical consultancy costs ($96k). In addition $16k of finance costs was also capitalised in the year (2014: $7k). Capitalised interest is calculated as a percentage of the capitalised cost against the total costs funded by the working capital loan in the period. In 2014 the Company received proceeds of $450k from Samsung following the sales of the loading arms from the historical contracts, which had not previously been recognised as an asset, leading to a part reversal of the impairment loss in that year.

In determining the carrying amounts for historically capitalised costs, management will make assumptions regarding future cash generation from these assets. This includes a review of broker vessel valuations, evaluations of future vessel charter rates and new build prices. Given the uncertainty surrounding the future values for these amounts, any subsequent changes in these evaluations could impact the future carrying amounts for these capitalised costs. The group has in 2016 reviewed the market prices for new builds, obtained broker valuations for the vessels, preformed a value in use calculation, based on market based assumptions, and believes that the recoverable amount is such that no impairment provision is required on the vessels under construction.

FLEX LNG

Note 9: Plant and Equipment

(USD,000) - Group Cost	2015	2014
1 January	112	120
Additions	3	4
Disposals	(108)	(12)
31 December	7	112

(USD,000) - Group Depreciation	2015	2014
1 January	109	120
Depreciation charge for the year	3	1
Disposals	(108)	(12)
31 December	4	109
Net book value	2015	2014
At 31 December	3	3

Note 10: Other current assets

(USD 000)	Group 2015	Group 2014	Company 2015	Company 2014
Debtors	250	11	244	2
Prepayments	2	17	0	7
Other receivables	0	35	0	0
Total other current assets	252	63	244	9

Note 11: Cash and cash equivalents

(USD 000)	Group 2015	Group 2014	Company 2015	Company 2014
Cash at the bank and in hand	3,722	6,731	3,646	6,489
Cash and cash equivalents in the balance sheet and cash flow statement	3,722	6,731	3,646	6,489

FLEX LNG

Note 12: Share capital, shareholder information and dividend

Group & Company	2015	2014
Ordinary shares, nominal amount USD 0.01	127,869,673	126,921,224
Total number of shares	127,869,673	126,921,224

Group & Company	Shares ('000)	Share Capital (USD'000)	Share Premium (USD'000)
Ordinary shares - Issued and fully paid:			
At 1 January 2015	126,921	1,269	562,942
Options exercised	830	8	0
Issued in lieu of remuneration	119	2	138
31 December 2015	127,870	1,279	563,080

Group & Company	Shares ('000)	Share Capital (USD'000)	Share Premium (USD'000)
Ordinary shares - Issued and fully paid:			
At 1 January 2014	126,366	1,264	562,659
Options exercised	295	3	0
Issued in lieu of remuneration	260	2	283
31 December 2014	126,921	1,269	562,942

Nominal value per share is USD 0.01. All issued shares have equal voting rights and are equally entitled to dividends. During the year shares were allotted to directors of FLEX LNG to cover between 0% and 80% of their remuneration for the year. The Directors' shares for the remuneration, covering the period 01/07/2015 to 31/12/15, had not been issued at 31/12/15 and are recorded in the option, warrant and share reserves, $46k (2014: $94k). During the year 830,000 staff options have been exercised at a price of $0.01 per share (2014: 295,000 options). The computation of earnings per share and diluted earnings per share is shown in note 5.

Other reserves: FLEX LNG has in the year recognised under other equity a debit of $49k (2014: $264k - credit) in relation to the options costs and shares issued by the Company.

FLEX LNG

Note 12: Share capital, shareholder information and dividend (continued)

Main Group shareholders at 31.12.15 are:

Shareholder:	Number of shares:	Ownership interest:
GEVERAN TRADING CO	104,181,837	81.5%
SKANDINAVISKA ENSKIL	5,000,000	3.9%
JP MORGAN CHASE BANK [1]	3,533,316	2.8%
CREDIT SUISSE SECURITIES	3,266,982	2.6%
STATE STREET BANK [1]	2,824,550	2.2%
EUROCLEAR BANK S.A. [1]	1,548,156	1.2%
GOLDMAN SACHS [1]	1,292,500	1.0%
SKANDINAVISKA ENSKIL [1]	823,234	0.6%
D MCMANUS	743,587	0.6%
CLEARSTREAM BANKING [1]	650,916	0.5%
MATHIAS HOLDING	500,000	0.4%
TOLUMA INVEST AS	486,358	0.4%
UBS AG	198,504	0.2%
C PITTINGER	197,654	0.2%
T TVEITNES	190,300	0.1%
S PEARL	160,746	0.1%
B FJELD	155,739	0.1%
S MALM	154,297	0.1%
S BIRKELAND	105,000	0.1%
TROMSØ SKOTØIMAGASIN	90,000	0.1%
OTHER	1,765,997	1.3%
Total	127,869,673	100.0%

Note[1] - Nominee account.

 Registered Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI

Note 13: Share based payments

Share-Based Payment - Group & Company
The Company has historically entered into a number of option scheme allocations.

The fair values of the options were calculated using the Black-Scholes-Merton option pricing model and a Monte Carlo simulation model. The total expensed amount in 2015 arising from the share-based payment plan was a cost of $nil (2014: $334k). The total expensed amount relating to the historical options schemes at 31.12.2015 was $1,960k (2014: $1,960k). Exercised options are covered by the issuance of new shares in the Company.

Further details of the outstanding and vested option plans are as follows:

	01.01.15 - 31.12.15	
	Options	Weighted Average Exercise Price
Options outstanding at the beginning of the year	830,000	USD 0.01
Exercised	(830,000)	USD 0.01
Options outstanding at the end of the year	0	

In relation to the outstanding and vested options, 830,000 were exercised in the year, leaving none unexercised at the period end. The objective of the option schemes was to align the effort of employees with the future success of the Group.

During the period ended 31 December 2015 FLEX LNG agreed to issue the directors with shares covering between 0% and 80% of their remuneration. The value of the shares are based on the fair value of the services received of $91k (2014 - $215k). At 31 December 2015 37,209 shares (2014: 90,809 shares) with a value of $46k had not yet been issued to the directors.

The split of shares by director was as follows;

Director	2015	2014
Current directors		
David McManus	46,289	111,054
Robin Bakken	0	0
Marius Hermansen	1,776	0
Ex. directors		
Jens Martin Jensen	16,784	4,421
Ian Beveridge[1]	0	53,847
Christopher Pittinger	0	32,309
Total	64,849	201,631

Note[1]: These shares are issued to the company they are employed by rather than to the individual.

Note 14: Related parties

14.1 Shares held by current members of the Board, as at 31/12/2015

Board Member	2015	2014
David McManus	743,587	672,322
Robin Bakken	0	0
Marius Hermansen	0	0
Total	743,587	672,322

These amounts exclude the shares that had not been issued as at 31/12/2015, per note 16.1.

14.2 LNGC technical specifications and construction agreement
In June 2015 the Group entered into a building supervision agreement with Frontline Management (Bermuda) Ltd (a subsidiary of Frontline Ltd., a listed entity whose majority shareholder is Hemen Holding Limited, a company affiliated to Geveran) to cover the two vessels on order from Samsung. At 31 December no amounts had been charged under these contracts, with $38k of cost accrued at the yearend. The agreement is within the normal activities of the company and on market terms, and was negotiated on an arm's length basis.

14.3 Working capital loan
On 27 October 2014 the Group entered into a loan agreement with Metrogas for the provision of $7.0m of working capital and the loan was drawn in November 2014. The loan bears a fixed rate of interest and is secured against the shares in the two ship owning companies. Metrogas is a company affiliated to Geveran, who holds 81.5% of the shares in the Company at the yearend. The interest cost, prior to capitalisation, was $283k (2014: $42k). The loan agreement is within the normal activities of the company and on market terms, and was negotiated on an arm's length basis. The loan is being used to cover working capital costs. The loan was due for repayment, on demand, at any date following 31 December 2016, the terms of this loan were amended in 2016, see note 16.2.

14.4 Overhead costs
The FLEX Management company uses office space and accounting support from companies affiliated to Geveran, at the year end costs of $79k had been incurred in the year.

In relation to the Exmar transaction the Company assumes, based on recent discussions, that $240k will be recoverable from Geveran.

Note 15: Commitments and contingencies

15.1 Guarantees / commitments
The Company has provided guarantees in relation to the payments still due under the two shipbuilding contracts with Samsung. Under the settlement agreement $210.0m was redeployed to be used as the first instalment for the two vessels. The remaining instalments will be due on the delivery of the vessels, $213.8m, prior to any amounts for further design change requests and sundry buyers supplies.

FLEX LNG

Note 15: Commitments and contingencies (continued)

15.2 Operating lease commitments, lessee

The UK based subsidiary previously entered into a lease on commercial property, in the current year it has shared office space with companies affiliated to Geveran. The previous lease was denominated in GBP and expired in 2015. The future rental payable under the leases as at 31 December 2015 are as follows;

(USD 000)	Group 2015	Group 2014
Within one year	0	48
After one year but not more than five years	0	0
Total	0	48

Lease payments made during the year were $45k (2014: $146k).

Note 16: Subsequent events / after balance sheet date

16.1 Shares

In January 2016 the Company issued 37,209 additional shares to cover between zero and eighty percent of the Director’s remuneration from 1 July 2015 to the 2015 year end.

16.2 Amendment to the working capital loan

In April 2016 an amendment was signed to the 2014 working capital facility, with Metrogas. This has extended the repayment date into 2018 and will allow additional funds to be drawn, to cover the expected working capital costs until delivery.

Note 17: Financing

On the present overhead structure and budgeted costs, the Company believes that the amendment agreed to the working capital facility in 2016 will provide sufficient working capital to operate until delivery. The Company will need to raise additional funds prior to delivery, to fund the final delivery instalments, which are due on delivery.

Where the Company may require additional funding, there can be no assurance that such funds may be raised on terms that are reasonable, if at all.

Note 18: Going Concern

The financial statements have been prepared on the going concern assumption, which contemplates the realisation of assets and liabilities as part of the normal course of business. Given the amended loan agreement with Metrogas the Company currently believes that this will provide sufficient working capital to operate until delivery of the vessels.

Considering the above, the Board believes that the going concern assumption currently remains appropriate for the Group. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties detailed in the report.

Note 19: Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance, in a cost effective manner.

Currency risk
The risk that the value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Company has historically raised its equity funding in USD, with the share price denominated in NOK, but with the funding proceeds being fixed into USD. The 2014 loan finance was raised in USD.

Additionally, the Group incurs some overhead costs in GBP and NOK. Historically these exposures have not been hedged. The Company's shares are traded in NOK. The NOK trading price is impacted by the underlying activities of the Group, which are primarily denominated in USD. Currency fluctuations of an investor's currency of reference relative to the NOK may also adversely affect the value of an investor's investments.

Interest rate risk
The Group currently has interest bearing assets and liabilities. Amounts are placed on deposit for periods to secure higher returns, while balancing the need to access funds as required. The cost on the interest bearing liabilities has been raised at a fixed rate of interest.

Liquidity risk
The Group monitors its risk to a shortage of funds using a cash modelling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations. Historically funds have been raised via equity issuance and loan finance. Market conditions can have a significant impact on the ability to raise equity and loan finance, while new equity financing may be dilutive to existing shareholders and loan finance which will contain covenant and other restrictions.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the raising of finance from investors. The Group will need to raise additional working capital prior to the delivery for the two LNG carrier vessels that are under construction.

Upon concluding a charter contract for the LNG vessel or a contract of employment for the vessel the Company would look to raise project loan finance to cover the remaining delivery payments.

Credit risk
The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Currently the main exposure to credit risk comes from the paid-in instalments made to Samsung. Samsung has provided refund guarantees, via Hana Bank, for the $210m instalment payment. The bank providing the refund guarantee must hold at least a credit rating of A-. Cash funds are currently held with HSBC, Lloyds, Barclays and SparebankenVest.

Note 19: Financial risk management objectives and policies (continued)

Price risk
The Group is also subject, indirectly, to price risk related to the spot/short term charter market for chartering LNG carriers, but currently has not yet concluded a contract for the use of the vessels under construction. Charter rates may be uncertain and volatile and depend upon, among other things, the natural gas prices, the supply and demand for vessels, arbitrage opportunities, vessel obsolesce and the energy market, which the Group cannot predict. Currently, no financial instruments have been entered into to reduce this risk.

Operational risk
Currently the Group is managing the construction phase for the vessels and has yet to secure charters for the vessels. Operational risks therefore mainly relate to expenditure being higher than forecast, decisions on the design specifications, risks to the environment and risks to the safety of staff. At a commercial level it also includes the ability to secure employment contracts on reasonable terms for the two vessels under construction; and obtaining finance and working capital on reasonable terms.

Regulatory and compliance risk
These are risks associated with ethical behaviour covering the handling of sensitive information and compliance with laws and regulations. These risks are managed via Group policies and guidance.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, NO-5008 Bergen
Postboks 6163 Bedriftssenter, NO-5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 55 21 30 00
Fax: +47 55 21 30 01
www.ey.no
Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting in FLEX LNG Ltd

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of FLEX LNG Ltd, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information

Board of directors' Responsibility for the Consolidated Financial Statements
Board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as board of directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International 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 judgment, 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 entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 financial statements of FLEX LNG Ltd present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bergen, 28 April 2016
ERNST & YOUNG AS

Jørn Knutsen
State Authorized Public Accountant (Norway)