FLEX LNG Group

Consolidated and Company Annual Report and Financial Statement 2010

General Information, FLEX LNG Ltd

Directors

Keith Meyer (Chairman)
Kathleen Eisbrenner (Deputy Chair)
James A. MacHardy
Philip E. Fjeld
Scott Pearl
James D.A. van Hoften
Ian Beveridge
Anders Westin
Aoki Hiromichi

Company Secretary

Manx Secretarial Services Limited
Analyst House
20-26 Peel Road
Douglas, IM99 1AP
Isle of Man

Registered Office

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

Auditors

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

Bankers

Bank of Ireland (Isle of Man) Limited
PO Box 246, Christian Road
Douglas, IM99 1XF
Isle of Man

Lloyds TSB Offshore Limited
PO Box 328, Victory House
Douglas, IM99 3JY
Isle of Man

HSBC
165 Fleet Street
London, EC4A 2DY
United Kingdom

Barclays Wealth Intermediaries
1st Floor, Queen Victoria House
Douglas, IM1 2LF
Isle of Man

FLEX LNG

Chairman's Statement

History and Background

The FLEX LNG Group ("Group") was founded with the purpose of producing liquefied natural gas ("LNG") offshore by commercialising floating LNG production units. FLEX LNG aims to do this through the combination of its vessel design (using sloshing resistant SPB containment system) and application of existing liquefaction technology. The Group has placed orders for four LNGP vessels ("FLEX LNG Producers") from Samsung Heavy Industries Co., Ltd ("Samsung"). The Group has also entered into an EPCIC contract with Samsung for the topside liquefaction facility for the FLEX LNG Producer no. 1. These agreements were amended by the signing of a principle agreement with Samsung in 2009 and the preliminary agreement in 2011.

The vision of FLEX LNG is to become an early mover in owning and operating floating LNG production units. This is intended to be achieved through utilising what the Company believes to be a unique yard relationship developed with Samsung and through its commercial approach. FLEX LNG is also potentially seeking exposure across the LNG value chain in order to optimise the value created by its FLEX LNG Producers.

The FLEX LNG Producer is intended to be an offshore LNG production vessel, which will pre-treat, liquefy, store and offload LNG. The feed gas may be supplied either directly from a natural gas field, from a wellhead platform, as associated gas from a nearby oil FPSO, or from an onshore natural gas source or pipeline. The overall design principle for the FLEX LNG Producer is intended to maximise the use of proven and robust technologies to achieve a safe and reliable concept. Focus has been on simplifying the design and removing unnecessary complexity for successful implementation of onshore technology into a marine environment.

By developing what the Company expects could be one of the world's first FLNG production units, FLEX LNG is aiming to be an early mover in providing floating liquefaction capacity to the world market.

Commercial Update

In April 2011 we were pleased to announce that preliminary agreements have been executed with InterOil, Pacific LNG, Liquid Niugini Gas (LNGL) and Samsung for an FLNG project that would liquefy natural gas from the onshore Elk and Antelope gas fields in the Gulf Province in Papua New Guinea (PNG). Commencement of operations is targeted for 2014. The project specific FEED will start in May 2011, with the parties to work towards reaching a final investment decision (FID) as to the project before the end of 2011. The agreements are a result of a strong collaboration over the past 12 months between FLEX LNG, Samsung, InterOil, Pacific LNG and Liquid Niugini Gas to work together to develop what the Company believes will possibly become the first ever floating facility to produce LNG.

FLEX LNG and Samsung will be responsible for the design, engineering, construction and commissioning of the FLNG vessel. FLEX LNG will also be joint operator of the FLNG unit together with LNGL, which is a joint venture between InterOil and Pacific LNG. The FLNG vessel is expected to be moored alongside a jetty, which will be shared with LNGL's land-based LNG facilities, with a nominal production capacity of close to 2 million tons of LNG per annum to process an estimated 2.25 trillion cubic feet of gas over a firm 25-year period.

Chairman's Statement

Commercial Update (continued)

The preliminary agreements signed with InterOil, Pacific LNG, LNGL and Samsung were all conditional upon obtaining certain FLEX LNG's shareholder approvals. Those shareholder approvals were received on 28 April 2011.

Market Update

LNG consumption is forecast to double between 2010 and 2015, with most of the demand growth forecast to be Asia and Europe. This has in addition been further impacted by the power supply disruptions in Japan. The indications are that the LNG market is moving back towards a 'sellers market' given the expected increases in LNG receiving capacity. Much of the new regasification capacity over the next few years will be in Asia, with Thailand, Singapore, Indonesia, Malaysia, Pakistan, Bangladesh, Vietnam and possibly Sri Lanka and the Philippines becoming LNG importers over the next few years. The market will also potentially be impacted by North American LNG exports. There are proposals to convert two existing US receiving terminals into liquefaction plants. The Group sees these changes as an opportunity that we will be well placed for, in particular given an early mover advantage on the PNG project.

The Path Ahead

2011 will be a year of transition for Flex LNG, as the company takes a momentous step towards successfully materialising the vision of the Group to become a leader in owning and operating floating LNG production units. Through our first mover advantage, and unique relationship with Samsung, we were able to offer InterOil and PacificLNG a competitive advantage in time-to-market and execution certainty in the monetisation of their record-setting natural gas discovery.

As the organisation moves through the development process on the first floating LNG production unit, we will be well placed to continue to capitalise on the competitive advantage of time, cost, and deployment certainty. The LNG landscape is rapidly changing as new buyers enter the market almost routinely, often aided with the installation of floating regasification (receiving) terminals. The Flex LNG floating production units now offers the supply side of the LNG industry an opportunity to make a dramatic change and liberate hundreds of smaller gas reserve sources throughout the world. Flex LNG will be a value added service provider, but will also seek exposure across the LNG value chain in order to optimise the value created using the company's LNG production units.

2011 will see the company very focused on executing under our agreements with InterOil and Pacific LNG, leading to the targeted in-service of the first unit by 2014. This year will also see the organisation confidently step into the role of industry leader, seeking value-added partners and projects for additional units which will serve a seemingly insatiable global appetite for clean burning natural gas. The company is well positioned in a growing segment of a growth industry and will strive to utilise its competitive advantage to deliver superior shareholder returns.

Keith Meyer
Chairman

FLEX LNG

BOARD OF DIRECTOR’S REPORT 2010

Business update
FLEX LNG is an innovative company founded with the purpose of producing LNG offshore by commercialising what it expects could be amongst the world’s first LNG Producers. The Company, via its subsidiaries and Samsung, has the ability to deliver the first unit for operation in 2014. The major activities in 2010 were related to further technical development of the floating LNG production concept and working towards commercial arrangements for the LNG Producers.

FLEX LNG believes it has one of the industry’s more advanced FLNG concepts, where over 300,000 man hours have been invested in the development of the LNG Producer through all phases. The global energy industry’s interest in floating liquefaction solutions continued to grow through 2010. A number of FLNG projects have moved into pre-FEED and FEED with communicated targets to reach FID within the coming years.

The Group continues to focus on securing employment for the LNG Producers, and is discussing alternative commercial arrangements for employment, such as integrated projects consisting of gas supply contracts with oil and gas companies, product handling agreements for the services of the LNG Producers, and LNG sales and purchase contracts with LNG off-takers as well as more traditional charter arrangements. The Group is currently pursuing a number of opportunities.

In April 2011 the Group was pleased to announce that it had signed preliminary agreements with InterOil Corporation (IOC), Pacific LNG Operations (PACLNG) and Samsung for a floating liquefaction (FLNG) Project in PNG with targeted start of operations in 2014. The FLNG project will liquefy gas from the Elk and Antelope gas fields in the Gulf Province in PNG. Project specific Front-End Engineering and Design (FEED) will start in May 2011 and the parties will work towards reaching a FID before the end of 2011.

In December 2010 the Group announced that it was targeting to sign binding amended terms to the commercial relationship between FLEX LNG and Samsung. In April 2011 Samsung agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is to transfer a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to the single FLNG unit that is destined for the PNG project. FLEX LNG would remain able to order additional FLNG units at Samsung. Given this, the Group has completed a review of the carrying amounts of the four LNG Producers. Based on a preliminary calculation the Group has recognised an impairment write-down on the four units of $97.8m, additional details in note 8. The final position will be agreed at FID and there are a number of factors impacting the calculation of the payments to be transferred, which are outside the control of the Group.

BOARD OF DIRECTOR'S REPORT 2010 (Continued)

Business update (continued)

In June 2009 FLEX Petroleum Limited, a wholly owned subsidiary of FLEX LNG, entered into an option agreement setting out the terms to acquire control of Jersey-based Minza Oil & Gas Limited ("Minza"), additional details in note 2. In Q2 2010 the seismic surveys and interpretation were completed for the "Anita" and "Wombat" structures. On the preliminary data, estimated GIIP figure for the Chuditch Main, Chuditch West and Wombat structures are a combined total of more than 3 tcf. In 2010 an option period extension was signed to the original option agreement allowing more time to agree terms with a development partner. The option extension period expired in October 2010 and the Company no longer has control over the asset via the purchase option. The loss of control has been accounted for as a disposal and the results of Minza, from the disposal point, are no longer included in the Group consolidated results. Minza continues to investigate alternatives as to the best way to continue the commercialisation of the gas reserves.

Funding and Going Concern

In April 2011 the Group signed agreements with Samsung, which has agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is for a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to be transferred to the single FLNG unit that is destined for the PNG project. Accordingly under this agreement the equity already paid in by FLEX LNG to Samsung would cover all instalment payments to Samsung until delivery of the FLNG unit, when one final instalment would be due. The Company does not anticipate requiring any additional working capital from its shareholders in 2011 and no further payments will be due to Samsung in 2011 prior to reaching FID as to the PNG project. Upon a positive FID it will be necessary to raise additional funds to cover general working capital and project management costs up until delivery of the first FLNG unit.

In case the currently envisaged FID for the first unit is negative, the Company will need to agree an alternative arrangement with Samsung and raise additional working capital.

Considering the above the Board believes that the going concern assumption remains appropriate for the Group.

Risks

The Company was founded in 2006 and has since its inception focused on the engineering and construction of the LNG Producer units. The Group's activities expose it to a variety of commercial, operational and financial risks, including market risks, credit risks and liquidity risks.

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. When the financial markets do not function properly, this risk becomes particularly relevant for a capital intensive company like FLEX LNG, which is not in a position to support its new building program with cash flow from operations. The Company has sought advice and believes that additional project loan finance would be available, if suitably structured commercial contracts are obtained. At

BOARD OF DIRECTOR'S REPORT 2010 (Continued)

Risks (continued)

present there are commitments of $2,500m to Samsung, which the Company is looking to restructure once FID has been taken on the IOC/PACLNG project. In connection with the construction of the LNG Producers, the Company has endeavored to prepare proper specifications, including as to the supply and installation of equipment. Despite these efforts, there can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the Company's financial position. Where possible the Company has sought fixed price lump sum contracts for the construction work in USD. Currently the commitments for the Hulls have been fixed in USD ($1,776m), while the Topside for the first unit has not yet been fixed.

In the IOC/PACLNG agreements there are a number of commercial terms that will need to be agreed over the FEED period to allow a positive FID to be taken and there can be no assurance that these agreements will be reached or that they will be reached in a manner that is favorable for the Company. In relation to the Preliminary Agreement with Samsung the Company has yet to fix the level of instalments that will be available for transfer to the unit assigned to the IOC/PACLNG contract; this is to be agreed prior to FID. The agreement on the level of equity to transfer will depend on a number of factors that are not directly under the control of the Group. The replacement of the 2009 principle agreement with Samsung is dependent on achieving FID by 15 December 2011. Following FID there will be additional operational risks associated with the IOC/PACLNG project in PNG. Should IOC/PACLNG elect to exercise their share option the Company will have a shareholder who is also a commercial counterparty. The Company will look to introduce new procedures to manage this, should the need arise. Additional detail and risk analysis is provided in accounts notes 1.4, 8, 16, 18, 19, and 20 and Corporate Governance section 10.

Income Statement and Balance Sheet

During the year the FLEX LNG Group of companies (the "Group") has continued to develop what could be amongst the world's first LNG Producers. The costs capitalised in the year on the four units were $12.6m (2009: $22.4m). The cash balances at 31 December were $9.9m (2009: $25.7m). In the twelve months in 2010 the operating cash outflow was $7.6m (principally the operating loss, non cash and working capital movements); investing activities outflow $12.7m (mainly capitalised asset costs); and financing activities inflow $4.5m (proceeds from deferred payments to Samsung). The retained loss for the year was $108.9m (2009: $10.5m), which has been transferred to reserves. The loss for the year included an impairment write down of $98.7m.

During the year the FLEX LNG Ltd (the "Company") has continued to hold the investments in its subsidiaries and managed the strategic direction of the Group. The investments and loans to subsidiaries in the year were $16.6m (2009: $28.0m). The cash balances at 31 December were $9.1m (2009: $24.6m). In the twelve months in 2010 the operating cash inflow was $1.0m (principally the operating loss, non cash and working capital movement); and investing activities outflow $16.6m (additional loans). The retained loss for the year was $115.4m (2009: $1.5m), which has been transferred to reserves. The loss for the year includes an impairment write down ($114.3m) on the inter group loans to the vessel owner companies following the impairment of the vessel assets values. The Directors do not recommend the payment of a dividend.

BOARD OF DIRECTOR'S REPORT 2010 (Continued)

The Board

There has been no change in the composition of the Board during the financial year. In March 2011 two additional Directors were appointed, Keith Meyer and Kathleen Eisbrenner. Subsequent to their appointment they were made Chairman and Deputy Chair respectively.

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. In 2010 the Group was certified by Det Norske Veritas to the ISO 14001:2004 standard, and also established a baseline of key environmental aspects which will be used to target reductions throughout 2011.

Working Environment and Personnel

At the end of 2010, FLEX LNG and its subsidiaries had in total 33 employees, 29 men and 4 women. All personnel are employed by FLEX LNG Management Limited, FLEX LNG Management (Norway) AS and FLEX LNG Management (Singapore) Pte Ltd. There have not been any serious injuries or accidents in the current or prior year. Total absence due to sickness has been 0.4% (2009: 0.5%) during the accounting year. FLEX LNG's Board of Directors currently consists of 8 men and 1 woman. 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.

Post Balance Sheet Events

There have been no significant post balance sheet events, other than those listed in note 17.

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 2011

Keith Meyer (Chairman)

Aoki Hiromichi	Scott Pearl	Ian Beveridge	Philip Fjeld
Anders Westin	James van Hoften	Kathleen Eisbrenner	James MacHardy

Responsibility statement

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2010 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 2011

Keith Meyer (Chairman)

Aoki Hiromichi Director	Scott Pearl Director	Ian Beveridge Director	Philip Fjeld Director & CEO FLML
Anders Westin Director	James van Hoften Director	Kathleen Eisbrenner Director (Deputy Chair)	James MacHardy Director

FLEX LNG

Corporate Governance Report

1) Implementation and reporting on corporate governance

As a company incorporated in the British Virgin Island ("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 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 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. 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

The objective of FLEX LNG is to establish itself as a leading owner and operator of Floating LNG production units. The objectives are within the framework of its Memorandum and Articles of Associations, which may be reviewed at www.flexlng.com. The objectives detailed 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 vision of FLEX LNG is to become a leader in owning and operating floating LNG production units. This is intended to be achieved through utilising the first mover advantage obtained, a unique yard relationship developed with Samsung and an innovative approach, both on the technical aspects and through its commercial approach. FLEX LNG seeks to avoid limiting itself to being a service provider but is also actively seeking exposure across the LNG value chain in order to optimise the value created using the company's LNG Producers (LNGP). 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 2010 was USD 1,130,432.43, divided into 113,043,243 shares of USD 0.01 each. The directors believe this is currently satisfactory given the Group's business and objectives, but will be increased as the Company grows.

Dividend policy

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

Equity mandates

As a BVI company it has 200m maximum of authorised number of shares per its Memorandum and Articles of Association. To issue new shares or increase the authorised number of shares requires an ordinary shareholder resolution. The authorised and issued share capital for the Group is detailed in the annual and quarterly reports which may be reviewed at www.flexlng.com.

Corporate Governance Report (continued)

3) Equity and dividends (continued)

In connection with 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 to acquire its own shares. The Company, as part of the IOC/PACLNG preliminary agreements, proposed to the shareholders that shares be issued in a future period after the next AGM. The Company believes this is necessary given the structure of the agreements with IOC/PACLNG.

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.

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 require Board members 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. Any transactions between the Group and close associates will be detailed as related party transactions in note 15 to the financial statements.

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.

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 Island and other low-tax jurisdiction companies listed on the Oslo Axess.

The founders of FLEX LNG have personally and through their wholly owned company Hansa LNG Ltd. entered into a lock-up agreement with the Company in respect of shares in the Company or financial interest therein, and have agreed not to directly or indirectly pledge, sell, or otherwise dispose of shares (or financial interest therein) held directly or indirectly by the founders personally or through Hansa LNG Ltd. until the later of (i) the delivery of the second vessel under the shipbuilding contracts with Samsung and (ii) 30 June 2011 (the "Lock-up Period"). The Shares held by the founders personally or through Hansa LNG Ltd. or financial interest therein cannot be pledged, sold or otherwise disposed of during the Lock-up Period without the written consent of the shareholders representing two-thirds of the total number of issued shares of FLEX LNG.

Furthermore, the shareholders of the Company have on the Annual General Meeting in 2010 and 2009 resolved that half of the remuneration for the directors for the two years shall be paid by the issue of new shares in the Company, that are to be subject to a lock-up. The shares issued as remuneration for the first half year of 2009 and 2010 year, respectively, shall become unlocked or have become unlocked on the first anniversary after its grant, and the remaining shares (issued for the second half of 2009 and 2010) shall be unlocked one year thereafter.

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 Extraordinary General Meetings, rather than 21 days. The notice for Annual and Extraordinary General Meetings shall include relevant material to enable the shareholders to make an informed decision. 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) 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. The Board of directors and the Chair of the meeting will ensure appropriate arrangements for the General Meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

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 is present and the auditor will be available to answer questions. Also, the Board of Directors will endeavour to make arrangements for an independent Chairman for each General Meeting, for instance by arranging for the person who opens the General Meeting to put forward a specific proposal for a Chairman. The notice of the General Meeting as well as supporting documents will be made available at 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 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, and 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, it does not believe that it is necessary for Directors, nomination committee and auditor to be present at the General Meetings.

7) Nomination Committee

The Company operates a Nominating Committee, which is responsible for identifying and recommending board candidates to the AGM. 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. Currently George Linardarkis, and Aasulv Tveitereid comprise the members of the Nomination Committee, and all members are independent of the Board and the executive management. All members are elected by the shareholders for a period until the 2012 AGM and their remuneration was approved at the AGM.

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

As a BVI registered company with 33 employees and contractors at 31 December 2010, the Company does not have a corporate assembly.

The Company's Board of Directors currently comprises nine directors, of whom eight are considered independent of executive management. Mr. P. Fjeld, the CEO of FLEX LNG Management Limited, is also serving as a director of the Company. Mr. P. Fjeld's position on the Board is considered to be important for ensuring that the Board is fully informed about the commercial activities of the management companies and also to cover an area of expertise, being knowledge of the new and developing LNG production market. To ensure that Mr. P. Fjeld's position on the Board does not cause any conflicts of interest, the Board has established sub-committees, in which Mr. P. Fjeld is not a member. Of the nine members, three directors are also associated with shareholders with holdings exceeding 10%; Mr. A. Hiromichi, Mr. S. Pearl and Mr. A. Westin. 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 2011. They may be removed by a majority vote at any time. Currently the Board has elected a Chairman and Deputy Chair and the 2011 AGM will seek any necessary approval for the remuneration of these positions. In addition the Board has discussed the possibility of converting these roles into Co-Chair positions and expects to resolve this in time for the 2011 AGM.

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 of 25 May 2010, the directors also received 50% of their remuneration in shares for 2010.

All Directors participated in the physical Board meetings in 2010.

The current Board members are listed below:

Corporate Governance Report (continued)

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

Mr. Keith Meyer, Chairman
Mr. Meyer has served on the Board since 15 March 2011. Mr. Meyer is an accomplished energy executive with over 30 years of experience in the global energy industry across the energy value chain. Notably, Mr. Meyer was President of Cheniere LNG Inc. which successfully developed the largest U.S. LNG receiving terminal. While in a leadership position at Cheniere, Mr. Meyer helped to grow the company from a handful of staff to an organisation of more than 400 people. Activities at Cheniere also included the execution of over 100 NAESB contracts and ISDA agreements, a Sarbanes-Oxley compliant Risk Management Policy, the chartering of two new-build LNG carriers, the development of a patented proprietary electronic trading platform for LNG cargo slots (www.lnggateway.com), and the development and articulation of an operating philosophy based on an "equilateral triangle" balancing Safety, Reliability, and Efficiency. The company achieved significant shareholder value appreciation. Mr. Meyer also has 23 years of experience in Fortune 500 companies engaged in energy infrastructure, serving in executive positions in various areas of commercial operations and development for units of American Natural Resources (ANR), The Coastal Corp, and CMS Energy. Mr. Meyer is an MBA graduate of Rice University and has served as guest lecturer for Duke University, Louisiana State University, Rice University, University of Houston, has been a course instructor at Rice University's Jones School of Graduate Management, and is a frequent public speaker on various energy topics.

Ms. Kathleen Eisbrenner, Deputy Chair
Ms. Eisbrenner's has served on the Board since 15 March 2011. Ms. Eisbrenner's distinguished career has spanned more than 30 years in the global oil and gas industry. She is founder and CEO of NextDecade LLC, a new company positioned to capture innovative opportunities in the global integrated natural gas industry. Previously, Ms. Eisbrenner served as Executive Vice President responsible for Royal Dutch Shell's Global LNG strategy. Ms. Eisbrenner was the CEO and Founder of Excelerate Energy, the innovative developer of the world's first floating LNG regas facilities through the successful commercialisation of the Energy Bridge technology. Ms. Eisbrenner is currently a Board member of Chesapeake Energy Corporation, one of the largest oil and gas producers in North America.

Capt. James A. MacHardy, Board member
Capt. MacHardy has served on the Board since 19 March 2007. Capt. MacHardy was until recently CEO of the Society of International Gas Tanker and Terminal Operators (SIGTTO). This organisation promotes high safety and operational standards in the industry sector involved in marine transportation and handling of liquefied gases. SIGTTO has 158 members and represents over 95% of the world's LNG tonnage and 60% of the LPG tonnage. Capt. MacHardy has acted as Marine Advisor to large LNG projects such as Guangdong LNG and BP Trinidad and Tobago. Capt. MacHardy has held various positions within the industry.

Dr. James D. A. (Ox) van Hoften, Board member
Dr. van Hoften has served on the Board since 19 March 2007. Dr. van Hoften recently retired as a Senior Vice President and Partner of the Bechtel Corporation. He was the Managing Director of Bechtel's Aviation business located in London. Following a successful astronaut career at NASA, Dr. van Hoften joined the Bechtel Corporation in 1986 where he led a number of major international projects, and managed businesses throughout the world, focusing on complex infrastructure programs in the civil, military and aerospace arenas. In 1992, Dr. van Hoften led Bechtel's team as Project Director for the New Hong Kong Airport project, at $23 billion arguably the largest infrastructure project ever attempted. The award-winning project was delivered on time and $1.5 billion under budget. Dr. van Hoften received a BSc Hons. in Civil Engineering from the University of California (Berkeley) in 1966 and an MSc in Hydraulic Engineering from Colorado State University at Fort Collins in 1968. He returned to CSU in 1974 to complete his PhD in Hydraulic Engineering following his tours in Southeast Asia.

Mr. Scott Pearl, Board member
Mr. Pearl has served on the Board since 19 March 2007. Mr. Pearl is a Director of Investment Research at Seneca. In addition to FLEX LNG, Mr. Pearl serves on the Board of Directors of Altex Energy, Ltd., a developer of transportation solutions for oil bitumen in Alberta. Mr. Pearl's experience includes the management of investments in both public and private debt and equity securities of energy companies, as well as providing equity research coverage to institutional investors in the electric sector. Mr. Pearl also has served as an advisor to numerous energy companies with regard to strategy, capital raising and merger and acquisition transactions. Prior to joining Seneca, Mr. Pearl was a Vice President of Equity Research at Credit Suisse First Boston. Previously, Mr. Pearl was an Investment Banker for energy companies at Credit Suisse First Boston and Lehman Brothers. Mr. Pearl began his career as a project financier for Chase Securities, Inc. Mr. Pearl is a graduate of the Wharton School of Business at the University of Pennsylvania.

Corporate Governance Report (continued)

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

Mr. Ian Beveridge, Board member

Mr. Beveridge has served on the Board since 2 October 2007. Mr. Beveridge is the CEO of the Schulte Group and has been associated with the Schulte group for 20 years, until 2006 as Managing Director. Before that Mr. Beveridge worked 3.5 years with Coopers & Lybrand in Johannesburg, leaving as Senior Supervisor. Mr. Beveridge obtained a Bachelor of Commerce (Honours) in 1987 and qualified as a chartered accountant in South Africa. Mr. Beveridge is also member of the Gard Board of Directors and the German Committee of Det Norske Veritas.

Mr. Anders Westin, Board member

Mr. Westin has served on the Board since April 2008. Mr. Westin is currently working for HBK Europe Management LLP, a London based affiliate of HBK Investments L.P. Mr. Westin has been associated with HBK since 2002. His primary responsibilities are Nordic equity investments, as well as equity investment in the European oil & gas services and shipping industries. In Mr. Westin's role at HBK his experience includes the management of investments in both public and private debt and equity securities. From 2000 to 2002 Mr. Westin worked for Enskilda Securities in London and was responsible for Special Situations Equity Research. From 1998 to 2000 he was one of the founding partners at Nordic Partners, Inc, a New York based equity brokerage firm. From 1995 to 1998 Mr. Westin worked as an equity analyst at Öhman FK in Stockholm Sweden. Mr. Westin received an MSc in Business and Economics in 1994 from the Stockholm School of Economics.

Mr. Aoki Hiromichi, Board member

Mr. Aoki has served on the Board since July 2008. Mr. Aoki is an Managing Executive Officer of Kawasaki Kisen Kaisha, Ltd. ("K"Line) and is responsible for Energy Transport Sector including natural gas, FPSO, offshore support vessels, MODU and other floating units. During his 27-years career with "K"Line, he has been a Project Manager for LNG transport projects such as Qatargas, RasGas, Snøhvit, Tangguh and many others. He was also a board member of EnerSea Transport LLC until June 2008 having pursued the project development of CNG. Before joining LNG Group of "K"Line, he served "K"Line as Resident Representative in Rio de Janeiro and CarCarrier Group besides studying under the corporate scholarship in Business School of Syracuse University, NY and Law School of Tulane University, LA. He holds a Bachelor of Business Administration in 1981 from Shinshu University.

Mr. Philip Eystein Fjeld, Board Member & Executive Management CEO

Mr. Fjeld is the co-founder of FLEX LNG, which was established in August 2006 and is the CEO of FLEX LNG Management Limited. Prior to joining FLEX LNG he held the position of Commercial Manager at Höegh LNG in Oslo, where he had responsibility for the commercial budget for two LNG carriers on long-term charters to gas majors. Business development work at Höegh LNG encompassed pre-qualification and offers in connection with standard LNG shipping tenders, structuring and negotiating LNG time charter parties and ship management contracts, ship-sale negotiations and marketing of FSRU conversions and regasification vessel projects. Mr. Fjeld has a nautical degree and has served at sea as a deck officer in the Royal Norwegian Coast Guard and in the Merchant Navy. Mr. Fjeld earned his Master's Degree in Strategy and Management from the Norwegian School of Economics and Business Administration.

The current Executive Management are listed below (details for Mr. Fjeld detailed above):

Mr. Trym Tveitnes, PhD, Chief Technical Officer

Mr. Tveitnes is the co-founder of FLEX LNG, which was established in August 2006 and is the CTO of FLEX LNG Management Limited. 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.

Jostein Ueland, Chief Financial Officer

Mr. Ueland is the co-founder of FLEX LNG, which was established in August 2006 and is the CFO of FLEX LNG Management Limited. 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.

Corporate Governance Report (continued)

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

Capt. Gary Baron, Chief Operating Officer

Capt. Baron, joined FLEX LNG Management Limited in October 2008 and became COO in December 2008. He has 35 years of experience in the marine and offshore industry, including HSEQ management, FPSO and FSO operations and conversion projects, LPG/LNG operations, supply boat and ROV operations, and experience as pilot/loading master. Prior to joining FLEX LNG, he worked for Teekay Corporation in Canada for nine years in a variety of roles including LNG, CNG and offshore business development and HSEQ. Prior to joining Teekay, he worked for Woodside Energy and BHP Petroleum in Australia. Capt. Baron also holds an MBA in Maritime Management.

9) The work of the Board of Directors

The Board approves an annual plan for the business. In addition policies have been approved that cover the responsibilities of the Board and those of the CEO, of FLEX LNG Management Limited. Through the establishment of the Compensation, Technical, Audit and Nomination Committees, the Board has delegated some of its work to these committees, yet retained the responsibility for all decision making. The Board is scheduled to meet in person approximately four times a year, and additionally approximately eight times by telephone conferences, but the schedule is flexible to react to operational or strategic changes in the market and Group circumstances. In the last 12 months the Board has convened more often, but one of the four physical meetings was cancelled due to the volcanic ash disruptions.

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; adopt guidelines for the frequency and policy for external financial reporting; and to agree on the dividend policy.

The Chairman of the Board of Directors carry 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 CEO, Mr. P. Fjeld, who is appointed by and serves at the discretion of the Board, and also reports to the Board. Further, the CEO 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 CEO is supported by the other members of the executive management team that currently consists of Mr. J. Ueland (Chief Financial Officer), Mr. T. Tveitnes (Chief Technical Officer) and Mr. G. Baron (Chief Operating 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, the deputy 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 those relating to construction, obtaining contractual counterparties, financing of LNG Producer vessels and the business, and financial risk. In addition the following risks inherent in the business plan are monitored: commodity prices, exchange rates, competition, the political and regulatory environment, counterparty performance, the planned growth of the business and the proposed application of new technology. The Board, through the Audit Committee and the annual audit process, ensures that FLEX LNG has reliable internal control 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 a regular liquidity summaries and a quarterly report identifying material variations from the approved budget. 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.

Corporate Governance Report (continued)

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 directors have been granted share options, however, this is intended for the Co-Chairman and Deputy Chair subject to approval by the Annual General Meeting and no directors are part of the incentive programs available for the executive management and/or other employees, other than Mr. P. Fjeld in his capacity as an employee of FLEX LNG Management Limited, 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. 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.

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 special characteristics of the different positions within the executive management. The guidelines shall include a summary of the characteristics of employee option schemes and bonus schemes applicable to the Group. The process aims to link the performance related element of the remuneration, (options, warrants 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 attract competent persons in the recruitment phase to a wide range of positions within the Group and to retain employees during the current phase of the business. The guidelines will be communicated to the next 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 mainly provided in English. 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 group's contact with shareholders other than through General Meetings.

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 unless there are good reasons for this. 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. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should 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. According to the Company's Articles of Association, a mandatory offer for the remaining shares will be triggered if a shareholder becomes the owner of more than 30% of the shares in the Company.

Corporate Governance Report (continued)

15) Auditors

The auditor submits the main features of the plan for the audit of the Company to the audit committee on an annual basis. The auditor does not participate in meetings of the Board of Directors that deal with the annual accounts. Via the audit committee the auditor reviews any material changes in the Company's accounting principles, comments on any material estimated accounting figures 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, rather than the full Board, 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.

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.

FLEX LNG

Income Statement - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Note	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Operating revenues		**0**	0	**0**	0
Other income		**0**	0	**0**	0
Gross revenues		**0**	0	**0**	0
Administrative expenses	*3,6*	**10,214**	10,664	**1,370**	1,844
Other operating costs	*2,8*	**98,689**	0	**114,269**	0
Operating loss		**(108,903)**	(10,664)	**(115,639)**	(1,844)
Finance income	*4*	**222**	393	**214**	387
Loss before tax		**(108,681)**	(10,271)	**(115,425)**	(1,457)
Income tax expense	*7*	**173**	186	**0**	0
Loss after tax		**(108,854)**	(10,457)	**(115,425)**	(1,457)
Loss for the year		**(108,854)**	(10,457)	**(115,425)**	(1,457)
Attributable to:					
Equity holders of the parent		**(108,659)**	(10,165)	**(115,425)**	(1,457)
Non-controlling interests		**(195)**	(292)	**0**	0
		(108,854)	(10,457)	**(115,425)**	(1,457)

Earnings per share (USD):		**Group 2010**	Group 2009	**Company 2010**	Company 2009
- Basic	*5*	**(0.96)**	(0.10)	**(1.02)**	(0.01)
- Diluted	*5*	**(0.96)**	(0.10)	**(1.02)**	(0.01)

FLEX LNG

Statement of Comprehensive Income - FLEX LNG Group & Company

Year ended 31 December

(USD, 000)

	Note	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Loss for the year		**(108,854)**	(10,457)	**(115,425)**	(1,457)
Exchange differences on translation		**(9)**	(291)	**0**	0
Other comprehensive (loss)		**(9)**	(291)	**0**	0
Total comprehensive loss for the period		**(108,863)**	(10,748)	**(115,425)**	(1,457)
Attributable to equity holders of the parent		**(108,668)**	(10,456)	**(115,425)**	(1,457)
Non-controlling interests		**(195)**	(292)	**0**	0
		(108,863)	(10,748)	**(115,425)**	(1,457)

Statement of Financial Position – FLEX LNG Group & Company

As at 31 December *(USD, 000)*	Note	**Group 2010**	Group 2009	**Company 2010**	Company 2009
ASSETS					
Non-current assets					
New building contracts	*8*	**431,232**	516,391	**0**	0
Plant and equipment	*9*	**267**	385	**0**	0
Investment – unquoted	*2*	**875**	0	**0**	0
Intangible assets	*2*	**0**	36,251	**0**	0
Loans and investments	*2*	**0**	0	**434,937**	532,617
Total non-current assets		**432,374**	553,027	**434,937**	532,617
Current assets					
Other current assets	*10*	**2,368**	925	**158**	147
Cash and cash equivalents	*11*	**9,889**	25,679	**9,065**	24,645
Total current assets		**12,257**	26,604	**9,223**	24,792
TOTAL ASSETS		**444,631**	579,631	**444,160**	557,409
EQUITY AND LIABILITIES					
Equity					
Issued capital	*12*	**1,130**	1,127	**1,130**	1,127
Share premium	*12*	**552,490**	552,243	**552,490**	552,243
Other equity		**(123,125)**	(16,729)	**(110,269)**	2,884
Equity attributable to equity holders of the parent		**430,495**	536,641	**443,351**	556,254
Non-controlling interests	*2*	**0**	33,147	**0**	0
Total equity		**430,495**	569,788	**443,351**	556,254
Non-current liabilities					
Other financial liabilities	*14*	**10,937**	6,415	**0**	0
Total non-current liabilities		**10,937**	6,415	**0**	0
Current liabilities					
Accounts payable		**567**	443	**445**	54
Accruals and other payables		**2,632**	2,985	**364**	1,101
Total current liabilities		**3,199**	3,428	**809**	1,155
Total liabilities		**14,136**	9,843	**809**	1,155
TOTAL EQUITY AND LIABILITIES		**444,631**	579,631	**444,160**	557,409

Board of Directors of FLEX LNG Ltd 28 April 2011

Keith Meyer (Chairman)

Aoki Hiromichi Scott Pearl Ian Beveridge Philip Fjeld

Anders Westin James van Hoften Kathleen Eisbrenner James MacHardy

FLEX LNG

Consolidated Statement of Changes in Equity – FLEX LNG Group

(figures in USD,000)

For the year ended 31 December 2010	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders	Non controlling interests	Total equity
At 01.01.10	**1,127**	**552,243**	**(24,257)**	**(291)**	**7,819**	**536,641**	**33,147**	**569,788**
Loss for the period			(108,659)			**(108,659)**	(195)	**(108,854)**
Other comprehensive income				(9)		**(9)**		**(9)**
Total comprehensive income			(108,659)	(9)		**(108,668)**	(195)	**(108,863)**
Expenses related to share issue		(35)				**(35)**		**(35)**
Exchange adjustments						**0**	(140)	**(140)**
Disposal of non controlling interest						**0**	(32,812)	**(32,812)**
Cost of share-based payment (options / warrants)					2,367	**2,367**		**2,367**
Shares issued	3	282			(285)	**0**		**0**
Cost of share-based payment (shares)					190	**190**		**190**
At 31.12.10	**1,130**	**552,490**	**(132,916)**	**(300)**	**10,091**	**430,495**	**0**	**430,495**

For the year ended 31 December 2009	Share capital	Share premium reserve	P&L reserve	Exchange translation reserve	Option, warrant and shares	To equity holders	Non controlling interests	Total equity
At 01.01.09	1,024	543,417	(14,092)	0	5,940	536,289	0	536,289
Loss for the period			(10,165)			(10,165)	(292)	(10,457)
Other comprehensive income				(291)		(291)		(291)
Total comprehensive income			(10,165)	(291)		(10,456)	(292)	(10,748)
On acquisition						0	33,836	33,836
Exchange adjustments						0	(397)	(397)
Issue of share capital	103	9,897				10,000		10,000
Expenses related to share issue		(1,071)				(1,071)		(1,071)
Cost of share-based payment (options / warrants)					1,689	1,689		1,689
Cost of share-based payment (shares)					190	190		190
At 31.12.09	1,127	552,243	(24,257)	(291)	7,819	536,641	33,147	569,788

FLEX LNG

Statement of Changes in Equity – FLEX LNG Ltd

(figures in USD,000)

For the year ended 31 December 2010	**Share capital**	**Share premium reserve**	**P&L reserve**	**Exchange translation reserve**	**Option, warrant and shares**	**To equity holders**	**Non controlling interests**	**Total equity**
At 01.01.10	**1,127**	**552,243**	**(4,935)**	**0**	**7,819**	**556,254**	**0**	**556,254**
Loss for the period			(115,425)			**(115,425)**		**(115,425)**
Total comprehensive income			(115,425)			**(115,425)**		**(115,425)**
Expenses related to share issue		(35)				**(35)**		**(35)**
Cost of share-based payment (options / warrants)					2,367	**2,367**		**2,367**
Shares issued	3	282			(285)	**0**		**0**
Cost of share-based payment (shares)					190	**190**		**190**
At 31.12.10	**1,130**	**552,490**	**(120,360)**	**0**	**10,091**	**443,351**	**0**	**443,351**

For the year ended 31 December 2009	**Share capital**	**Share premium reserve**	**P&L reserve**	**Exchange translation reserve**	**Option, warrant and shares**	**To equity holders**	**Non controlling interests**	**Total equity**
At 01.01.09	1,024	543,417	(3,478)	0	5,940	546,903	0	546,903
Loss for the period			(1,457)			(1,457)		(1,457)
Total comprehensive income			(1,457)			(1,457)		(1,457)
Issue of share capital	103	9,897				10,000		10,000
Expenses related to share issue		(1,071)				(1,071)		(1,071)
Cost of share-based payment (options / warrants)					1,689	1,689		1,689
Cost of share-based payment (shares)					190	190		190
At 31.12.09	1,127	552,243	(4,935)	0	7,819	556,254	0	556,254

FLEX LNG

Consolidated Statement of Cash Flows - FLEX LNG Group

Year ended 31 December
(USD, 000)

Group	Note	2010	2009
Cash flow from operating activities			
Loss before tax		**(108,681)**	(10,271)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	*4*	**(222)**	(393)
Option and warrant costs	*3.1*	**2,367**	1,689
Share based payment expense	*3.3*	**190**	190
Depreciation	*3.1*	**211**	250
Impairment charge	*2,8*	**98,689**	0
P&L on asset disposal	*3*	**(19)**	(21)
Working capital adjustments:			
Increase in prepayments		**(133)**	(183)
Decrease in trade and other receivables		**140**	1,221
Decrease in trade and other payables		**(78)**	(7,657)
		(7,536)	(15,175)
Income taxes paid		**(324)**	(52)
Interest received		**304**	407
Net cash flow from operating activities		**(7,556)**	(14,820)
Cash flows from investing activities			
Purchase of plant and equipment	*9*	**(98)**	(110)
Payments for intangible assets		**0**	(957)
Payment on new building contracts & capitalised expenditure	*8*	**(12,592)**	(22,416)
Disposal / acquisition of subsidiary, net of cash	*2*	**(24)**	(423)
Net cash flow used in investing activities		**(12,714)**	(23,906)
Cash flows from financing activities			
Proceeds from issue of share capital	*12*	**0**	10,000
Costs of share issue		**(35)**	(1,071)
Proceeds from sale of fixed assets		**2**	61
Proceeds from deferred payments	*14*	**4,522**	6,207
Net cash flow from financing activities		**4,489**	15,197
Net currency translation effect		**(9)**	(291)
Net decrease in cash and cash equivalents		**(15,781)**	(23,529)
Cash and cash equivalents at beginning of period		**25,679**	49,499
Cash and cash equivalents at end of period	*11*	**9,889**	25,679

Statement of Cash Flows - FLEX LNG Ltd

Year ended 31 December
(USD, 000)

Company	Note	2010	2009
Cash flow from operating activities			
Loss before tax		**(115,425)**	(1,457)
Adjustment to reconcile loss before tax to net cash flow			
Non Cash:			
Finance income	*4*	**(214)**	(387)
Impairment charge	*2*	**114,269**	0
Option and warrant costs	*3.1*	**2,367**	1,689
Share based payment expense	*3.3*	**190**	190
Working capital adjustments:			
Increase / decrease in prepayments		**(94)**	65
Increase / decrease in trade and other receivables		**(3)**	1,099
Decrease in trade and other payables		**(346)**	(7,355)
		744	(6,156)
Interest received		**300**	401
Net cash flow from operating activities		**1,044**	(5,755)
Cash flows from investing activities			
Loans and investments in subsidiaries	*2*	**(16,589)**	(28,028)
Net cash flow used in investing activities		**(16,589)**	(28,028)
Cash flows from financing activities			
Proceeds from issue of share capital	*12*	**0**	10,000
Costs of share issue		**(35)**	(1,071)
Net cash flow from financing activities		**(35)**	8,929
Net decrease in cash and cash equivalents		**(15,580)**	(24,854)
Cash and cash equivalents at beginning of period		**24,645**	49,499
Cash and cash equivalents at end of period	*11*	**9,065**	24,645

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. The Group includes eight 100% owned active subsidiaries and as shown under note 2 below and the Company's interest in Minza Oil & Gas Ltd, up to the expiry of the Company's option in October 2010. The Group produces consolidated accounts incorporating these companies and its activities are focused on developing production and storage of liquefied natural gas. 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. Reported values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

The financial statements for the period ended 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU and valid as of 31.12.10. The financial statements were approved by the Board of Directors on 28.04.11 for issue on 29.04.11. The financial statements have been prepared on an historical cost basis, except for the valuation of warrants and options, which are accounted for at fair value and where certain assets which have been valued on the basis of recoverable amount. The financial statements have also been prepared on a going concern basis, additional information is included in notes 18 and 19.

The following standards were implemented in 2010;

IFRS 2 Share-based Payment (Revised) – An amendment to IFRS 2 that clarifies the scope and the accounting for group cash-settled share-based payment transactions.

IFRS 3 (revised) Business Combinations – The revised Standard is expected to impact the accounting for future acquisitions primarily regarding goodwill, contingent consideration and transaction costs.

IFRS 39 Financial Instruments (Eligible Hedged Items) – Permits the designate of a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

IFRIC 17 Distributions of Non-cash Assets to Owners - Provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; IFRS 8 Operating Segments; IAS 7 Statement of Cash Flows; IAS 36 Impairment of Assets; IFRS 2 Share-based Payment; IAS 1 Presentation of Financial Statements; IAS 17 Leases; IAS 34 Interim Financial Reporting; IAS 38 Intangible Assets; IAS 39 Financial Instruments: Recognition and Measurement; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

The adoption of these amendments has had no material impact on the financial position or performance of the Group.

At the end of 2010, some new standards, changes in existing standards and interpretations have been issued, but not yet become effective:

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

1.1 Basis for preparation (continued)

IAS 24 Related Party Disclosures (Amendment); IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment); IFRS 9 Financial Instruments: Classification and Measurement; IFRIC 14 Prepayments of a minimum funding requirement (Amendment); IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; Amendments to IFRS 7 Financial Instruments – Disclosures; Amendments to IAS 12 Income Taxes; and Annual improvements project 2010; IFRS 3 Business Combinations; IFRS 7 Financial Instruments – Disclosures; IAS 1 Presentation of Financial Statements; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting; and IFRIC 13 Customer Loyalty Programmes.

The Group and Company intends to adopt those standards when they become effective. Currently the Group and Company estimate that the implementation will have no impact, or are unable to 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 companies in the group, apart from FLEX LNG Management (Norway) AS which is NOK based. Subsidiaries with a different functional currency are 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. A controlling interest is normally attained when FLEX LNG owns, either directly or indirectly, more than 50% of the shares in the company and is capable of exercising control over the company, including call options over the shares. Non-controlling interests are included in the Group's equity. 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, using consistent accounting principles.

The acquisition of an asset, group of assets or entity that does not constitute a business is not a business combination. In such cases the acquirer will identify and recognise the individual identifiable assets acquired and liabilities it assumes. The cost of the acquisition should be allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase.

Intragroup transactions and balances, including internal profits and unrealised gains and losses, have been eliminated in full. Unrealised gains from transactions with associated companies are eliminated in the FLEX LNG's share of the associated companies. Correspondingly, unrealised losses are eliminated, but only if there are no indications of any impairment in the value of the asset that is sold internally. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.

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

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

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). This means that management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events 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. Estimates are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period, which the estimates are revised. 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.

Significant accounting judgements – new build contracts

Costs are capitalised as per note 1.8. In determining amounts that are capitalised, management makes assumptions regarding future cash generation from these assets. Costs are split between the different vessels based on management's view on benefits derived from the expenses incurred. The carrying value is calculated on a value in use basis and as a going concern. The assumptions behind the value in use calculation are detailed in note 8.

1.5 Currency transactions

Foreign currency transactions are translated into the functional currency using the 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.

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 obtains a final investment decision all non-current assets are located in the country of domicile, the M-FLEX 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.

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

1.7 Income tax (continued)

The Group consists of two legal entities incorporated in the British Virgin Islands, five entities in the Isle of Man, one in Norway, one in Singapore and Minza Oil & Gas Ltd. which is incorporated in Jersey, up until disposal in October 2010.

1.8 Non-current assets

Non-current assets are carried at cost less accumulated depreciation and impairment adjustments. 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. This applies correspondingly to the scrap value.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognised in profit or loss as incurred. When 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, plus other costs that are directly attributable to the assets. Capitalisation would 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.

Depreciation is calculated using the straight-line method over the following periods:

Vessels: 25 years
Periodic maintenance: variable to be determined once constructed

The payments on new building contracts are considered to be assets under construction and are accounted for in accordance with IAS 16. The credit terms for the payment are considered to be normal for the industry and therefore the payment is booked at nominal value.

The first vessel under construction is expected to be delivered from 2014. The total expenditure of the vessel will be decomposed to groups of components that have different expected useful lives. The different groups of components will be depreciated over their expected useful lives. Upon delivery of the vessel this decomposition would be made.

Intangible assets are measured on initial recognition at cost. Following recognition they are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period is reviewed on an annual basis, with any amortisation or impairment charge recognised in the income statement.

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

1.8 Non-current assets (continued)

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
Furniture and Fittings: 5 years

Shares in the subsidiaries and loans provided to the 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 receivables. If and when estimated recoverable amounts increase, impairments charges are reversed. There is currently no repayment plan on the loans and no interest charged.

1.9 Impairment of assets

Financial instruments

Financial instruments are reviewed at each balance sheet date in order to discover any decrease in value.

Financial assets which are valued at amortised cost are written down when it is probable that the Company will not recover all the amounts relating to contractual issues for loans, receivables or hold-to-maturity investments. The amount of the impairment loss is recognised in the income statement. Any reversal of previous impairment losses is recognised when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognised. Such a reversal is presented as income. However, an increase in the carrying amount is only recognised to the extent that it does not exceed what the amortised cost would have been if the impairment loss had not been recognised.

Other and non-current assets

An assessment of impairment losses on other assets is made when there is an indication of a fall in value. If an asset’s carrying amount is higher than the asset’s recoverable amount, an impairment loss will be recognised in the income statement. 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 preformed at the vessel level for assets under construction. During the year an impairment review was completed on the vessel assets, to determine their recoverable amount, additional details note 8.

Trade receivables

Trade receivables are carried at amortised cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognised as a loss, discounted by the receivable amount’s effective interest rate.

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

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 includes 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 not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognised in the annual financial statements, but is stated 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 Warrants and share based payments – equity settled transactions

The fair value of the warrants is estimated at the grant date and recognised as an expense over the vesting period. The Quanto-Barrier Option pricing model has been used to calculate the fair value of the warrants.

Fair value of warrants granted for consulting services fees is measured at the fair value of the services received.

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

1.12 Warrants and share based payments – equity settled transactions (continued)

The fair value of the share options has been calculated using the Black-Scholes-Merton option pricing model.

The cost of the options and warrants is recognised over the period in which the performance is 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. The value of the services is recognised at the fair value of the shares received.

1.13 Option accounting

Where it is considered that a call option does not give access to all the benefits associated with the ownership interest, then the implementation guidance in IAS 27 (as amended in 2008) and IAS 27 (2007) states that in such situations the 'instruments containing the potential voting rights are accounted for in accordance with IAS 39'. This means that the call option over the shares in a subsidiary has initially been recognised as part of the intangible asset value at its fair value with any subsequent changes in its fair value being reflected in the income statement.

1.14 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.

Note 2: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Main operations	Ownership share	Voting share
M-FLEX 1 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 2 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 3 Limited	Isle of Man	Shipping	100%	100%
M-FLEX 4 Limited	Isle of Man	Shipping	100%	100%
FLEX LNG Management Limited	Isle of Man	Management services	100%	100%
FLEX LNG Management (Norway) AS	Norway	Management services	100%	100%
FLEX LNG Management (Singapore) PTE LTD	Singapore	Management services	100%	100%
FLEX Petroleum Limited	British Virgin Islands	Holding company	100%	100%
Minza Oil & Gas Ltd (until disposal at 31/10/10)	Jersey	Gas Development	5%	5%

Note 2: Subsidiaries (continued)

FLEX LNG Ltd – Loans and investments in subsidiaries

Company (USD 000)	2010	2009
M-FLEX 1 Limited	**246,373**	228,753
M-FLEX 2 Limited	**99,689**	100,445
M-FLEX 3 Limited	**99,621**	100,124
M-FLEX 4 Limited	**99,818**	99,995
FLEX Petroleum Limited	**3,705**	3,300
Impairment provision	**(114,269)**	0
	434,937	532,617

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 and other payments to Samsung, capitalised costs, running costs and an allocated share of the management recharge.

Following the impairment write down on the vessel assets, note 8, the Company has reviewed the carrying value of the loans to the four M-FLEX entities. The valuation has been based on the recoverable amount for the vessel assets ($431.2m). The loan amounts in excess of this have been recognised as an impairment loss in the Company income statement ($114.3m). This adjustment has no impact at a consolidated level.

Disposal of Assets

In June 2009 the Company and its 100% owned subsidiary FLEX Petroleum Limited entered into an agreement with Minza Oil & Gas Ltd ("Minza") and its shareholder covering the following: the purchase of a minority share (5%); a call option payment allowing the Group to purchase the remaining shares in Minza at an agreed price within a 12 month option period, expiring in 2010. The option period was extended in 2010 to 31 October, when it expired.

The investment was initially accounted for as an acquisition of assets. The individual assets and liabilities acquired were separately recognised, with the cost of the acquisition allocated to the individual assets and liabilities, based on the fair value at the date of purchase. No goodwill was recognised on the purchase and the majority share of the purchase was recognised as a non-controlling interest. Given the option lapse, the resulting change has been accounted for as a disposal of the individual assets and liabilities recognised and a gain of $22k has been recognised on the disposal.

At 31 December the Group remains with a holding of 5% in the share capital of Minza. The cost of this investment was $1,700k, which has been written down to $875k and a impairment loss of $825k recognised, in addition capitalised costs of $113k have been written off as an impairment loss giving a total impairment of $938k. The Group has loaned Minza $1,532k. In the twelve months from option expiry, the loan can be converted by the Group into 8.75% of the shares in Minza, or if not repaid by Minza converted into 13.75% of the shares in Minza. The loan bears interest at LIBOR plus 1%. The following amounts, in relation to Minza have been included in the consolidated income statement.

Note 2: Subsidiaries (continued)

Minza Oil and Gas Limited	**2010**	**2009**
(figures in USD,000)		
Revenue – eliminated in FLEX consolidation	202	0
Net revenue	202	0
Costs	404	307
Loss before tax	(202)	(307)
Non-controlling interest	(195)	(292)

Assets and liabilities disposed	
Plant and equipment	4
Intangible assets	1,759
Other current assets	22
Cash and cash equivalents	24
Current liabilities	(38)
Shareholder loans ($1,532k relates to FLEX)	(2,353)
Net assets	(582)
FLEX investment	(1,700)
Non controlling interest	2,260
Total net liabilities disposed	(22)

P&L on disposal	
Proceeds	0
Net liabilities disposed	(22)
Profit on disposal	22

The breakdown of the intangible carrying amounts at 31 December was;

USD'000 – Group	**2010**	2009
Brought forward	**36,251**	0
On acquisition	**0**	752
Exploration and other costs incurred	**163**	957
Expected acquisition costs	**0**	34,542
Impairment	**(113)**	0
Disposal	**(36,069)**	0
Exchange adjustments	**(232)**	0
Total	**0**	36,251

The fair value of the purchase option $855k was included within the expected acquisition costs.

Note 3: Administrative expenses

3.1 Included in administration expenses USD,000	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Depreciation	**211**	250	**0**	0
P&L on disposal of assets	**3**	(21)	**0**	0
P&L on disposal of business	**(22)**	0	**0**	0
Net foreign exchange differences	**(210)**	420	**(27)**	(46)
Calculated fair value of warrants	**1,536**	900	**1,536**	900
Calculated fair value of options	**831**	789	**831**	789

3.2 Auditors

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

USD,000	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Audit	**96**	100	**62**	16
Tax assistance	**73**	250	**1**	31
Consultancy services	**0**	72	**0**	72
Total Auditor's fees	**169**	422	**63**	119

3.3 Remuneration

During 2010 FLEX LNG had seven Directors, but no employees. All employees are engaged by the three management companies.

Staff costs USD,000	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Wages and salaries	**4,314**	4,736	**0**	0
Social security costs	**596**	574	**42**	0
Pension costs	**234**	207	**0**	0
Total employee benefit expenses	**5,144**	5,517	**42**	0

Share based payments are covered in note 13. Employees are offered a fixed base salary. In 2010 the employees have been offered a performance related salary element. This is linked to key commercial contract goals and varies depending on staff seniority. The company contributes to a defined contribution pension scheme for staff. UK and Singapore based staff are offered additional health insurance. The number of man-labour years in 2010 was 33 (2009 – 41). In the year the Company has incurred social security costs in relation to the payment of Directors fees in the Isle of Man.

Directors fees FLEX LNG, USD,000	**Company 2010**	Company 2009
James A. MacHardy	**80**	80
Philip E. Fjeld	**50**	50
Scott Pearl	**50**	50
James D.A. Van Hoften	**50**	50
Ian Beveridge	**50**	50
Anders Westin	**50**	50
Aoki Hiromichi	**50**	50
Total Directors' fees (see note 13)	**380**	380

Mr. Meyer and Ms. Eisbrenner received no Directors fees or remuneration in 2010. 50% of the remuneration listed above is paid via the issue of shares by the Company.

Note 3: Administrative expenses (continued)

3.3 Remuneration (continued)
Where directors have taken on directorships of subsidiary companies, they have received an annual fee of $2k per company on a pro rata basis. The cost per person for services provided by Mr. Fjeld, Mr. Hoften, Mr. Beveridge and Mr. Hiromichi was $40k in the year (2009: $37k). All earnings and shares for Mr. Beveridge are assigned to Bernhard Schulte Investment Holding and for Mr. Aoki to Kawasaki Kisen Kaisha Ltd.

Executive Management USD,000	Salary	Sundry benefits	Pension	Option costs	**Group Total**
Philip Fjeld	250	56	12	31	**349**
Jostein Ueland	250	35	13	30	**328**
Trym Tveitnes	250	2	12	31	**295**
Gary Baron	250	3	13	15	**281**
2010	**1,000**	**96**	**50**	**107**	**1,253**
2009	995	10	50	130	1,185

The Executive Management receive remuneration via the management companies FLEX LNG Management Limited, FLEX LNG Management Norway AS and FLEX LNG Management (Singapore) Pte Ltd. Mr. Fjeld, Ueland and Tveitnes do not have contracts of employment and their termination rights are determined by statute. Mr. Baron has a contract of employment that gives a three month notice period. Additional accommodation costs have been incurred in relation to the relocation of Mr. Fjeld and Ueland to Singapore. Options and warrants have been granted as follows Mr. Fjeld, Ueland and Tveitnes 46,800 options each held personally (issued 22/07/08) and warrant and options via Hansa LNG Limited as detailed note 13 and 15. Mr. Baron holds 180,000 options, issued over the last three years.

Note 4: Finance costs and revenue

Finance revenue	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Interest income	**222**	393	**214**	387
Total financial revenue	**222**	393	**214**	387

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 dilutive potential shares.

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

Note 5: Earnings per share (continued)

Earnings per share:	**2010**	2009
Loss attributable to shareholders – Group $'000	**(108,659)**	(10,165)
Loss attributable to shareholders – Company $'000	**(115,425)**	(1,457)
Weighted average number of ordinary shares	**112,947,425**	104,213,188
Effect of dilution:		
Share options [1]	**0**	0
Warrants [2]	**0**	0
Weighted average number of shares, adjusted for dilution	**112,947,425**	104,213,188

[1] the options are out of the money
[2] the warrants are out of the money

Note 6: Management fees

There are no employees in FLEX LNG Ltd. A contract for management services is entered with FLEX LNG Management Limited ("FLML") and its subsidiaries. According to this agreement, FLML will render services to the Group relating to general administration and contract management. FLML is entitled to a compensation covering all its expenses plus a mark-up. The management agreement was amended in 2010 to include the new Singapore management company. The total compensation for 2010 was $10,660k (2009: $12,381k).

Note 7: Income tax

The Group consists of two legal entities incorporated in the British Virgin Islands (BVI), and five entities in the Isle of Man, one entity in Norway, one entity in Singapore and the Company's interest in Minza Oil & Gas Ltd (until disposal in October 2010). Income or capital gains are not subject to taxation in the BVI, or the Isle of Man. The profits in the Norwegian and Singapore entities and the profit attributable to the UK are taxable.

(USD,000)	**Group 2010**	Group 2009
Current income tax charge	**132**	197
Adjustments in respect of current income tax of previous years	**41**	(11)
Income tax expense reported in the income statement	**173**	186

(USD,000)	**Company 2010**	Company 2009
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 British Virgin Islands (BVI) domestic tax rate for the year ended 31 December 2010 and 2009 is as follows:

Note 7: Income tax (continued)

(USD,000)	**Group 2010**	Group 2009
Accounting loss before income tax	**(108,681)**	(10,271)
Income tax at 0% (2009:0%)	**0**	0
Effect of higher UK, Singapore and Norway tax rates	**173**	186
Effective income tax rate of 0.2% (2009: 1.8%)	**173**	186

(USD,000)	**Company 2010**	Company 2009
Accounting loss before income tax	**(115,425)**	(1,457)
Income tax at 0% (2009:0%)	**0**	0
Effective income tax rate of 0% (2009: 0%)	**0**	0

Note 8: New Build Contracts

(USD,000) – **Group, New build contracts**	**2010**	2009
At 1 January – Payments on account, Hull	**458,730**	458,730
Additions	**0**	0
Impairment	**(82,733)**	0
At 31 December	**375,997**	458,730
At 1 January – Topside	**39,339**	22,968
Additions	**8,183**	16,371
Impairment	**(10,159)**	0
At 31 December	**37,363**	39,339
At 1 January – Capitalised cost	**18,322**	12,277
Additions	**4,409**	6,045
Impairment	**(4,859)**	0
At 31 December	**17,872**	18,322
At 1 January – Total	**516,391**	493,975
Additions	**12,592**	22,416
Impairment	**(97,751)**	0
At 31 December	**431,232**	516,391

Finance costs of $1,156k are included in 2010 capitalised costs (2009: $628k).

Note 8: New Build Contracts (continued)

The value reported in the balance sheet mainly refers to contractual payments made to the yard, Samsung in South Korea. The first vessel under construction would according to the contract be delivered starting from 2014. Total obligations for the Group with respect to payment for the vessels are detailed in note 16.3. Samsung carries the title to and the risk for the vessels hull until delivery, and has issued irrevocable refund guarantee for the prepayments made by the Group. The title for Topside equipment passes gradually during construction and on payment. The carrying value of the contractual payments and the capitalised costs are dependent on the IOC/PACLNG contractual arrangements remaining at economically viable terms, finance being secured at reasonable terms, and the restructuring of the contracts with Samsung at the IOC/PACLNG project final investment decision (FID). In the case of a negative outcome the carrying value could require additional material impairment. In the year the Company has recognised impairment write downs of $97.8m on the four LNG Producers, based on a preliminary estimate of the impact from the restructuring negotiation that have been commenced, but which is intended to be concluded with Samsung at FID, for the IOC/PACLNG project (additional details note 17.2). In the Q4 2010 report this calculation was based on an estimate of the costs that would be incurred to allow the instalments to be transferred from vessels 2-4 to vessel 1. In the 2010 statutory accounts the resulting carrying value is additionally supported by a value in use calculation based on the expected economic terms for the IOC/PACLNG contract.

In assessing the carrying value of the vessel assets the Group has reviewed the value in use for vessel 1, after the instalment transfers from vessel 2-4. This has been calculated on a fully commissioned cost, over a 25 year period (expected period of the project), expected production capacity/availability (an estimated 2.25 trillion cubic feet of gas over a 25-year period), revenue shares (14.5% of the revenue from the sale of LNG from the FLNG vessel for an initial 15-year period, for the next 5 years 12.5% of the revenue and 10% of the revenue for the last 5-year period), agreed deductions and premiums for shared costs with IOC/PACLNG, and expected LNG sales prices for the region. The weighted cost of capital (WACC) for the Company, for this assessment only, is calculated based on factors that impact the company's ability to raise capital to finance its assets. The estimated WACC, for this assessment only, takes into account the tax rate, cost of debt, cost of equity, the beta for the company, interest rates and the debt to equity ratio, a post tax WACC of 8.3% has been used in the calculation. This calculation is subject to a number of assumptions as to the future, which may or may not prove to be accurate. The resultant value in use supports the asset carrying value, after the impairment write down of $97.8m. Given the asset value and project length, changes in these assumptions (in particular; oil price, oil price slope, capex, and interest and equity returns) can have a significant impact on the calculated carrying value. These forecasts are uncertain as they require assumptions about future market conditions, production capabilities for a vessel that has yet to be built, the funding mix of equity and debt, expected returns for debt and equity providers, final capital cost and the ability to take a positive FID. Significant and unanticipated changes in these assumptions could require an additional provision for impairment in a future period. Given the nature of these evaluations the management cannot reasonably quantify the impact of changes in these assumptions.

Note 9: Equipment

(USD,000) - Group

Cost	**Equipment**
Cost 1 January 2010	**755**
Additions	**103**
Disposal of subsidiary	**(5)**
Disposals	**(87)**
31 December 2010	**766**
Cost 1 January 2009	0
Acquisition	703
Additions	108
Disposals	(56)
31 December 2009	755

Depreciation	**Equipment**
Cost 1 January 2010	**370**
Depreciation charge for the year	**211**
Exchange movement	**1**
Disposal of subsidiary	**(1)**
Disposals	**(82)**
31 December 2010	**499**
Cost 1 January 2009	0
Acquisition	138
Depreciation charge for the year	250
Exchange movement	(2)
Disposals	(16)
31 December 2009	370

Net book value	**Equipment**
At 31 December 2010	**267**
At 31 December 2009	385

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Note 10: Other current assets

(USD 000)	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Debtors	**179**	408	**64**	147
Prepayments	**381**	248	**94**	0
Loans and receivables	**1,532**	0	**0**	0
Other receivables	**276**	269	**0**	0
Total other current assets	**2,368**	925	**158**	147

Note 11: Cash and cash equivalents

(USD 000)	**Group 2010**	Group 2009	**Company 2010**	Company 2009
Cash at the bank and in hand	**9,889**	25,679	**9,065**	24,645
Cash and cash equivalents in the balance sheet and cash flow statement	**9,889**	25,679	**9,065**	24,645
Overdraft facility	**0**	0	**0**	0

Note 12: Share capital, shareholder information and dividend

Group & Company	**2010**	2009
Ordinary shares, nominal amount USD 0.01	**113,043,243**	112,746,190
Total number of shares	**113,043,243**	112,746,190

Group & Company	**Shares** ('000)	**Share Capital** (USD'000)	**Share Premium** (USD'000)
Ordinary shares			
Issued and fully paid:			
At 1 January 2010	**112,746**	**1,127**	**552,243**
Expenses related to 2009 share issue	**0**	**0**	**(35)**
Issue in lieu of remuneration	**297**	**3**	**282**
31 December 2010	**113,043**	**1,130**	**552,490**

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

Group & Company	Shares ('000)	Share Capital (USD'000)	Share Premium (USD'000)
Ordinary shares - Issued and fully paid:			
At 1 January 2009	102,364	1,024	543,417
Issued 2009	10,382	103	8,826
31 December 2009	112,746	1,127	552,243

Nominal value per share is USD 0.01. All issued shares have equal voting rights and are equally entitled to dividend. During the year shares were allotted to directors of FLEX LNG to cover 50% of their remuneration for the year. These Directors' shares for the H2 remuneration had not been issued at 31/12/10 and are recorded in the option, warrant and share reserves, $95k. Computation of earnings per share and diluted earnings per share is shown in note 5.

Other reserves: FLEX LNG has recognised under other equity $2,272k (2009: $1,879k) in relation to the cost of warrants, options and shares issued.

Main group shareholders at 31.12.10 are: **Shareholder:**	**Number of shares:**	**Ownership interest:**
KAWASAKI KISEN KAISHA LTD	16,957,416	15.0%
STATE STREET BANK AND TRUST CO. [1]	13,486,167	11.9%
JP MORGAN CLEARING CORP. [1]	13,225,510	11.7%
JP MORGAN CHASE BANK[1]	6,168,638	5.5%
B SCHULTE INVESTMENT HOLDING	5,666,019	5.0%
BANK OF NEW YORK MELLON SA/NV	4,309,507	3.8%
GOLDMAN SACHS & CO - EQUITY[1]	3,722,098	3.3%
MORGAN STANLEY & CO INTERNAT. PLC[1]	3,140,962	2.8%
BROWN BROTHERS HARRIMAN & CO	3,068,690	2.7%
JP MORGAN CLEARING CORP. [1]	3,010,033	2.7%
BANK OF NEW YORK MELLON SA/NV[1]	2,931,086	2.6%
SIX SIS AG 25PCT[1]	2,870,897	2.5%
GOLDMAN SACHS INT. EQUITY[1]	2,579,216	2.3%
BOASSON	2,322,846	2.1%
BANK OF NEW YORK MELLON (LUX) S.A. [1]	1,975,093	1.7%
PATRONIA AS	1,967,177	1.7%
KISTEFOS AS	1,500,000	1.3%
CREDIT SUISSE SECURITIES[1]	1,375,000	1.2%
KISTEFOS INVESTMENT AS	1,310,000	1.2%
DEUTSCHE BANK AG LONDON[1]	1,250,000	1.1%
Other	20,206,888	17.9%
Total	113,043,243	100.0%

Note[1] - Nominee account.

Note 13: Share based payments

Share-Based Payment - Group & Company
During the period ended 31 December 2010, FLEX LNG had share-based payment arrangements which are described below.

Plan	Warrant Plan	Option Plan
Type of arrangement	Equity Based	Equity Based
Date of Grants	19.03.2007 and 07.09.2007	22.07.2008, 27.10.2008, 11.12.2008, 01.01.2009, 01.01.2010, 22.03.2010, 21.06.2010, 01.07.2010, 01.08.2010
Warrants and options granted (less lapses) as of 31.12.2010	6,631,455	4,085,000
Remaining contractual life	Average 6 years	Average 6 years
Vesting conditions	25% vest on at shore completion of the first vessel from Samsung, 25% vest on at shore completion of the second vessel from Samsung and 50% vest 31.12.2014, subject to the first two criteria being met.	2008/9 Allocations: 50% vest on the date of the first LNG vessel's first commercial cargo of LNG, 50% vest on the date of the second LNG vessel's first commercial cargo of LNG. 2010 Allocations: One third vest on the FID for the first vessel, one third vest at 30/06/2012, and one third vest at the second LNG vessel's first commercial cargo of LNG.
Expiry date	31/12/2016	31/12/2016

The fair value of the options is calculated using the Black-Scholes-Merton option pricing model. During the year the expiry dates for both schemes was extended to 31/12/2016, in addition the expected exercise date was updated for the lengthening of the anticipated vesting periods.

The inputs to the model for options granted in 2010 are listed below:

Plan	Option
No of options	909,000
Expected life	3.55 years
Weighted average share price at grant date (NOK)	5.87
Weighted average exercise price (NOK)	17.31
Annual NOK risk-free rate	3.04%
Volatility of underlying share	78.57%
Expected dividends	-
Fair Value of warrants	NOK 2.16

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Note 13: Share based payments (continued)

The warrants contain market conditions in that the underlying has to trade above a barrier (hurdle) following vesting date in order to be exercised.

From 2010 expected volatility has been based on historical volatilities for FLEX LNG shares.

The total expensed amount in 2010 relating from the share-based payment plan was $2,367k (2009: $1,689k). The split of the 2010 expense between the warrants and options was $1,536k and $831k. The total expensed amount relating to remaining options and warrants at 31/12/2010 was $9,390k (2009: $7,023k).

Further details of the plan are as follows:

	01.01.10 - 31.12.10		01.01.09 - 31.12.09	
	Options & Warrants	**Weighted Average Exercise Price**	Warrants	Weighted Average Exercise Price
Warrants / options outstanding at the beginning of year	**9,966,455**	**NOK 21.90**	10,511,455	NOK 24.70
Options granted	**909,000**	**NOK 17.31**	60,000	NOK 21.50
Exercised	**0**	**0**	0	0
Terminated	**0**	**0**	0	0
Forfeited	**(159,000)**	**NOK 25.67**	(605,000)	NOK 37.00
Expired	**0**	**0**	0	0
Options & warrants outstanding at the end of year	**10,716,455**	**NOK 21.57**	9,966,455	NOK 21.90
Vested Option / Warrants	**0**	**0**	0	0
Weighted average fair value of options granted during the year	**909,000**	**NOK 2.16**	60,000	NOK 9.39

Outstanding and vested Warrants as of 31 December 2010 are given in the table below.

	Outstanding			**Vested**	
Exercise price (NOK)	Outstanding Options & Warrants per 31.12.2010	Weighted average remaining contractual Life	Weighted Average Exercise Price NOK	Vested Options & Warrants 31.12.2010	Weighted Average Exercise Price
0.00 – 7.00	385,000	6.01	6.50	0	0
7.00 – 15.00	6,631,455	6.01	14.64	0	0
15.00 – 30.00	495,000	6.01	26.33	0	0
30.00 – 40.00	3,205,000	6.01	37.00	0	0
40 and above	0	6.01	0	0	0
Total	**10,716,455**	**6.01**	**21.57**	**0**	**0**

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Note 13: Share based payments (continued)

Warrant holders are as follows;

Holder	Date	Warrants
Hansa LNG Limited	27th March 2007	2,000,000
Hansa LNG Limited	7th September 2007	4,631,455
Total		**6,631,455**

In 2008 FLEX LNG shareholders authorised the issue of up to 2,600,000 options to the employee's of the management companies. At 31/12/2010 2,085,000 of the 2,600,000 options remained in issue. In addition 2,000,000 options were granted to Hansa LNG Limited in 2008.

Options were granted as follows;

Holder	Date	Options
Employees of the management companies	22ndJuly 2008	1,400,000
Employees of the management companies	27th October 2008	480,000
Hansa LNG Limited	11th December 2008	2,000,000
Lapsed - 2009, employees		(605,000)
Employee of the management companies	1st January 2009	60,000
Total - 2009		3,335,000
Lapsed - 2010, employees		(159,000)
Employee of the management companies	2010 grants	909,000
Total - 2010		**4,085,000**

The employee options, subject to certain customary exceptions, require staff to be employed by the company from the date of grant to the time of vesting. The objective of the options is to align the effort of employees with the future success of the Group.

The options and warrants held by Hansa LNG Limited do not have an employment requirement. The awards to Hansa LNG Limited were to compensate Hansa LNG Limited for, inter alia, its efforts in; establishing the Company; developing the Company's business concept and certain commercial opportunities; funding the Company until the first private placement; achieving successful completions of the two private placements in 2007; and for reducing Hansa LNG Limited's ownership share in the Company through the two private placements in 2007.

During the period ended 31 December 2010 FLEX LNG agreed to issue the directors with shares covering 50% of their remuneration. The value of the shares is based on the fair value of the services received of $190k (2009 - $190k). At 31 December 2010 118,879 shares with a value of $95k had not yet been issued to the directors.

Note 13: Share based payments (continued)

The split of shares issued to director, by way of remuneration, was as follows;

Director	2010	2009
J MacHardy	**52,886**	34,678
J van Hoften	**33,054**	21,674
I Beveridge[1]	**33,054**	21,674
P Fjeld	**33,054**	21,674
S Pearl	**33,054**	21,674
A Westin	**33,054**	21,674
H Aoki[1]	**33,054**	21,674
Total	**251,210**	164,722

Note[1]: These shares are issued to the company they represent rather than the individual. In addition at 31/12/10 118,879 of these shares has not been issued.

Note 14: Other financial liabilities

On 11 June 2009 the Group entered into an agreement with Samsung covering the revised payment profile during the slow down phase. Under the agreement, in addition to the agreed instalments, the Group had the opportunity to defer up to $4m of EPCIC expenditure in the period from 1 May 2009 to 31 August 2009. The amount deferred will be repayable with the first milestone billing after the slow down phase and bears interest at 7% per annum. At 31 December 2010 $3,929k (2009: $3,733k) had been deferred, including interest. In addition certain vendor obligations on the EPCIC contract are covered by Samsung. These amounts become payable by the Group not earlier than seven months after the resumption date, under the principle agreement with Samsung. At 31 December 2010 it is estimated that $6,870k (2009: $2,474k) in vendor obligations have been incurred by Samsung on behalf of the Group and a provision has been made for this cost. Per the preliminary agreement with SHI, the intent is that on FID these amounts and the timing of payment would be restructured. In addition a $138k (2009: $208k) provision for the property lease liabilities is included, based on a fair value allocation on the FLEX LNG Management Limited acquisition. It is believed that the carrying values and fair values for the other financial liabilities are the same.

Note 15: Related parties

15.1 Options and warrants

Hansa LNG Limited, a company controlled by the founders, has been issued with options and warrants as detailed in note 13. The 2010 P&L cost was warrants $1,536k, (2009- $900k) and options $230k, (2009 - $333k).

15.2 Shares held by members of the Board

Board Member	2010	2009
James A. MacHardy	**62,537**	0
Philip E. Fjeld	**40,083**	997
Scott Pearl	**467,083**	427,997
James D.A. van Hoften	**40,083**	997
Ian Beveridge	**250,000**	250,000
Anders Westin	**39,585**	499
Hiromichi Aoki	**0**	0
Total	**899,371**	**680,490**

Note 15: Related parties

15.2 Shares held by members of the Board (continued)
The amounts above exclude the shares detailed in note 13, which had not been issued at the yearend.

Note 16: Commitments and contingencies

16.1 Guarantees
On 8 August 2008 FLEX LNG Management Limited entered into a ten year lease agreement on a property lease in London, which is denominated in GBP. The Company has guaranteed to cover the provisions of the lease should FLEX LNG Management Limited fail to comply with the obligations under the lease. The future rental payments under the lease are $1.8m (2009: $2.1m).

Under the EPCIC contract between M-FLEX 1 Limited and Samsung, the Company has provided a guarantee for the liquidated damages should M-FLEX 1 Limited cancel the EPCIC contract or Samsung terminate due to M-FLEX 1 Limited's default. This liability equals 8% of remaining and unpaid sums under the EPCIC contract, approximately $45m at 31 December 2010 (2009: $58m). Under the principle agreement with Samsung all liabilities with Samsung under the four ship building and EPCIC contracts are joint and several between the four companies and FLEX LNG, until funding is obtained for one vessel, or a contract with a third party for use, has been secured. In addition the agreements excuse the continued delay in the instalments previously due under the original ship building contracts.

Note 17.1-2 provides additional details on the current discussions with Samsung.

16.2 Operating lease commitments, lessee
Subsidiaries have entered into leases on commercial property. The leases have average remaining lives of 0.8, 1.8 and 7.6 years and are denominated in GBP and NOK. The leases are non-cancellable. The two shorter leases have no rent review prior to expiry; the longer lease has an upward only review due five years before expiry. The future rental payable under the leases as at 31 December 2010 is as follows;

(USD 000)	**Group 2010**	Group 2009
Within one year	**438**	488
After one year but not more than five years	**1,039**	1,298
More than five years	**619**	899
Total	**2,096**	2,685

Lease payments made during the year were $506k (2009: $446k).

16.3 Capital commitments - Samsung
At 31 December 2010, the Group had capital payment commitments of $2,500m (Hulls - $1,776m vessels 1-4, Topside - $724m vessel 1) with Samsung. The payment profile, based on a 30 June 2010 resumption date, the Samsung 2009 principle agreement and expected design and commissioning would have been: 2010 $143m; 2011 $411m; 2012 $837m; 2013 $404m; and 2014 $705m. Under the 2011 Preliminary Agreement with Samsung (additional details note 17.2), the parties have agreed that no payments, including those payable in 2010, are due in the FEED phase and that the intent is to restructure the contracts once FID is taken in relation to the IOC/PACLNG project and the principle agreement will then become null and void. At 15 December 2011, if FID has not occurred, the terms of the principle agreement will be reinstated (additional details in the 2009 accounts).

Note 16: Commitments and contingencies (continued)

16.4 Capital commitments – Minza Oil & Gas Ltd.
Given the lapse of the option to purchase Minza Oil & Gas Ltd ("Minza") there remains no commitments in relation to the previous purchase payments.

16.5 Contingencies - Peak Petroleum and Shell Nigeria
The memorandum of understanding and heads of agreement previously entered into between, inter alia, FLEX LNG and Peak Petroleum Industries Nigeria Ltd. regarding the potential joint development of OML 122 offshore Nigeria, have expired and FLEX LNG therefore currently does not have a contractual relationship with Peak Petroleum Industries Nigeria Ltd. regarding the development of OML 122.

Peak Petroleum Industries Nigeria Limited ("Peak Petroleum") has previously sued Shell Nigeria Upstream Ventures Ltd ("Shell Nigeria") in Nigeria in order for the Nigerian courts to confirm that Peak is the 100% interest holder to OML 122. Shell Nigeria has filed a counter-claim in order for the Nigerian courts to confirm that Shell Nigeria has a 40% interest in OML 122.

In a court filing on 11 June 2009 Shell Nigeria filed to join FLEX LNG as a co-defendant together with Peak Petroleum to Shell Nigeria's counter-claim against Peak Petroleum. Shell Nigeria's counter-claim seeks declaratory relief to the effect that Peak Petroleum and FLEX LNG's discussions concerning possible development of OML 122 are in breach of various agreements between Shell Nigeria and Peak Petroleum and injunctive relief restraining Peak Petroleum and FLEX LNG from continuing to develop OML 122. In 2011 Shell Nigeria has withdrawn its application to join FLEX LNG in its counter claim.

Note 17: Subsequent events / after balance sheet date

17.1 Floating Liquefaction Project
On 11 April the Group signed preliminary agreements with IOC, PACLNG and Samsung for an FLNG project that would liquefy gas from the Elk and Antelope gas fields in the Gulf Province in PNG. Project specific Front-End Engineering and Design (FEED) will start in May 2011. The FLNG vessel is expected to have a production capacity of close to 2 million tons of LNG per annum and to process an estimated 2.25 trillion cubic feet of gas over a firm 25-year period. Per the preliminary agreements, FLEX LNG would receive, less agreed deductions, 14.5% of the revenue from the sale of LNG for the initial 15-year period. For the next 5 years FLEX LNG will receive 12.5% of the revenue and 10% of the revenue for the last 5-year period.

17.2 Discussions with Samsung Heavy Industries
On 11 April the Group signed a Preliminary Agreement and FEED with Samsung. In order to support the FLNG project with IOC and PACLNG, FLEX LNG and Samsung have agreed to restructure the commercial relationship between the two parties; this was subject to FLEX LNG shareholder approval of the proposed deal which has been provided. Upon reaching a positive FID the intention is to transfer substantially all instalments paid (less deductions to be agreed) to Samsung under the existing four shipbuilding contracts to the FLNG unit that is destined for the PNG project. FLEX LNG would remain able to order additional FLNG units at Samsung.

In relation to the project FLEX LNG and Samsung would be responsible for the design, engineering, construction and commissioning of the FLNG vessel. FLEX LNG would also be joint operator of the FLNG unit together with IOC and PACLNG. Construction of the FLNG unit would be fully financed until delivery. The equity already paid in by FLEX LNG

Note 17: Subsequent events / after balance sheet date (continued)

17.2 Discussions with Samsung Heavy Industries (continued)
to Samsung would cover all payments to Samsung until delivery of the FLNG unit, when one final instalment would be due. In addition the agreements sanction the continued postponement of the instalments previously due under the original ship building contracts.

17.3 Additional Option and Share Issuance
In relation to the IOC and PACLNG agreements the Company will issue options to acquire 11,315,080 common shares in FLEX LNG at an average strike price of 4.5909 NOK. The options can be exercised no later than 15 days after approval has been received from FLEX LNG's shareholders, which has been provided on 28 April 2011.

In case of a positive FID, IOC and PACLNG have agreed to a) provide a conditional financing package to ensure payment of the final Samsung instalment once construction of the FLNG unit has been completed ("the back stop financing") and (b) certain additional credit enhancement facilities to facilitate obtaining project finance. As compensation FLEX LNG has agreed to grant further equity to IOC and PACLNG. Upon the project achieving a positive FID, IOC and PACLNG would receive shares at par value equivalent to 5% of FLEX LNG. An additional amount of shares equalling up to 15% ownership in FLEX LNG may be issued to IOC and PACLNG at par value in three 5% tranches during the period from FID until 9 months after FID. The additional share compensation is dependent on FLEX LNG utilising the IOC/PACLNG financial support and reduces as provided in the agreements, if alternatives are obtained.

17.4 Shares
In February 2011 the Company issued 118,879 additional shares to cover 50% of the Director's remuneration for H2 2010.

Note 18: Financing

Samsung has agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is for a substantial share of all previous instalments paid (less deductions to be agreed) to Samsung under the existing four shipbuilding contracts to be transferred to the single FLNG unit that is destined for the PNG project. Construction of the FLNG unit would be fully financed until delivery. The equity already paid in by FLEX LNG to Samsung would cover all instalment payments to Samsung until delivery of the FLNG unit, when one final instalment would be due. The Group's funding requirement between FID and delivery of the FLNG vessel would be limited to general working capital and project management cost in the period. It is the view of the Company that it does not anticipate requiring any additional working capital from its shareholders in 2011 prior to reaching FID.

Note 19: Going Concern

The financial statements have been prepared based on the going concern assumption, which contemplates the realisation of assets and liabilities as part of the normal business course.

Note 19: Going Concern (continued)

In April 2011 the Group signed agreements with Samsung, which has agreed to restructure the commercial relationship between the two parties whereby, upon achieving FID, the intention is for a substantial share of all previous instalments paid to Samsung under the existing four shipbuilding contracts to be transferred to the single FLNG unit that is destined for the PNG project. Accordingly under this agreement the equity already paid in by FLEX LNG to Samsung would cover all instalment payments to Samsung until delivery of the FLNG unit, when one final instalment would be due. The Company does not anticipate requiring any additional working capital from its shareholders in 2011 and no further payments will be due to Samsung in 2011 prior to reaching FID as to the PNG project. Upon a positive FID it will be necessary to raise additional funds to cover general working capital and project management costs up until delivery of the first FLNG unit.

In case the currently envisaged FID for the first unit is negative, the Company will need to agree an alternative arrangement with Samsung and raise additional working capital.

Considering the above the Board believes that the going concern assumption remains appropriate for the Group.

Note 20: 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.

Currency risk
The value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Group has historically raised funding in USD, with the share price denominated in NOK, but with the proceeds being fixed into USD. The main capital commitments of the Group are to Samsung. Under the ship building contracts (“SBC’s”) the lump-sum price has been fixed in USD. Currently the EPCIC contract is on a reimbursable basis and the Group is exposed to the underlying currencies billings of the vendors. These billings are presently relatively small. Over the FEED phase for the IOC project, the Group will work with Samsung to fix a lump sum price for the contract in USD. Samsung has entered into a number of USD/WON and USD/EUR hedges in relation to the contracts. Either upon restructuring the contracts at FID, or before in the option of the Group, the hedges would need to be amended to match the revised cash flow profiles; until this point there is an exchange exposure for the Group. Under the four SBC’s and one EPCIC contract the Group will then only remain exposed to currency risk on change requests and variations, where the underlying cost is not in USD. Additionally the Group incurs overhead costs in GBP and NOK. These exposures are not currently hedged.

Note 20: Financial risk management objectives and policies (continued)

Currency risk (continued)
The Group'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 relative to the NOK of an investor's currency of reference may also adversely affect the value of an investor's investments.

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

Liquidity risk
The Group monitors its risk to a shortage of funds using a recurring 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. Market conditions can have a significant impact on the ability to raise equity finance, while new equity financing may be dilutive to existing shareholders.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the raising of finance from investors. The Group does not currently have any bank overdrafts and bank loans. Liquidity management services are provided to the Group under the management agreement. The additional funds that the Group will raise in 2011 are linked to the shareholder approval of the IOC/PACLNG deal, which has now been approved, and IOC/PACLNG exercising their option.

Upon a company in the Group concluding a contract for the processing of LNG or a contract of employment of one of the vessels it would look to raise project loan finance to cover the majority of the capital costs for the asset. With respect to the PNG project, the ability of the Group to obtain project finance will be linked to the reaching of and the nature of commercial contractual terms with IOC/PACLNG, however in case of positive FID the intent is for IOC/PACLNG to provide backstop financing, if necessary, for the final instalment due to Samsung.

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 is on cash and advance payments to Samsung. Cash funds are currently placed with the Bank of Ireland, Lloyds TSB and Barclays, additionally Samsung has provided irrevocable refund guarantee for the prepayments made by the Group.

Operational risk
Currently the Group has not reached FID for one of the FLEX LNG vessels. Operational risks mainly relate to expenditure being higher than forecast, risks to the environment and risks to the safety of people working on the vessels.

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, NO-5008 Bergen
Postboks 6163 Postterminalen, 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

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 2010, 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.

The Board of Directors' responsibility for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the 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 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 on the financial statements for the Parent Company and the Group.

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 of 31 December 2010 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 19 to the financial statements that indicate that the Company is dependent on certain conditions to be fulfilled to continue as a going concern. The financial statements do not reflect impairment charges that might be required if the Company was liquidated or the assets sold in a distressed situation.

Bergen, 28 April 2011
ERNST & YOUNG AS

Jørund Haga Indrehus
State Authorised Public Accountant (Norway)