

NEXUS FLOATING PRODUCTION LTD

ANNUAL REPORT

2010



Nexus Floating Production Ltd: Annual Report 2010

After the sale of the Nexus#1 FPSO in November 2009, the Board has considered various opportunities available to the Company, in particular related to reactivating the existing construction contract for the Nexus#2 FPSO. The construction of the Nexus#2 FPSO has been suspended with no further liability to the Company but with an option to reactivate construction within end of April 2011. All other activities have been cut back to save costs.

Board of Directors report 2010

Company background, goals and strategies

Nexus Floating Production Ltd. (the Company) was established May 6, 2006 under Singapore law with the sole purpose of building, owning and operating Floating Production and Storage Vessels (FPSOs) for the international offshore oil production market. The Company contracted two FPSOs. The vessels (Nexus#1 and Nexus#2) were contracted on June 19, 2006 and June 18, 2007 respectively with Samsung Heavy Industries Ltd.

The Company's shares were traded on the Norwegian OTC market from June 20, 2006 until March 30, 2007 when the company was listed on Oslo Stock Exchange.

Nexus#1 FPSO was sold on 15 November 2009. As a result of the sale the trade of the Company's shares were moved from Oslo Stock Exchange to Oslo Axess effective 22 December, 2009.

The FPSOs are new buildings specified for operation in harsh environments. The first vessel was completed on 27 July 2009.

Nexus Floating Production Norge AS has been established as a management company to provide management services for all companies in the group.

The first vessel was fully financed in 2007 through USD 170 million equity, USD 175 million bond loan and USD 320 million bank loan.

To partly cover the financing of the second vessel, the Company in 2007 increased the equity with

USD 25 million and issued a convertible bond loan of USD 75 million.

Business activities and marketing during the year

During 2010 the Company's main business activity has been to explore the various opportunities available to the Company, specifically related to the existing contracts for the Nexus#2 FPSO. All other activities have been cut back to save cost. This work is still ongoing, and the construction of the second vessel has been suspended until the end of April 2011. The agreement with the shipyard also gives the Company an option to terminate the Nexus#2 construction contract with an exposure limited to USD 67 million, which has already been paid under the contract.

Presently the Company is negotiating with the shipyard to extend the suspension for an additional period.

The off-shore oil-field operators have accumulated a backlog of prospects that are likely to move forward on present market conditions. The exploration activities in deeper waters and remote areas where FPSOs often are the chosen development solution are expected to continue.

Consolidated Financial Results

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

There was no operating income in 2010. The operating income was USD 0.1 mill in 2009.

The operating cost for 2010 were USD 1.6 million compared to USD 247.3 million in 2009. The cost is split equally between employee benefits and other operating expenses. The 2009 number included a negative effect of USD 144.7 million after impairment to the recovered value of the Nexus#1 FPSO, and a negative effect of USD 94.5 million after impairment of the booked value of the Nexus#2 FPSO to no value.

The financial income is related to interest gains from the deposits accounts, while the financial costs is mostly related to costs of share- and bondholder management and to exchange rate differences on payables through the year. The financial income in 2009 of USD 89.4 million was related to financial gain as result of the bond loan restructuring.

Profit after taxes is negative with USD 1.7 million compared to USD 164.1 million negative for 2009.

The balance sheet shows a negative equity of USD 65.7 million. This is related to the remaining commitments to the bondholders of USD 67.0 million after the sale of Nexus#1 FPSO in 2009, giving the bondholders a potential additional recovery limited to such amount in the event the Nexus#2 project is reactivated. However, in the second quarter of 2010 the Company renegotiated this agreement and reached an understanding with the bondholders' committee to reduce the debt from USD 67 million to

USD 15 million plus 20% of any additional net income in the event the Nexus#2 project is reactivated or sold.

The booked liability of USD 67 million is not taking account for such understanding, and remains in the balance sheet as a formal liability with the maximum amount of USD 67 million recoverable by the bondholders. However, the contingent liability will, based on the agreement with the bondholders, never be effective for an amount higher than new values created by the Company after the sale of Nexus#1 FPSO.

The IFRS accounting rules implies that the liability has to be booked at the full amount until the terms has been formally amended in accordance with the understanding with the bondholders' committee.

Parent Company Non-consolidated Financial Results

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The Parent Company had no income in 2010. The operating income was USD 0.1 mill last year.

The operating cost for 2010 were USD 1.3 million compared to USD 292.2 million in 2009. The 2009 number included a negative effect of USD 283.9 million after impairment of intercompany loans to Nexus 1 Private Limited and Nexus 2 Private Limited as part of the financing for the construction of the FPSO projects.

The financial income of USD 66 thousand is mainly related to exchange rate differences on payables through the year. In 2009 there was a financial gain as result of the convertible bond loan restructuring of USD 37.3 million. The finance cost of USD 102 thousand is mainly related to costs of share-and bondholder management and to exchange rate

differences on payables through the year.

Profit after taxes is negative with USD 1.4 million compared to USD 259.2 million for 2009.

The balance sheet shows a negative equity of USD 66 million. This is related to the remaining commitments to the bondholders of USD 67.0 million after the sale of Nexus#1 FPSO in 2009, giving the bondholders a potential additional recovery limited to such amount in the event the Nexus#2 project is reactivated. However, in the second quarter of 2010 the Company renegotiated this agreement and reached an understanding with the bondholders' committee to reduce the debt from USD 67 million to USD 15 million plus 20% of any additional net income in the event the Nexus#2 project is reactivated or sold.

The booked liability of USD 67 million is not taking account for such understanding, and remains in the balance sheet as a formal liability with the maximum amount of USD 67 million recoverable by the bondholders. However, the contingent liability will, based on the agreement with the bondholders, never be effective for an amount higher than new values created by the Company after the sale of Nexus#1 FPSO.

The IFRS accounting rules implies that the liability has to be booked at the full amount until the terms has been formally amended in accordance with the understanding with the bondholders' committee.

Financial Risks

The Company has by the end of the year not entered into contracts for the utilisation of the Nexus#2 FPSO. The Company is working for the employment of the vessel, but the market is challenging. The future of the Nexus Group of Companies will depend upon the ability to obtain an employment contract and a corresponding financing for the Nexus#2 FPSO

project. A sale of the construction contracts is another possible opportunity.

The Company's operating and accounting currency is US dollar (USD). At present the Company's main cost are related to the management company, where the costs are nominated in NOK. This cost base is however not considered to be significant, hence no hedging arrangements have been made.

Environmental issues

In December 2009 the Company was recertified for the ISO 14001:2004 Environment Certificate and the OHSAS 18001:2007 Health and Safety Certificate. Due to the reduced level of operations the Company decided not to recertify for 2010.

The Nexus#1 FPSO vessel was built according to high environmental standards and aims to comply with the applicable environmental regulations all over the world.

Health, safety, quality, working environment and gender equality.

The Company is organised and operates to ensure a high standard in all matters related to health, safety, environment and quality aspects (Q & HSE). The Company's Management System addresses Q & HSE in detail.

By the end of the year the Norwegian management company, Nexus Floating Production Norge AS, had no full-time employees. By the end of 2009 the management company had three employees, of which one was female.

Effective 1 May 2010 the employment contracts with the CEO and the CFO were terminated and replaced with consultancy agreements to provide the necessary services to the Company

during a period of limited operation.

During the year there have been no serious injuries or accidents related to the Company's operations. There was no absence due to sickness in 2010 compared to 0.6% in 2009.

The Board considers the working environment to be good.

Corporate Governance

The Company follows the "Norwegian Code of Practice for Corporate Governance" of October 21, 2010. The level of compliance, including a detailed description on how the Company adheres to this Code of Practice, can be found in the last chapter of this report.

Going Concern

After the sale of the Nexus#1FPSO the Board has decided to evaluate the various opportunities available to the Company, specifically any opportunities related to the existing construction contract for the Nexus#2 FPSO. There is a significant uncertainty related to the value of this contract (if any).

This work is still ongoing, and the construction of the second vessel has been suspended until the end of April 2011. The agreement also gives the Company an option to terminate the Nexus#2 construction contract with an exposure limited to USD 67 million, which has already been paid under the contract.

Presently the Company is negotiating to extend the suspension period beyond 2011.

The Board wishes to emphasise that the outcome of such work is uncertain, and that the Company's

ability to continue as a going concern on the basis of its present capital, including maintaining listing on the Oslo Stock Exchange will require a successful outcome of such work during 2011.

The Nexus Group of Companies has sufficient cash available to continue a reduced operation for up to 12 months after the balance sheet date in order to further explore the opportunities available to the Company.

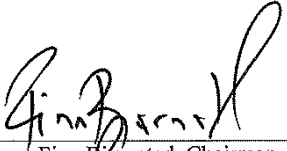
However, the Board wishes to emphasize that if this work does not give a positive outcome, Company will most likely not be able to continue as a going concern.

Significant events after the balance sheet date

There have been no significant events after the balance sheet date.

Singapore, 26th April 2011

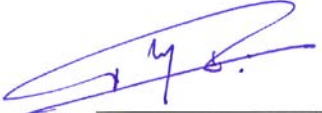
The Board of Directors




Finn Hørnstad, Chairman



Carl Arnet



Harry Bitounis



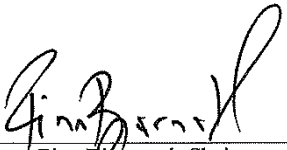
Jean-Jaques Royant



Knut R. Sæthre

Responsibility statement

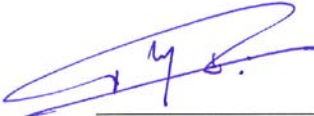
We confirm, to the best of our knowledge, that the accompanying consolidated financial statements for the period 1 January to 31 December 2010 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of Nexus Floating Production Ltd's assets, liabilities, financial position and loss as a whole. We also confirm to the best of our knowledge, that this report includes a true and fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.



Finn Hjørnstad, Chairman



Carl Arnet



Harry Bitounis



Jean-Jaques Royant



Knut R. Sæthre

Corporate Governance in Nexus Floating Production Ltd

Nexus Floating Production Ltd (the Company) is committed to good Corporate Governance practices that will strengthen confidence in the Company, build good relationships with the Company's stakeholders and contribute to optimal value creation over time. The objective of Corporate Governance is to regulate the division of roles between shareholders, the Board of Directors and the management in the subsidiaries more comprehensively than is required by legislation.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the Code). The NCGB has members from a range of organizations representing shareholders, the auditing profession, finance and the stock exchange. Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Oslo stock exchange (OSE) requires listed companies to publish an annual statement of their policy on Corporate Governance.

The Company's Corporate Governance principles are based on the Code of 21 October, 2010. The Code can be found at www.nues.no.

1. Implementation and Reporting on Corporate Governance

Implementation

The Company's Board of Directors (the "Board") is responsible for implementation of sound Corporate Governance. Due to the reduced level of operations during 2010, the Board and the management of the

subsidiaries has not carried out the annual review of the Company's Corporate Governance as recommended in the Code. The Company provides information on Corporate Governance in its annual report and on its web site at www.nexusfp.no

Corporate values, ethical guidelines and guidelines for corporate social responsibility

Confidence in Nexus Floating Production Ltd as a company is essential for the Company's continuing competitiveness. The Company is of the opinion that openness about the systems and procedures for the management of the group strengthens value creation, builds internal and external confidence and promotes an ethical and sustainable approach to business. To support this work, the Company has established shared corporate values and ethical guidelines for the employees within the group. Due to the reduced level of operation, the company has not yet developed an implemented guidelines for corporate social responsibility.

2. Business

As the Articles of Association has been prepared in accordance with Singapore law, the articles does not include statements related to business, objectives and strategies.

The company's Memorandum of Association includes a statement related to the Company's business.

A brief description of the Company's strategy and activities are set out in the Company's annual report, while more details are available on the Company's web site www.nexusfp.no

The Company's Memorandum of Association and Articles of Association are available on the Company's website.

3. Equity and Dividends

Equity

The capital adequacy is kept under constant review in relation to its objectives, strategy and risk profile.

The booked equity for the Company by 31 December 2009 was negative of USD 65.7 million. Singapore Law has no requirements for a minimum equity as long as the company is able to pay its debt as it falls due. In the notes to the balance sheet, it is explained why the negative equity should be understood as a USD 1 million positive equity.

Dividend policy

The Company has not established a dividend policy. The reason for this is that the Company has been in a project phase and currently have a limited level of operations. A dividend policy will be established if and when the Company moves into an full-scale operational phase in accordance with the established strategy.

Increases in share capital

On the Annual General Meeting (AGM) at 24 September, 2010 the Board's mandate to issue shares in the capital of the Company was reapproved. The mandate was restricted to the date of the next AGM, but not to defined purposes as recommended by the Code.

Purchases of the company's own shares

The Board is not granted a mandate for purchasing Nexus own shares.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment

The Articles of Association do not impose any restrictions on voting rights. All shares have equal rights and there is only one class of shares in the Company.

Nexus's Board and the management of the subsidiaries are committed to treating all the Company's shareholders equally and any transactions the Company carries out in its own shares is carried out through Oslo Axess.

Transactions with close associates

In the event of any not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board, members of the management in the subsidiaries or close associates of any such parties, the Board will arrange for a valuation to be obtained from an independent third party.

The Company has guidelines that ensure that members of the Board and the management in the subsidiaries notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company. This is also described in the Articles of Association.

5. Freely negotiable shares

Shares in the Company are freely negotiable. The Articles of Association do not impose any restrictions on transfers of shares. Nexus Floating Production Ltd is listed on Oslo Axess. Good liquidity in the Company's shares is essential if the Company is to be seen as an attractive investment and thereby achieve a low cost of capital. The Company strives to ensure that the information provided in stock exchange announcements, meetings, reports and presentations gives a complete picture of the Company's strategy, business areas, operations and financial results.

6. General meetings

Preparation for General Meetings

The Annual GM (AGM) is held not later than June 30 each year, but later dates might occur due to certain circumstances. The notice calling the AGM is distributed no later than two weeks in advance and posted on the Company's website at least 21 days prior to the date of the AGM. If extraordinary GMs are to be held, the notice will be distributed and posted on the Company's website at least 14 days prior to the date of the extraordinary GM.

The notice includes all the necessary information for shareholders to form a view on the matters to be considered, including deadline for notice of intention to attend, a proxy form and a voting slip. The date of the Company's AGM is included in the Company's financial calendar which is published on the Company web site.

As Nexus Floating Production Ltd is a Singapore registered company, there are normally not physical meetings related to the General Meetings in the Company. The General Meetings are carried out through the use of proxies and voting slips that are distributed to all shareholders. The shareholders send their voting slips, so-called written consent, to DnB NOR in Singapore, who is the Company's Beneficiary Shareholder. DnB NOR will then arrange the General Meeting by counting the voting slips and inform the shareholders through distribution of the Minutes from the General Meeting.

The proxy form is in line with the recommendations of the Code.

As Nexus is acting under Singapore law, the Company will conduct its General Meetings according to rules, regulations and standard practice for Singaporean companies. This implies that there are no physical representation by Directors, Auditor or Nomination Committee as recommended in the Code.

The minutes from the General Meetings are published on the Nexus web site at www.nexusfp.no and also published as stock exchange announcements on www.newsweb.no according to the continuing obligations for companies listed on Oslo Axess.

7. Nomination committee

The Company's nomination committee is elected annually by the General Meeting and consists of the following members:

- Carl Christiansen
- Trond Vernegg
- George Skopelitis

The members of the Committee shall between themselves elect a Chairman, which is a deviation from the Code.

The responsibilities of the nomination committee are described in the Company's Articles of Association, and it is there stated that not less than 3 persons will be in the Committee and that the CEO of the management company shall not be a member of the Committee. Thus the General Meeting has stipulated guidelines for the duties of the nomination committee through the approval of the Articles of Association.

All the members are independent of the Board and the management in the subsidiaries. The duties of the Committee are to identify candidates and review all nominations to the Board and to the CEO position of the management company.

The nomination committee does not propose fees to be paid to the Board, as recommended by the Code. The reason for this is that the Board themselves decide their remuneration, according to the Company's Articles of Association. The remuneration paid to the Board is later to be approved by the General Meeting.

The committee's remuneration is determined by the Board and approved by the General Meeting.

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

The Board has 5 members. This is according to the Company's Articles of Association, which states that the Board shall consist of from 1 to 10 board members. All the members are shareholder-elected, and all are men. As the Company is acting according to Singapore law, the Company is not required to have a certain number

of women in the Board (as is required for companies operating under the Norwegian Companies Act), nor employee-elected members.

The Chairman and the vice-chairman of the Board are elected by the Board, in accordance with the Company's Articles of Association. This is a deviation from the Code.

The composition of the Board meets the Company's need for expertise, capacity and diversity. The Company's annual report does not include information about the board members, as recommended by the Code, but information about the expertise and capacity of the members of the Board and information on shares held by members of the Board are always provided on the Company's website.

Two members of the Board, Carl K. Arnet, CEO of BW Offshore Ltd. and Knut R. Sæthre, CFO of BW Offshore Ltd., are related to the Company's material business contacts and shareholder. The CEO of the management company, Anders Holm, has taken up a position as Executive Vice President in BW Offshore Ltd, and has thus a business relationship with the Company's main shareholder and two of the members of the Board. The remaining three members of the Board are independent of the CEO of the management company.

According to the Company's Articles of Association, one third of the Directors are to retire every year, and the Directors being longest in the office are to retire. This means that the term of office is for two-three years at a time.

9. The work of the Board of Directors

Nexus Floating Production Ltd has, due to the way the Company is organized, no employees. This means that the Board also formally is responsible for the management of the Company.

Management services to the Company are provided through a management agreement with the wholly owned subsidiary, Nexus Floating Production Norge AS.

The work of the Board

The Board has the ultimate responsibility for the management of the Company and for supervising its day-to-day management and activities in general.

The Board has an annual plan for its work focusing on its main duties; to develop the Company according to the strategy and to monitor its implementation. In addition, the Board exercises supervision responsibilities to ensure that the Company manages its business and assets and carries out risk management in a prudent and satisfactory manner. The Board is indirectly responsible for the appointment of the management in the subsidiaries.

Instructions to the Board are given in the Company's Articles of Association.

The Chairman of the Board is responsible for ensuring that the work of the Board is carried out in an effective and proper manner in accordance with legislation.

The Board has established a Compensation Committee and the Company has established guidelines for this Committee.

The Committee consists of Finn Bjørnstad and Carl K. Arnet, both members of the Board. Finn Bjørnstad is independent of the management of the subsidiaries, while Carl K. Arnet is the CEO of BW Offshore Ltd, where the CEO of the management company Nexus Floating Production Ltd has taken up an Executive Vice - President position. This relationship represents a deviation from the code. The role of the Compensation Committee is to give advice to the Board on remuneration of the management of the subsidiaries as well as overall compensation practices within all companies in the group.

The Board has decided not to establish an Audit Committee. This is not required by Singapore law,

and the size and the complexity of the company's business is such that an Audit Committee is not required according to the Oslo Stock Exchange Regulations.

Financial reporting

The Board receives periodical reports on the Company's commercial and financial status. The Company follows the timetable laid down by Oslo Axess for the publication of interim and annual reports.

Board meetings

The Board holds regular meetings. Additional Board meetings are held as and when required to consider matters that cannot wait until the next regular meeting. The Board normally holds 5-6 meetings per year.

The Board's evaluation of its own work

Due to the reduced level of operations in 2010, the Board has not carried out an annual evaluation of its own performance, working arrangements and competence as recommended in the Code. The Board has neither carried out a similar evaluation of the management of the subsidiaries.

10. Risk management and internal control

The Board of Directors considers the Company's risk management and internal control as sound and appropriate.

The Company has established systems which meets the requirements for certification according to the ISO 9001, ISO 14001 and ISO 18001 standards. The management system complies with laws and regulations in relation to internal control. In the Company's project manuals periodic risk analysis are performed and documented on the Company's project activities.

Through the Management Agreement and the instruction to the CEO of Nexus Floating

Production Norge AS the division of powers between the Board and the management of the subsidiaries has been defined.

The Company's operational and financial risk management is also part of the financial auditor's scope of work, and any findings will be reported to the Board through the annual review. In addition the provider of the management services, Nexus Floating Production Norge AS, will provide an annual evaluation to the Board of the Company's main operational and financial risk elements, and how these are being managed.

11. Remuneration of the Board of Directors

The remuneration of the Board reflects the Board's responsibility, expertise, time commitment and the complexity of the company's activities. According to the articles of association, the Board decides their own remuneration subject to approval at the Annual General Meeting. The remuneration is not linked to the Company's performance.

It is possible for a member of the Board to perform other tasks for the Company as long as this is approved by the Board.

The annual financial statement of the Company provides information on all remuneration paid to each member of the Board.

12. Remuneration of the executive management of the subsidiaries

In the present phase of the Company, the Board has not established guidelines for the remuneration of the management of the subsidiaries as this is not required by Singapore law. This is therefore a deviation from the Code.

In the Financial Statement the company has reported the remuneration as required according to IFRS.

The remuneration to the management of the subsidiaries is recommended by the Compensation Committee and approved by the Board.

The company offers share-based payment for the members of the management of the subsidiaries. This is based on share options that were granted during 2007 with settlement in shares of Nexus Floating Production Ltd.

The Financial Statement provides details on remuneration and holdings of shares and options by key executives of the subsidiaries.

13. Information and communications

Financial reports and announcements

Nexus Floating Production Ltd publishes its provisional annual accounts no later than the end of February. The annual report is published within the end of April, and accounts according to Singapore accounting standards are distributed to shareholders no later than two weeks prior to the AGM. Quarterly interim reports are published within two months following the end of the quarter. The Company publishes an annual financial calendar which can be found on the company's website, www.nexusfp.no The Calendar is published before the beginning of a fiscal year.

The Company's financial reporting is in line with the requirements of Oslo Axess, and based upon the principles in IFRS. All other reporting is according to Norwegian law and the rules of the Oslo Axess.

Other market information

The Company normally would hold quarterly presentations open to the public. These presentations would give a financial and operational review of the closed quarter, as well as a review of the market conditions and the Company's outlook. The presentations were given by the CEO or the CFO of the management company, or both. Quarterly reports, presentation

materials and other information that is distributed to the Company's shareholders and/or the securities market are available on the Company's web site at www.nexusfp.no

The last presentation was held in August 2009, as the Company's level of operations has been reduced after the sale of the Nexus #1 FPSO.

The Company considers it important to inform shareholders and investors about the company's commercial and financial performance. The Company is committed to ensuring that the participants in the stock market receive the same information at the same time. The Company therefore takes a cautious approach in its contacts with individual stakeholders. However, the Board has not, at this stage, established guidelines for the Company's contact with the shareholders outside the General Meeting, as recommended by the Code.

14. Take-overs

Due to the development of the company's business and the Board has not established guiding principles on how to act in the event of a take-over bid, as recommended by the Code.

The Board is committed to equal treatment of all shareholders in an event of a take-over, and will ensure openness and provide accurate and sufficient information to the shareholders in respect of any take-over of the Company.

The Board intends to follow the procedures as recommended by the Code in the event of a take-over bid.

15. Auditor

Election of the auditor

Nexus Floating Production Ltd is audited by Ernst & Young.

Auditor's relationship with the Board

The auditor discloses the plan for the audit to the Board annually.

The auditor attends at least one meeting each year with the Board where the Board is given the opportunity to have the meeting without the management of the subsidiaries present.

The auditor attends meetings with the Board that consider the annual accounts. At these meetings the auditor comments on any material changes in the Company's accounting principles, accounting figures and reports all material matters on which there has been

disagreement between the auditor and the management of the subsidiaries.

Also, the auditor once a year presents to the Board a review of the Company's internal control procedures, including proposals for improvement.

The Company does not have an audit committee.

Auditor's relationship with management of the subsidiaries

The Board has not issued guidelines for the conduct of the relationship between the auditor and the Company, as recommended by the Code. The Board regularly reviews this relationship to ensure that the auditor is fulfilling a sufficiently independent and satisfactory control function.

Disclaimer for forward-Looking Statements

This Report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Nexus Floating Production Ltd. and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the Nexus Floating Production Ltd.'s businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although Nexus Floating Production Ltd. believes that its expectations and the information in this Report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this Report. Neither Nexus Floating Production Ltd. nor any of its subsidiaries is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the Report, and neither Nexus Floating Production Ltd., any of its subsidiaries nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the Report. Nexus Floating Production Ltd. undertakes no obligation to publicly update or revise any forward-looking information or statements in the Report.

Nexus is founded as a Singapore company, governed under Singapore law and is managed by Nexus Floating Production Norge AS under a management agreement.

For further information, visit: www.nexusfp.no

Or contact:

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Arild Bårdsen, CFO, Nexus Floating Production Ltd., +47 92 66 75 90

Consolidated Statement of Comprehensive Income

for the year ended 31 December

Figures in USD 1 000

	Note	2010	2009
Operating income			
Revenue		-	103
Total operating income		-	103
Operating expenses			
Cost of sales		-	177
Employee benefits	4,5	843	525
Other operating expenses	6	738	7 525
EBITDA		(1 581)	(8 124)
Depreciation and amortisation	10	49	64
Impairment	10	-	239 175
Operating profit		(1 630)	(247 363)
Financial income/costs			
Finance income	7	54	89 433
Finance cost	7	(168)	(7 759)
Net financial income		(114)	81 674
Profit before tax		(1 744)	(165 689)
Taxes	8	(16)	(1 410)
Net profit for the year		(1 728)	(164 279)
Other comprehensive income			
Exchange differences on translation of foreign operations		30	166
Other comprehensive income for the year		30	166
Total comprehensive income for the year		(1 698)	(164 113)
Earnings per share			
Basic earnings per share (USD)	9	(0,0907)	(8,6237)
Diluted earnings per share (USD)	9	(0,0907)	(8,6237)

Consolidated Statement of Financial Position

at 31 December

Figures in USD 1 000

	Note	2010	2009
ASSETS			
<i>Non-current assets</i>			
Intangible assets	10	-	2
Other property, plant & equipment	10	24	107
Pension funds	5	-	41
Total non-current assets		24	150
<i>Current assets</i>			
Prepayments and other current assets	11	2 005	1 748
Cash and cash equivalents	12	1 565	3 392
Total current assets		3 570	5 140
TOTAL ASSETS		3 594	5 290
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	13	187 738	187 738
Other paid in equity	13	11 283	11 253
Retained earnings		(264 752)	(263 024)
Total equity		(65 731)	(64 033)
<i>Non-current liabilities</i>			
Non-interest bearing loans and borrowings	14	67 025	67 025
Pension liability	5	-	4
Deferred tax liability	8	-	4
Total non-current liabilities		67 025	67 033
<i>Current liabilities</i>			
Trade payables		85	326
Income tax payable	8	-	40
Public duties payable		5	127
Other short-term liabilities	15	217	135
Provisions	16	1 993	1 662
Total current liabilities		2 300	2 290
Total liabilities		69 325	69 323
TOTAL EQUITY AND LIABILITIES		3 594	5 290

Consolidated Statement of Changes in Equity

for the year ended 31 December

Figures in USD 1 000

	2009					Total equity
	Share capital	Retained earnings	Other paid-in equity	Currency translation effect	Share-based payments	
Equity as at 1 January 2009	187 738	(98 744)	9 428	(111)	1 759	100 070
Net loss for the year	-	(164 280)	-	-	-	(164 280)
Other comprehensive income	-	-	-	166	-	166
Total comprehensive income	-	(164 280)	-	166	-	(164 114)
Share based payments	-	-	-	-	11	11
Equity as at 31 December 2009	187 738	(263 024)	9 428	55	1 770	(64 033)

	2010					Total equity
	Share capital (Note 12)	Retained earnings	Other paid-in equity (Note 12)	Currency translation effect (Note 12)	Share-based payments (Note 3)	
Equity as at 1 January 2010	187 738	(263 024)	9 428	55	1 770	(64 033)
Net loss for the year	-	(1 728)	-	-	-	(1 728)
Other comprehensive income	-	-	-	30	-	30
Total comprehensive income	-	(1 728)	-	30	-	(1 698)
Share based payments	-	-	-	-	-	-
Equity as at 31 December 2009	187 738	(264 752)	9 428	85	1 770	(65 731)

Consolidated Cash-Flow Statement

for the year ended 31 December
under indirect method

Figures in USD 1 000

	Notes	2010	2009
Cash flow from operating activities:			
Ordinary loss before tax		(1 744)	(165 690)
Adjustments:			
Depreciation and amortisation	11	49	64
Impairment		-	239 175
Share-based payments		-	11
Finance income		-	(89 336)
Finance cost		22	6 035
Defined benefit pension cost	5	37	33
Operating cash flows before working capital changes		(1 636)	(9 708)
Changes in prepaid expenses and other receivables		(257)	610
Changes in trade payables		(241)	(831)
Changes in other payables and accruals		291	280
Income tax received/(paid)	8	12	(99)
Net cash flow from operating activities		(1 831)	(9 748)
Cash flow from investing activities:			
Proceeds from sale of vessel under construction		-	355 184
Purchase of vessel under construction		-	(106 375)
Net cash flow from investing activities		-	248 809
Cash flow from financing activities:			
Interest received	7	4	9
Repayment of borrowings		-	(350 472)
Proceeds from borrowings		-	105 000
Interest paid		-	(1 125)
Net cash flow from financing activities		4	(246 588)
Net change in cash and cash equivalents		(1 827)	(7 527)
Cash and cash equivalents as at 1 January		3 392	10 919
Cash and cash equivalents as at 31 December		1 565	3 392

Note 1 Accounting principles

1.1 Corporate information

The consolidated financial statements of Nexus Floating Production Ltd (the “Company”) and its wholly-owned subsidiaries (together the “Group”) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 April 2011.

The Company is a limited liability company incorporated in the Republic of Singapore, which is also the domicile of the Company. The shares were publicly traded on the Oslo Stock Exchange (“OSE”) in Norway until 22 December, 2009. From this date they have been traded on the Oslo Axess stock exchange. The major beneficial shareholder of the Company is BW Offshore Cyprus Ltd, incorporated in Cyprus.

The registered office and principal place of business of the Company is located at 10 Pasir Panjang Road, #17-01 Mapletree Business City, Singapore 117438. The company also has a project office in Arendal, Norway.

The principal activities of the Company are those of owning and operating a fleet of generic Floating Production and Storage (“FPSO”) vessels and provision of consultancy services to the oil and gas sectors.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis and as disclosed in the accounting policies below.

1.2 - 1 Functional currency and presentation currency

The financial statements are presented in US Dollars (“USD”), which is the Group’s presentational and the Parent company’s functional currency. All values in the tables are rounded to the nearest thousand (USD’000) as indicated.

1.2 - 2 Statement of compliance

The consolidated financial statements of Nexus Floating Production Ltd and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU and valid as of 31 December 2010.

1.3 - 1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (April 2009)

The adoption of the standards and interpretations listed above had no significant impact on the financial statements or performance of the Group.

1.3 - 2 Future changes in accounting policies

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting period beginning on 1 January 2011 or later periods but which the Group has not early adopted. The new standards, amendments and interpretations are not expected to have any material impact on the financial position or performance of the Group, except as listed below:

IFRS 9 *Financial Instruments: Classification and Measurement* effective 1 January 2013

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group plans to implement the new standards, amendments and interpretations when they are effective and approved by the EU.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to similar transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are those entities in which Nexus Floating Production Ltd either owns, directly or indirectly, over fifty per cent of the voting rights, or otherwise has the power to govern their

1.4 Basis of consolidation (continued)

operating and financial policies. Share options, convertibles and other equity instruments are considered when assessing whether an entity is controlled.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

1.5 Summary of significant accounting policies

1.5 - 1 Foreign currency translation and transactions

Functional currency

Items included in the financial statements of each subsidiary in the Group are initially recorded in the functional currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary. The consolidated financial statements are presented in USD, which is also the functional currency of the parent company.

Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised in other comprehensive income and recognised in the consolidated income statement on disposal of the foreign operation.

1.5 - 1 Foreign currency translation and transactions (continued)

Group companies

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are booked directly in other comprehensive income as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

1.5 - 2 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment – 3 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

1.5 - 3 Vessels under construction

Capitalised construction costs include all payments paid to the yard and all other directly attributable costs. Directly attributable costs include costs related to supervision of the project during the construction period and other contractual costs related to the project for the duration of the contract.

1.5 - 3 Vessels under construction (continued)

The total expenditure of the vessel will be decomposed to groups of components with different expected useful lives. Component accounting will take place from the moment the vessel is delivered, and the different group of components will be depreciated over their expected useful lives. The vessel is expected to have an economic useful lifetime of approximately 20-30 years.

The vessel will be depreciated from the moment of delivery from the yard using the straight line method. Estimated expected scrap value will be taken into consideration when calculating depreciation.

As at 31 December 2010, the Group has one vessel under construction, Vessel 2 (Nexus 2 Private Limited). The value of the vessel has been impaired to no value.

1.5 - 4 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Amortisation of intangible assets finite lives is based on the following expected useful lives:

Computer software – 3 years

1.5 - 5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was recorded in other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

1.5 - 5 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously

recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase

cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

In 2010 there has been no impairment loss or reversal.

In 2009 an event occurred indicating that the value of vessels under construction would not be recoverable, and the company performed impairment tests for vessels under construction. See further details in Note 9.

1.5 - 6 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

1.5 - 7 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

1.5 - 8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

1.5 - 9 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.5 - 10 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from the changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

1.5 - 11 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

1.5 - 12 Pensions and other post-employment benefits

Until 30 April, 2010, the Group's employees had a defined pension contribution plan. The defined contribution plan covered all employees. These pension costs have been expensed as incurred.

Similarly, in addition, the Group had entered into two defined benefit pension plans with its employees. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with unrecognised adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions exceeding ten percent of the larger of projected liabilities or pension assets and amendments to pension plans are recognised over the average remaining service lives of the employees concerned.

1.5 - 12 Pensions and other post-employment benefits (continued)

The Group has made contributions to a defined contribution pension scheme. Contributions to the scheme are recognised as an expense in the period in which the related service is performed.

As from 1 May, 2010, all pension agreements have been terminated.

1.5 – 13 Convertible bonds

Convertible bonds are classified separately as financial liabilities and equity for the different components of the loan. The embedded right to convert the loan to shares was measured at fair value when the loan was committed and not subsequently re-measured. Details of the convertible bonds are disclosed in Note 13. At the balance sheet date there are no convertible bonds.

1.5 – 14 Revenue

Revenue from services is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Interest income is recognised using the effective interest method.

1.5 – 15 Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

Share-based payment transactions

Management of the Group receives remuneration in the form of share-based payment transactions, whereby management render services as consideration for equity instruments (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuating expert using the Black & Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date management become fully entitled to the award ('vesting date'). No expense is recognised for awards that do not ultimately vest. See further details in Note 3.

1.5 – 16 Income taxes

Current tax

Current tax assets and liabilities 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 amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination adjusted against goodwill on acquisition.

1.5 – 17 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

All leasing arrangements of the Group are at present classified as operating leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependant on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

1.5 – 18 Earnings pr. share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the period.

1.5 – 19 Related party transactions

All transactions, agreements and business activities with related parties are conducted on arm's length according to ordinary business terms and conditions.

1.5 – 20 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

1.5 – 21 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Company retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised directly in equity is recognised in the statement of comprehensive income.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

1.6 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Income tax

The Group has exposure to income taxes in various jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables is USD 0 (2009: USD 40,000).

(ii) Provisions and contingent liabilities

Measurement of provisions is based on Management's best estimate, where the estimate is considered reliable. The estimates are reviewed at each reporting date and the amount recorded as a provision updated accordingly, where necessary. Where the outcome of matters affecting the provision is different from the amounts that were originally provided for, such differences may result in an extra cost or income in the income statement. The carrying amount of the Group's provision at the period end is USD 1,870,000 (2009: USD 1,662,000).

Note 2 Going concern

Sale of the Nexus #1 FPSO in 2009

The Nexus #1 FPSO was completed in July 2009 and Nexus agreed with Samsung to keep the vessel at the yard for completion of punch items and lay-up until end January 2010. Title to the vessel remained with Samsung until the final payment end January 2010.

The company was not able to secure an employment contract for the Nexus#1FPSO and on 27 October 2009 Nexus announced that the Nexus#1 FPSO had been sold to Centennial Assets Ltd, an affiliate with the Brazilian EBX Group through novation of the construction contracts.

Through this sale Nexus significantly changed the nature of its business, which consequently led to the transfer of Nexus shares from the OSE to Oslo Axess.

The sale of the Nexus#1 FPSO has had a negative effect on the company's financial performance. Prior to sale, the carrying value of the Nexus#1 FPSO was impaired based on the expected agreed sales price. Due to the challenging market conditions and the new situation for the company the carrying value of the Nexus#2 FPSO was impaired in full in 2009.

The impairment of the Nexus FPSO's had a negative effect of USD 239 million for the Group's financial performance and financial position. As a consequence of the sale of the Nexus#1 FPSO the bond loans were restructured. The 10.5% bond loan and the 6% convertible bond loan were amended and restated, and under certain conditions the holders of the bonds could recover an additional amount not exceeding USD 67 million. It was agreed that the liability should not exceed the net assets of the company, and should be subordinate.

2010 Developments

The non-interest bearing debt of USD 67 million related to the agreement made with the bondholders after the sale of Nexus#1 FPSO in 2009 gave the bondholders a potential additional recovery limited to such amount in the event the Nexus#2 project should be reactivated. The liability is interest free and subordinated and junior in all respects to all other creditors. Additionally, repayment will only be made to the extent that the Company could make such a payment and still be solvent immediately thereafter (see Note 14 for more information).

In June 2010 the company received a written statement from the representative of the ad hoc committee of the bondholders confirming that they would be willing to reduce the residual claim based on the following terms:

- sale of Nexus 2 contract to be contingent on the bondholders receiving USD 15,000,000
- in the event of a sale of Nexus 2, the bondholders to receive 20% of any upside over USD 15,000,000
- in the case of a lease, the cash flow to be:
 - i) first to cover any first lien debt

ii) second to cover Nexus cash operating costs plus a reasonable reserve

iii) third to satisfy the bondholders' claim up to USD 15,000,000 in aggregate

- in the case of a lease, interest to accrue to bondholders at 10.5% per annum

- in the case of a lease, bondholders entitled to any upside of plus 20% of net cash flows for a period of 5 years following settlement of the USD 15,000,000 claim

As at the yearend and date of authorizing these financial statements no bondholders meeting confirming the amended residual claim had been called for. Therefore, the liability is recognized at its original amount.

The Nexus#2 FPSO construction contracts are suspended until the end of April 2011 with no further liability to the Company. The agreement also gives the Company an option to terminate the Nexus#2 construction contract with an exposure limited to USD 67 million, which has already been paid under the contract.

Presently the company is negotiating to extend the suspension period beyond 2011.

The Nexus Group of Companies has sufficient cash available to continue a reduced operation for up to 12 months after the balance sheet date in order to further explore the options available to the Company.

As disclosed in the income statement, the Group incurred a net loss of USD 1,7 million (2009: USD 164 million) for the financial year ended 31 December 2010. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared by the management on the assumption that the Group will continue as a going concern. After the sale of the Nexus#1 FPSO the Board has decided to evaluate the various options available to the Company, specifically any opportunities related to the existing contracts for the Nexus#2 FPSO. There is a significant uncertainty related to the value of these contracts (if any).

However, the Board wishes to emphasize that if this work does not give a positive outcome, the Company will most likely not be able to continue as a going concern.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made to these financial statements.

Notes to the consolidated financial statements

Note 3 Segment reporting

The Group has not reached an operational phase with income deriving from operational activities. The operation is managed by the Group's chief operating decision makers as one business segment and no further split of business segment information has been disclosed in the accounts.

Notes to the consolidated financial statements

Note 4 Employee benefits

Figures in USD 1 000

Employee benefits includes ordinary payroll expenses, share-based payments and pensions. Pension costs are explained in Note 5.

	2010	2009
Salaries	669	319
Social security costs	129	120
Pension costs	45	57
Share-based payments	-	11
Other personnel costs	-	18
Total	843	525

Share-based payments

In 2007 share options were granted to Group Management with settlement in shares of Nexus Floating Production Ltd. (equity-settled share-based payment transaction). The exercise price of the options was equal to the market price of the shares on the date of grant.

50 % of the share options vested immediately on the date of grant. Depending on the specific conditions in each share option agreement 25 % of the options vested either one year after the first day of listing of the Company's shares on the Oslo Stock Exchange (OSE) or one year after the grant date. The last 25 % of the options vested either two years after the first day of listing of the Company's shares on the OSE or two years after the grant date. If the employee resigns or is dismissed from his position in the Company he will retain all vested options and a pro rata portion of all unvested options.

The fair value of the options was estimated at the grant date by an external valuer using the Black & Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The contractual life of each option granted is five years. There are no cash-settlement alternatives.

The expense recognized for employee share-based payments during 2010 was USD 0 (2009: 11 380).

Movements in share options during the year:

	Number		WAEP	
	2010	2009	2010	2009
Outstanding at 1 January and 31 December	275 671	275 671	NOK 73,36	NOK 73,36
Exercisable at 31 December	275 671	275 671	NOK 73,36	NOK 73,36

No share options were granted, forfeited, exercised or expired in 2010 or 2009.

WAEP = Weighted Average Exercise Price

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is approximately 1.2 years (2009: 2.2 years).

The range for exercise prices outstanding at the end of the year was NOK 71 – NOK 74.

Input to the Black & Scholes option pricing model used:

Dividend yield (%)	0.00
Expected volatility (%)	50.00
Risk-free interest rate (%)	4,85
Expected life of option (years)	5.00
Weighted average share price	NOK 73.40

The expected life of each option is estimated to equal the contractual life of each option.

The expected volatility is based on a benchmark with comparable companies.

Since the share options are out-of-the-money at balance sheet date there is no dilutive effect on earnings pr. share. See note 12 for more information about share options.

Notes to the consolidated financial statements

Note 5 Pensions and other post-employment benefit plans

Figures in USD 1 000

Defined contribution scheme

On 30 April 2010 the two employees of the company, the CEO and CFO, ceased employment and the Company had no employees after this date. Subsequent to this date, the CEO and CFO were hired in as and when required on a consultancy basis. As of 31 December 2010, the company has no employees. Up to the date that the Company had employees, the defined contribution plan covered full-time employees and contributions approximately 5 % of salaries up to 5G and 8 % of salaries up to 12 G. Costs related to the defined contribution pension plan were expensed when incurred. According to regulations in Norway the Company is obliged to establish a pension plan for its employees. For the period the Company had employees, this pension plan fulfilled these requirements.

Defined benefit scheme

For the period that the Company had employees (30 April 2010, as described above), all employees were members of a group defined benefit disability pension scheme, which was split into two separate pensions schemes: up to 12G and above 12G. At the date that the employees ceased employment the Company had no further obligation for the scheme and the pension assets and liabilities were derecognized from the balance sheet.

For periods at which the defined benefit schemes were in place at the year end, actuarial valuations of pension liabilities and pension funds are made at the end of each accounting year for both schemes. Pension liabilities are shown under liabilities in the balance sheet and any change is charged to the income statement. The impact of changed actuarial estimates is amortized over the estimated remaining time to retirement to the extent that it exceeds 10 per cent of pension liabilities or pension funds, whichever is the larger ('corridor'). The discount rate is 10 years Norwegian government bond, with the addition of a risk element. Expected salary adjustments reflect Nexus' own estimate.

Pension liabilities, which are calculated by an external actuary, are based on the following assumptions :

Pension assumptions

	2010*	2009
Discount rate	-	4,40 %
Expected rate of return on plan assets	-	5,60 %
Expected salary adjustment	-	4,25 %
Expected regulation of basic amount	-	4,25 %
Expected pension adjustment	-	1,30 %
Demographic assumptions regarding mortality	-	K2005

Pension liabilities and pension funds:	Group disability	Group disability	Group disability	Group disability
	pension u/12 G	pension o/12 G	pension u/12 G	pension o/12 G
	2010*	2010*	2009	2009
Present value of funded pension obligation	-	-	61	68
Fair value of plan assets	-	-	(24)	(39)
Net pension liabilities	-	-	37	29
Social security tax obligation	-	-	2	1
Unrecognised actuarial gains & losses	-	-	(35)	(71)
Pension liabilities	-	-	4	(41)

* - note that the defined benefit schemes were curtailed during 2010 and there was no obligation at 31 December 2010

Pension costs for the year:	Group disability	Group disability	Group disability	Group disability
	pension u/12 G	pension o/12 G	pension u/12 G	pension o/12 G
	2010*	2010*	2009	2009
Current service cost	-	-	11	6
Interest cost of pension obligation	-	-	2	3
Actuarial gains and losses	-	-	2	4
Social security tax	-	-	3	2
Curtailment	(4)	41	-	-
Net pension costs	(4)	41	18	15

Social security tax is included in current service cost and interest cost of pension obligations.

Movements in the net pension liability:	Group disability	Group disability	Group disability	Group disability
	pension u/12 G	pension o/12 G	pension u/12 G	pension o/12 G
	2010*	2010*	2009	2009
Net liability at 1 January	4	(41)	-	(39)
Contributions received	-	-	(15)	(10)
Exchange translation differences	-	-	1	(7)
Expense recognised in the year	(4)	41	18	15
Net liability at 31 December	-	-	4	(41)

Total pension costs

	2010*	2009
Defined benefit plans:		
Group disability pension u/12 G	(4)	18
Group disability pension o/12 G	41	15
Total defined benefit plans	37	33
Defined contribution plans	8	24
Total pension costs	45	57

* - note that the defined benefit schemes were curtailed during 2010 and there was no obligation at 31 December 2010

Notes to the consolidated financial statements

Note 6 Other operating expenses

Figures in USD 1 000

Other operating expenses	2010	2009
Office expenses (including rent)	307	520
Travel	14	60
Restructuring costs	-	5 041
Other external consulting services	465	660
Marketing	2	1 244
Gain on sale of property, plant and equipment	(50)	-
Total other operating expenses	738	7 525

Notes to the consolidated financial statements

Note 7 Net financial items

Figures in USD 1 000

	2010	2009
Financial income		
Net gain from bond loan restructuring:		
Gain on extinguishment of secured bond	-	58 168
Write-off of prepaid term loan arrangement fees	-	(587)
Gain on extinguishment of financial liabilities	-	57 581
Gain on extinguishment of convertible bond	-	31 746
	-	89 327
Interest on bank deposits	4	9
Foreign exchange gain on loans and receivables	50	97
Total financial income	54	89 433
Financial expenses		
Interest on Convertible bond loan	-	6 035
Foreign exchange loss on loans and receivables	41	665
Arrangement fee for temporary working capital loan	-	1 000
Other financial expenses	127	60
Total financial expenses	168	7 759
Net financial items	(114)	81 674

Notes to the consolidated financial statements

Note 8 Taxes

Figures in USD 1 000

The year's taxes are calculated as follows:

	2010	2009
Taxes payable Norwegian subsidiary	-	40
Tax (refund)/paid in Singapore for previous year	(12)	7
Change in deferred tax	(4)	(1 457)
Taxation (income)/cost based on ordinary result	(16)	(1 410)

Taxes payable as at 31 December is calculated as follows:

	2010	2009
Taxes payable	-	40
Taxes payable due as at 31 December	-	40

Tax calculation:

	2010	2009
Ordinary result before taxes	(1 744)	(164 257)
Loss before tax in Singapore registered Group companies	1 395	164 388
Non-deductible expenses	333	11
Temporary differences Norwegian subsidiary	-	(31)
Tax base Norway	(16)	111
Tax (income)/ charge for prior year	(67)	44
Temporary differences Singapore registered Group companies	-	(8 046)
Tax base Singapore	(67)	(8 001)
28 % tax (Norway)	(4)	31
18 % tax (Singapore)	(12)	(1 441)
Total taxes	(16)	(1 410)

Deferred tax:

	2010		2009	
	Benefit	Liability	Benefit	Liability
Operating equipment	-	-	-	(22)
Pension benefits/liabilities	-	-	-	37
Deferred tax element of convertible bond*	-	-	-	-
Total	-	-	-	15
Net deferred tax liability/benefit	-	-	-	4
of which deferred tax benefit not offset	-	-	-	-
Gross deferred tax in the balance sheet	-	-	-	4

*Temporary differences are based on the Norwegian subsidiary, Nexus Floating Production Norge AS, where the tax rate is 28 percent, except for the deferred tax element of the convertible bond which is based in the Singapore subsidiary Nexus 1 Pte Ltd, where the tax rate is 18%.

Change in deferred tax:

	2010	2009
Net deferred tax benefit / liability at 1 January	(4)	(1 461)
Deferred tax in income statement	4	1 457
Net deferred tax benefit / liability at 31 December	-	(4)

The Group has tax losses of approximately USD 11,088,000 (2009: USD 6,032,000) that are available for offset against future taxable profits for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act.

Notes to the consolidated financial statements

Note 9 Earnings per share

Figures in USD 1 000

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2010	2009
Net loss for the year (TUSD)	(1 728)	(164 279)
Weighted average number of shares	19 049 700	19 049 700
Earnings per share (USD)	(0,0907)	(8,6237)

The share options granted to selected employees have not been included in the calculation of diluted EPS, as they have an anti-dilutive effect for the reporting period.

Notes to the consolidated financial statements

Note 10 Non-current assets

Figures in USD 1 000

	Vessels under construction	Software	Office equipment etc	Total
Acquisition cost				
Opening balance	572 762	30	286	573 078
Acquisitions	104 399	-	-	104 399
Disposals	(582 571)	-	-	(582 571)
Effect of movement in foreign exchange	-	-	-	-
Balance at 31 December 2009	94 590	30	286	94 906
Depreciation/amortisation and impairment				
Opening balance	95 000	20	148	95 168
Depreciation/amortisation charge for the year	-	8	56	64
Impairment losses	239 175	-	-	239 175
Disposals	(239 585)	-	-	(239 585)
Effect of movement in foreign exchange	-	-	(25)	(25)
Balance at 31 December 2009	94 590	28	179	94 797
Carrying amounts				
Balance at 31 December 2009	-	2	107	109
	Vessels under construction	Software	Office equipment etc	Total
Acquisition cost				
Opening balance	94 590	30	286	94 906
Disposals	-	-	(90)	(90)
Balance at 31 December 2010	94 590	30	196	94 815
Depreciation/amortisation and impairment				
Opening balance	94 590	28	179	94 797
Depreciation/amortisation charge for the year	-	2	47	49
Disposals	-	-	(53)	(53)
Effect of movement in foreign exchange	-	-	(1)	(1)
Balance at 31 December 2010	94 590	30	172	94 792
Carrying amounts				
Balance at 31 December 2010	-	-	24	24

Useful life	3 years	3-5 years
Depreciation/amortisation rate	33.3%	20 - 33.3 %
Method of depreciation	Straight-line	Straight-line

Vessels under construction

Capitalized construction costs includes all payments being paid to the yard and all other directly attributable costs. Directly attributable costs include costs related to the supervision of the project during the construction period and other contractual costs related to the project for the duration of the contract. Costs incurred prior to signing the contract that relate to procurement of the contract are regarded as purchase of contractual assistance and included in the capitalized contractual costs. For 2010 there has been no changes in the value of vessel under construction.

Nexus 2

At 31 December 2010 the initial capitalized cost in the balance sheet of USD 94,590,720 relating to the construction of the vessel Nexus 2 has been fully impaired. Of this amount, USD 67,040,000 related to prepayments made to Samsung Heavy Industries, the shipyard, and USD 12,064,292 related to prepayments for equipment to APL AS.

The contract for the construction of Nexus 2 has been suspended until the end of April 2011. Delivery of the vessel, if the contract is reactivated, is expected to be approximately 2 years after restart of construction. Presently the company is negotiating to extend the suspension period beyond 2011.

Impairment of the vessel Nexus 2

In 2009 the vessel Nexus 1 was sold and, immediately before the sale, an impairment of the carrying value of Nexus 1 was recorded. This event indicated that the carrying value of Nexus 2 may not be recoverable. Based on this, the Company performed an impairment test for Nexus 2 and an impairment loss totalling USD 94,540,720, equal to the full carrying value of the vessel, was recorded.

At 31 December 2010 construction of the vessel had not been re-commenced and, therefore, no reversal of the previously recognized impairment has been recorded in the year. However, it is possible that the key assumptions used in the original impairment evaluation could change, or other new factors become relevant, and the impairment is partially or fully reversed. It is possible that changes in the future fair value of the asset mean that the carrying value is lower than its recoverable amount.

Software

Software is defined as an intangible asset and is depreciated over 3 years. As of 31 December 2010 the software has been completely amortised.

Impairment of vessels under construction	2010	2009
Total impairment loss charged to the income statement	-	239 175

Notes to the consolidated financial statements

Note 11 Prepayments and other current assets

Figures in USD 1 000

	2010	2009
Refundable VAT	12	86
Other receivables	1 993	1 662
Total	2 005	1 748

Other receivables consists of an amount totalling USD 1,993,000 related to funds held in a lawyer's client account as a result from the terms of the asset purchase agreement for the vessel Nexus 1. The amount recognized above corresponds to the amount recorded as a provision in Note 15.

Notes to the consolidated financial statements

Note 12 Cash and cash equivalents

Figures in USD 1 000

	2010	2009
Bank deposits	1 565	3 277
Restricted bank deposit	-	115
Total	1 565	3 392

Cash at bank held in NOK earns interest at floating rates on daily bank deposit rates at approximately 2% (2009: 0.20% to 1.75%) per annum. Cash held in USD has not earned any interest in 2010.

At 31 December 2010 there are bank balances denominated in Norwegian krone (NOK) held in a subsidiary, Nexus Floating Production Norge AS, totalling NOK 3,687,880 (2009: NOK 6,918,947) which is valued at USD 653,161 (2009: USD 1,197,377).

Notes to the consolidated financial statements

Note 13 Issued capital and reserves

Figures in USD 1 000

Authorised, issued and fully paid shares	Number of shares	USD'000
At 1 January and 31 December 2009, and 1 January and 31 December 2010	<u>19 049 700</u>	<u>187 738</u>

The nominal value of each share is nil.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The value of share capital is the net balance of share capital issued less equity transaction costs. The number of authorised shares is not limited by the articles of association of the Company and the Board has the authority to issue additional shares if and when they deem necessary.

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	2010	2009
At 1 January	55	(111)
Currency translation effect in the year	30	166
At 31 December	85	55

Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 3). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period, commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	2010	2009
At 1 January	1 770	1 759
Grant of equity-settled share options	-	11
At 31 December	1 770	1 770

The Employee Share Option Plan (the "Plan") for all employees of the Company and the Group, was approved by shareholders on 16 March 2007. The Board of Directors shall administer the Plan. The Plan is limited to 360,000 options.

The exercise price of the options is equal to the market price of the shares on the date of grant.

Under the Employee Share Option Scheme, options will vest as follows:

- 50% upon granting
- Next 25%, the earlier of the date falling one year (a) after grant date, or (b) the date of the investment to which the grant of the option is linked
- Remaining 25%, the earlier of the date falling two years (a) after grant date, or (b) the date of the investment to which the grant of the option is linked

If the employee resigns or is dismissed from his position in the Company he will retain all vested options and a pro rata portion of all unvested options.

The options may be exercised from time to time by delivery to the Company's Secretary of a written notice of exercise. The options will expire 60 months from the date of grant.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Other paid-in equity

This represents the residual amount of the convertible bond issued in 2007 after deducting the fair value of the liability component. The convertible bonds were extinguished on 12 November 2009 as part of the sale of the vessel Nexus 1 and the subsequent lock-down agreement agreed with the bond holders (see Note 14).

On extinguishment of the bonds the method used in allocating the consideration paid was consistent with that used in the original allocation of the original proceeds between the liability and equity components of the convertible bond. No gain or loss on extinguishment of the convertible bond was recognised on the equity component. The amount of the remaining equity component of the convertible bond remains within equity and is classified as other paid-in equity.

Notes to the consolidated financial statements

Note 14 Interest-bearing loans and borrowings

Figures in USD 1 000

	Rate of interest	Maturity	2010	2009
Unsecured				
Residual claim issue number one - (a) and (c)	0 %	2012	37 956	37 956
Residual claim issue number two - (a) and (b)	0 %	2012	29 069	29 069
Total unsecured long-term debt			67 025	67 025
Total long-term debt in the balance sheet			67 025	67 025

(a) Residual claims:

On 12 November 2009 the 6% unsecured convertible bond loan and the 10.5% secured bond loan were amended and restated as part of the financial restructuring of the Group as a result of the sale of the Nexus 1 FPSO. As part of the restructuring the bond holders agreed to accept immediate early repayment of a partial amount of the nominal value of the bond loans.

The residual claims are interest free and:

- 1) shall be subordinated and junior in all respects to all other claims of creditors of the Borrower, except for any claims of creditors with respect to Financial Indebtness, and
- 2) payment under the residual loans are conditional upon and limited to the extent of, the borrower being solvent at the time of payment by the borrower, and accordingly in such event no payment shall be payable except to the extent that the borrower could make such payment and still be solvent immediately thereafter.

The non-interest bearing debt of USD 67,025,000 is related to the agreement made with the bondholders after the sale of Nexus#1 FPSO in 2009 giving the bondholders a potential additional recovery limited to such amount in the event the Nexus#2 project is reactivated and significant free equity is generated by the Company.

In June 2010 the company received a written statement from the representative of the ad hoc committee of the bondholders confirming that they would be willing to reduce the residual claim based on the following terms:

- sale of Nexus 2 contract to be contingent on the bondholders receiving USD 15,000,000
- in the event of a sale of Nexus 2, the bondholders to receive 20% of any upside over USD 15,000,000
- in the case of a lease, the cash flow to be:
 - i) first to cover any first lien debt
 - ii) second to cover Nexus cash operating costs plus a reasonable reserve
 - iii) third to satisfy the bondholders' claim up to USD 15,000,000 in aggregate
- in the case of a lease, interest to accrue to bondholders at 10.5% per annum
- in the case of a lease, bondholders entitled to any upside of plus 20% of net cash flows for a period of 5 years following settlement of the USD 15,000,000 claim

As at the yearend and date of authorizing these financial statements no bondholders meeting confirming the amended residual claim had been called for. Therefore, the liability is recognized at its original amount.

The fair value of the residual claim is USD 369,000 (see Note 18)

(b) Convertible bond loan:

A total of 750 convertible bonds, nominal value USD 100,000 each, were issued on 25 June 2007 to finance the construction of the vessel Nexus 2. Compound interest at 6% was payable quarterly. On 12 November 2009, before the maturity date of 25 June 2012, the convertible bond holders agreed to extinguish the convertible bonds, net of the residual claim (as detailed in (a), above), as part of the financial restructuring of the Group. At the date of extinguishment, no bondholder had exercised their conversion right.

Gain on extinguishment of liability component of the convertible	2010	2009
Balance at 1 January	29 069	63 898
Accrued interest in the period/year	-	6 015
Repaid to bondholders in the period/year	-	(9 098)
Gain recorded in the income statement	-	(31 746)
Residual claim/Balance at 31 December	29 069	29 069

On extinguishment of the convertible bonds on 12 November 2009 the conversion rights of the bondholders was relinquished. The residual claim has no conversion rights.

The convertible bond was originally accounted for in two separate components - the value of the conversion right was recognized in equity and fair value of the liability component was recognized as a liability. On extinguishment of the convertible bond no gain or loss was recognized on the equity component. See Note 13 for further information.

There are no covenants or restrictions of the residual convertible bond claim and the claim is not secured.

(c) Bond loan

A total of 1,750 secured bonds, nominal value USD 100,000 each, were issued on 6 March 2007 to finance the construction of the vessel Nexus 1. On 12 November 2009, before the maturity date of 6 March 2012 the bond holders agreed to extinguish the remaining liability of the bonds, net of the residual claim (as detailed in part (a), above) as part of the financial restructuring of the Group.

Gain on extinguishment of the secured bonds	2010	2009
Balance at 1 January	37 956	172 903
Accrued interest in the period/year	-	13 217
Expensing of prepaid bond arrangement fee	-	2 097
Repaid to bondholders in the period/year	-	(92 094)
Gain recorded in the income statement	-	(58 168)
Residual claim/Balance at 31 December	37 956	37 956

On the part-extinguishment of the bonds, the loan covenants were removed from the contract for the bond holders' residual claim. The residual claim of the bond holders is not secured against any asset of the Company.

Notes to the consolidated financial statements

Note 15 Other short-term liabilities

Figures in USD 1 000

	2010	2009
Accrued payroll expenses	-	117
Other short-term liabilities	217	18
Total	217	135

Notes to the consolidated financial statements

Note 16 Provisions and contingent liabilities

Figures in USD 1 000

Provisions	2010	2009
Provision at 1 January	1 662	-
Provided for in the year	331	1 662
Provision at 31 December	1 993	1 662

The Group has made a provision for withholding tax payable as a result of the interest payments made to the convertible bond loan holders. The amount of the provision is calculated based on the view of the Group's advisors and represents the estimated amount that could be payable. The timing of any eventual outflow is expected to be within 12 months following the end of the reporting period.

The full amount of the provision is held as cash in a lawyer's client account. The source of cash is derived from the vessel sale agreement of Nexus 1 for possible unforeseen costs such as this. An equivalent amount has been recognised in other assets (see Note 11).

Notes to the consolidated financial statements

Note 17 Related party disclosures

Figures in USD 1 000

Identity of related parties

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year at terms agreed between the parties:

Transactions with key personnel 2010

Name (role)	Salary / board member fee	Termination benefits	Other remuneration	Pension (funding)	Share-based payments
Management					
Anders Holm (CEO)	183	367	29	3	-
Arild Bårdsen (CFO)	116	229	26	3	-
Board of directors					
Finn Bjørnstad (Chairman)	85	-	-	-	-
Carl K Arnet (Vice Chairman)	35	-	-	-	-
Harry Bitounis	30	-	-	-	-
Jean Jacques Royant	30	-	-	-	-
Knut R. Sæthre	30	-	-	-	-

The numbers in the table above represent all remuneration and benefits paid during 2010.

The employment agreements for the CEO and the CFO were terminated 30 April 2010 and were replaced by consultancy agreements. During the year a total of USD 55 202 and USD 90 246 was paid for consultancy services to the CEO and CFO, respectively.

Compensation to the Board of Directors for 2010 and 2009 has been charged to the income statement in USD .

Transactions with key personell 2009

Name (role)	Salary / board member fee	Termination benefits	Other remuneration	Pension (funding)	Share-based payments
Management in Nexus Floating Production Norge AS					
Anders Holm (CEO)	373	-	37	42	-
Arild Bårdsen (CFO)	232	-	24	26	11
Board of directors					
Finn Bjørnstad (Chairman)	123	-	-	-	-
Carl K Arnet (Vice Chairman)	42	-	-	-	-
Harry Bitounis	33	-	-	-	-
Jean Jacques Royant	33	-	-	-	-
Knut R. Sæthre (5 months)	13	-	-	-	-
Svein Moxnes Harfjeld (7 months)	39	-	-	-	-

Transactions with subsidiaries

Transactions between the group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Year of acquisition	Ownership share	Voting share
Nexus Floating Production Norge AS	Norway	2006	100 %	100 %
Nexus 1 Pte Ltd	Singapore	2007	100 %	100 %
Nexus 2 Pte Ltd	Singapore	2007	100 %	100 %

Nexus Floating Production Norge AS was founded by Nexus Floating Production Ltd in July 2006.

Nexus 1 Pte and Nexus 2 Pte were founded by Nexus Floating Production Ltd on 5 March and 28 June 2007.

Other related party transactions

BWO own 49.8% of the share capital of the Company. The Group has transactions with companies within the BW Offshore group. The transactions relate to management services regarding building of the FPSOs. In addition, Nexus Floating Production Ltd entered into agreements with APL regarding delivery of complete STP-systems for the vessels.

Sales and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash.

Transactions with companies within BW Offshore-group:

	Accounts payable		Total purchases	
	2010	2009	2010	2009
BW Offshore	-	2	2	19
APL Management Services AS			-	11 913
APL Norway AS			106	-
Advanced Production and Loading AS			-	6 979

APL was a related party up until 8 December 2010.

Notes to the consolidated financial statements

Note 18 Fair value of financial instruments

Figures in USD 1 000

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade and other payables reasonably approximate their fair values because they are short-term in nature.

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value are as follows:

	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Residual claim issue number one (first bond)	37 956	209	37 956	3 500
Residual claim issue number two (convertible bond)	29 069	160	29 069	750
	67 025	369	67 025	4 250

The carrying values of the residual claims are measured at amortised cost. See note 14 for further information.

The fair values of the residual claims of the bond holders are measured at a rate prescribed by The Norwegian Securities Dealers Association based upon the secondary market prices of the respective securities.

There are no assets or liabilities measured at fair value and no assets measured at amortised cost in 2010 or in 2009. The total carrying value of liabilities measured at amortised cost is TUSD 67,025 (2009 - TUSD 67,025).

Notes to the consolidated financial statements

Note 19 Financial risks

Figures in USD 1 000

Financial risk management objectives and policies

The Group's principal financial liabilities may comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group may have other receivables and cash and short-term deposits that arrive directly from its operations and financing.

The Group is exposed to market risk (fair value interest risk and price risk), credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. Management oversee that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. However, based on an assessment of the different risks involved, no hedging contracts has been entered into. The Group has a contract risk based on the fact that, at the balance sheet date, no customer contract has been entered into for the FPSO under construction. There are no further liabilities that will occur in the event that no such customer contract is subsequently secured.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit

The Group monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Group's operations. The Group's liquidity risk management policy is to ensure sufficient liquidity for operation.

The table below summarises the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

2010				
	1 year or less	1 to 5 years	Over 5 years	Total
Trade and other payables	79	-	-	79
Other liabilities	5	-	-	5
Non-interest bearing loans (residual claims)	-	67 025	-	67 025
	84	67 025	-	67 109
2009				
	1 year or less	1 to 5 years	Over 5 years	Total
Trade and other payables	326	-	-	326
Other liabilities	131	-	-	131
Non-interest bearing loans (residual claims)	-	67 025	-	67 025
	457	67 025	-	67 482

The non-interest bearing liability is a residual claim and will only become payable in the event that the Nexus 2 project is re-commenced and generates sufficient residual equity. At the year end, the Company is not in a position to make any repayments to the residual claim holders. However, the Company has received written confirmation from the ad hoc committee of bondholders indicating they would be willing to reduce the liability to USD 15,000,000, plus certain other possible earnings clauses, though at the year end and date of authorizing these financial statements no formal legal agreement has been signed. See Note 14 for more information.

The Group has sufficient liquidity to continue in its current operative state for a period of at least 12 months following the balance sheet date.

The contract for the construction of Nexus 2 has been deferred until the end of April 2011. Delivery of the vessel, if the contract is reactivated, is expected to be approximately 2 years after restart of construction. The agreement also gives Nexus an option to terminate the Nexus#2 contract with an exposure limited to USD 67 million, which has already been paid under the contract. Presently the company is negotiating to extend the suspension period beyond 2011.

In order to complete construction of the vessel Nexus 2 further funding is required. Acquiring such financing, as well as securing a customer for the completed vessel, is the current priority of the Board. Discussions with interested parties have occurred during the year, though no contracts either for financing or utilisation of a completed vessel have yet been secured.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits. The market risks are not considered significant for the Group.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's financial instruments will fluctuate because of changes in market interest rates. During 2009, the Group's exposure to the risk of changes in market interest rates was removed as all interest-bearing obligations with floating interest rates were extinguished.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep the majority of its borrowings at fixed rates of interest.

The Group's result before tax and equity are not sensitive to possible changes in interest rates, as at 31 December 2010 the Group has no interest-bearing borrowings.

(d) Foreign currency risk

The majority of cost and investments are made in USD and revenues are expected to be in USD. Long-term financing will accordingly be in USD. The Group's shares are traded in NOK. The NOK trading price is affected by the underlying activities of the Group which are primarily denominated in USD.

Cost related to operating of the project office in Norway is mainly in NOK. However, these costs were not significant compared to total investment and the Group has not entered into any currency hedging contracts. Currency fluctuations regarding book values of assets and liabilities in the company's foreign subsidiary are recorded as a translation difference directly against equity.

To manage the Group's foreign exchange risk arising from future transactions the Group maintains NOK cash accounts.

The costs incurred in NOK and the value of assets and liabilities denominated in NOK are not significant and a sensitivity analysis has shown that the Group's exposure to foreign currency risk is immaterial.

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk from its operating activities (primarily related to trade receivables from revenue) is minimal as the Group has sold its first vessel and has not started to generate revenue from its planned primary source for the second vessel. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by senior management in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval from the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2010 and 2009 are the carrying amounts as illustrated in Notes 11 and 12.

Notes to the consolidated financial statements

Note 20 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern by maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2010 or 31 December 2009.

The Group aims to have an equity capital at a level appropriate to its objectives, strategy and risk profile. As the Group is still in a stage focusing on securing a customer contract for the second vessel, financing to complete the construction of the vessel has been put on hold. When applicable, the Group aims to consider the possibility of both equity and debt financing. Therefore, the Group currently manage both equity and liability as capital. The Group does not currently have qualitative capital management targets, such as a gearing ratio. The Group plans to develop a qualitative capital management policy once a customer contract and the construction financing has been secured for the second vessel.

Notes to the consolidated financial statements

Note 21 Commitments and contingencies

Figures in USD 1 000

As at 31 December 2010 and 31 December 2009, the Group has no outstanding commitments in respect of FPSO vessels or other items . Construction of Vessel 2 has been deferred, and the contract has been renegotiated with the builder such that contractual obligation is limited to USD 67,040,000 which has already been paid to the shipyard.

Operational lease

The Group has entered into various rental agreements for premises and equipment. Total annual rental cost is USD 20,000 (2009: USD 20,000). These rental agreements are determined as operational lease and consequently all rental cost is expensed when incurred.

	2010	2009
Minimum lease payments under operational lease of premises and equipment		
Not later than one year	20	20

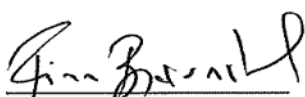
Notes to the consolidated financial statements

Note 22 Authorisation of the financial statements

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 April 2011.

31. December 2010


26. April 2011




Finn Bjørnstad, Chairman



Carl Arnet



Harry Bitounis



Jean-Jaques Royant



Knut R. Sæthre

Nexus Floating Production Limited

Parent company non-consolidated financial statements

year ending 31 December 2010

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements

Statement of comprehensive income

(Unconsolidated Parent Company)

for the year ended 31 December

Figures in USD 1 000

	Note	2010	2009
Operating income			
Revenue		-	103
Total operating income		-	103
Operating expenses			
Cost of sales		-	2
Employee benefits	2	210	299
Other operating expenses	3	1 114	8 035
EBITDA		(1 324)	(8 233)
Impairment		-	283 946
Operating profit		(1 324)	(292 179)
Financial income/costs			
Finance income	4	54	37 743
Finance cost	4	(102)	(6 209)
Net financial income		(48)	31 534
Profit before tax		(1 372)	(260 645)
Taxes	5	12	1 440
Net profit for the year/Comprehensive income after tax		(1 360)	(259 205)

Statement of Financial Position

(Unconsolidated Parent Company)

at 31 December

Figures in USD 1 000

	Note	2010	2009
ASSETS			
<i>Non-current assets</i>			
Investment in subsidiaries	6	613	613
Total non-current assets		613	613
<i>Current assets</i>			
Other current assets	7	1 993	1 662
Cash and cash equivalents	8	736	2 027
Total current assets		2 729	3 689
TOTAL ASSETS		3 342	4 302
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	9	187 738	187 738
Other paid in equity	9	10 078	10 078
Retained earnings		(263 801)	(262 441)
Total equity		(65 985)	(64 625)
<i>Non-current liabilities</i>			
Non-interest bearing loans and borrowings	1	67 025	67 025
Total non-current liabilities		67 025	67 025
<i>Current liabilities</i>			
Trade payables		96	222
Other short-term liabilities	10	213	18
Provisions	1	1 993	1 662
Total current liabilities		2 302	1 902
Total liabilities		69 327	68 927
TOTAL EQUITY AND LIABILITIES		3 342	4 302

Statement of changes in equity

(Unconsolidated Parent Company)

for the year ended 31 December

Figures in USD 1 000

	Share capital (Note 9)	Retained earnings	2009		Total equity
			Other paid-in equity (Note 9)	Share-based payments (Note 9)	
Equity as at 1 January 2009	187 738	(3 236)	9 428	650	194 580
Net loss for the year	-	(259 205)	-	-	(259 205)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(259 205)	-	-	(259 205)
Equity as at 31 December 2009	187 738	(262 441)	9 428	650	(64 625)

	Share capital (Note 9)	Retained earnings	2010		Total equity
			Other paid-in equity (Note 9)	Share-based payments (Note 9)	
Equity as at 1 January 2010	187 738	(262 441)	9 428	650	(64 625)
Net loss for the year	-	(1 360)	-	-	(1 360)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(1 360)	-	-	(1 360)
Equity as at 31 December 2010	187 738	(263 801)	9 428	650	(65 985)

Cash-Flow Statement

(Unconsolidated Parent Company)

for the year ended 31 December 2010
under indirect method

Figures in USD 1 000

	Notes	2010	2009
Cash flow from operating activities:			
Ordinary loss before tax		(1 372)	(260 645)
Adjustments:			
Impairment		-	283 946
Finance income	4	(4)	(37 656)
Finance cost		-	6 035
Operating cash flows before working capital changes		(1 376)	(8 320)
Changes in prepaid expenses and other receivables		(331)	(1 662)
Changes in trade payables		(126)	(290)
Changes in other payables and accruals		526	1 600
Income tax received/(paid)	5	12	(69)
Net cash flow from operating activities		(1 295)	(8 741)
Cash flow from investing activities:			
Loans to subsidiaries		-	11 264
Net cash flow from investing activities		-	11 264
Cash flow from financing activities:			
Interest received	4	4	-
Interest paid		-	(1 125)
Net cash flow from financing activities		4	(1 125)
Net change in cash and cash equivalents		(1 291)	1 398
Cash and cash equivalents as at 1 January		2 027	629
Cash and cash equivalents as at 31 December		736	2 027

Notes to the consolidated financial statements

(Unconsolidated Parent Company)

Note 1 Accounting principles

Nexus Floating Production Limited (the "Company") is a holding company. In addition to owning the subsidiaries, the Company conducts the main part of the debt financing of the Group and provides loans to Group companies.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's accounting principles are consistent to the accounting principles of the Group, as described in Note 1 of the consolidated financial statements. The notes to the non-consolidated financial statements of the parent company that are substantially different from the notes to the Group's consolidated financial statements are presented below. Additional reference should be made to the notes to the consolidated financial statements of the Group, particularly regarding non-interest bearing loans and borrowings (Note 14 in the consolidated accounts) and provisions (Note 15)

Shares in the subsidiaries and receivables from and loans provided to the subsidiaries are carried 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 inter-company receivables. If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term intercompany receivables.

Notes to the financial statements

(Unconsolidated Parent Company)

Note 2 Employee benefits

Figures in USD 1 000

	2010	2009
Board remuneration	210	299
Total	210	299

The Company has no employees.

Share-based payments

In 2007 share options were granted to Management of the wholly-owned subsidiary Nexus Floating Production Norge AS, with settlement in shares of Nexus Floating Production Ltd. (equity-settled share-based payment transaction). The exercise price of the options was equal to the market price of the shares on the date of grant.

50 % of the share options vested immediately on the date of grant. Depending on the specific conditions in each share option agreement 25 % of the options vested either one year after the first day of listing of the Company's shares on the Oslo Stock Exchange (OSE) or one year after the grant date. The last 25 % of the options vested either two years after the first day of listing of the Company's shares on the OSE or two years after the grant date. If the employee resigns or is dismissed from his position in the Company he will retain all vested options and a pro rata portion of all unvested options.

The fair value of the options was estimated at the grant date by an external valuer using the Black & Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The contractual life of each option granted is five years. There are no cash-settlement alternatives.

The expense recognized for employee services received during both 2010 and 2009 was nil.

Movements in share options during the year:

	Number		WAEP	
	2010	2009	2010	2009
Outstanding at 1 January and 31 December	275 671	275 671	NOK 73,36	NOK 73,36
Exercisable at 31 December	275 671	275 671	NOK 73,36	NOK 73,36

No share options were granted, forfeited, exercised or expired in 2010 or 2009.

WAEP = Weighted Average Exercise Price

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is approximately 1.2 years (2009: 2.2 years).

The range for exercise prices outstanding at the end of the year was NOK 71 – NOK 74.

Input to the Black & Scholes option pricing model used:

Dividend yield (%)	0.00
Expected volatility (%)	50.00
Risk-free interest rate (%)	4,85
Expected life of option (years)	5.00
Weighed average share price	NOK 73.40

The expected life of each option is estimated to equal the contractual life of each option.

The expected volatility is based on a benchmark with comparable companies.

Since the share options are out-of-the-money at balance sheet date there is no dilutive effect on earnings pr. share.

Notes to the financial statements

(Unconsolidated Parent Company)

Note 3 Other operating expenses

Figures in USD 1 000

Other operating expenses	2010	2009
Office expenses (including rent)	(35)	62
Restructuring costs	-	5 041
Other external consulting services	1 149	1 441
Marketing	-	1 491
Total other operating expenses	1 114	8 035

Notes to the financial statements

(Unconsolidated Parent Company)

Note 4 Net financial items

Figures in USD 1 000

	2010	2009
Financial income		
Net gain from bond loan restructuring:		
Gain on extinguishment of convertible bond	-	31 746
	-	31 746
Interest from Group companies	-	5 910
Interest on bank deposits	4	-
Foreign exchange gain on loans and receivables	50	87
Total financial income	54	37 743
Financial expenses		
Interest on Convertible bond loan	-	6 035
Foreign exchange loss on loans and receivables	40	130
Other financial expenses	62	44
Total financial expenses	102	6 209
Net financial items	(48)	31 534

Notes to the financial statements

(Unconsolidated Parent Company)

Note 5 Taxes

Figures in USD 1 000

The year's taxes are calculated as follows:

	2010	2009
Tax (refund)/payable for previous years	(12)	8
Change in deferred tax	-	(1 448)
Taxation cost based on ordinary result	(12)	(1 440)

Taxes payable as at 31 December is calculated as follows:

	2010	2009
Taxes payable due as at 31 December	-	-

Tax calculation:

	2010	2009
Ordinary result before taxes	(1 372)	(260 645)
Non-deductible income and expenses	-	252 325
Tax base	(1 372)	(8 320)
18 % tax	(384)	(2 330)
Total taxes	-	-

Deferred tax liabilities

Figures in USD 1 000

	2010	2009
As at 1 January	-	1 448
Deferred tax in income statement	-	(1 448)
Deferred tax liabilities	-	-

Notes to the financial statements

(Unconsolidated Parent Company)

Note 6 Investment in subsidiaries

Figures in USD 1 000

	2010	2009
Unquoted equity shares, at cost	613	613
Total	613	613

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Principal activities	Equity interest 2010	Equity interest 2009
Nexus Floating Production Norge AS	Norway	Operating services	100 %	100 %
Nexus 1 Pte Ltd	Singapore	FPSO vessel owner	100 %	100 %
Nexus 2 Pte Ltd	Singapore	FPSO vessel owner	100 %	100 %

Notes to the financial statements

(Unconsolidated Parent Company)

Note 7 Other current assets

Figures in USD 1 000

	2010	2009
Other current assets	1 993	1 662
Total	1 993	-

Other receivables consists of an amount totalling USD 1,993,000 related to funds held in a lawyer's client account as a result from the terms of the asset purchase agreement for the vessel Nexus 1. The amount recognized above corresponds to the amount recorded as a provision in Note 16 of the Group accounts.

Notes to the financial statements

(Unconsolidated Parent Company)

Note 8 Cash and cash equivalents

Figures in USD 1 000

	2010	2009
Bank deposits	736	2 027
Total	736	2 027

Bank deposits are denominated in NOK and USD. Cash at bank held in NOK earns interest at floating rates on daily bank deposit rates at approximately 2% (2009: 0.20% to 1.75%) per annum. Cash held in USD has not earned any interest in 2010.

Notes to the financial statements

(Unconsolidated Parent Company)

Note 9 Issued capital and reserves

Figures in USD 1 000

Authorised, issued and fully paid shares	Number of shares	USD'000
At 1 January and 31 December 2009, and 1 January and 31 December 2010	<u>19 049 700</u>	<u>187 738</u>

The nominal value of each share is nil.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The value of share capital is the net balance of share capital issued less equity transaction costs. The number of authorised shares is not limited by the articles of association of the Company and the Board has the authority to issue additional shares if and when they deem necessary.

Nature and purpose of reserves

Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period, commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	2010	2009
At 1 January and 31 December	650	650

The Employee Share Option Plan (the "Plan") for all employees of the Company, was approved by shareholders on 16 March 2007. The Board of Directors shall administer the Plan. The Plan is limited to 360,000 options.

The exercise price of the options is equal to the market price of the shares on the date of grant.

Under the Employee Share Option Scheme, options will vest as follows:

- 50% upon granting
- Next 25%, the earlier of the date falling one year (a) after grant date, or (b) the date of the investment to which the grant of the option is linked
- Remaining 25%, the earlier of the date falling two years (a) after grant date, or (b) the date of the investment to which the grant of the option is linked

If the employee resigns or is dismissed from his position in the Company he will retain all vested options and a pro rata portion of all unvested options.

The options may be exercised from time to time by delivery to the Company's Secretary of a written notice of exercise. The options will expire 60 months from the date of grant.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Other paid-in equity

This represents the residual amount of the convertible bond issued in 2007 after deducting the fair value of the liability component. The convertible bonds were extinguished on 12 November 2009 as part of the sale of the vessel Nexus 1 and the subsequent lock-down agreement agreed with the bond holders.

On extinguishment of the bonds the method used in allocating the consideration paid was consistent with that used in the original allocation of the original proceeds between the liability and equity components of the convertible bond. No gain or loss on extinguishment of the convertible bond was recognised on the equity component. The amount of the remaining equity component of the convertible bond remains within equity and is classified as other paid-in equity.

Notes to the financial statements

(Unconsolidated Parent Company)

Note 10 Other short-term liabilities

Figures in USD 1 000

	2010	2009
Payable to subsidiary	10	-
Other short-term liabilities	203	18
Total	213	18

Notes to the financial statements

(Unconsolidated Parent Company)

Note 11 Related party disclosures

Figures in USD 1 000

Identity of related parties

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year at terms agreed between the parties:

Transactions with key personnel	2010	2009
Name (role)	Salary / board member fee	Share-based payments
Management		
Anders Holm (CEO)	-	-
Arild Bårdsen (CFO)	-	-
Board of directors		
Finn Bjørnstad (Chairman)	85	123
Carl K Arnet (Vice Chairman)	35	42
Harry Bitounis	30	33
Jean Jacques Royant	30	33
Knut R. Sæthre	30	13
Svein Moxnes Harfjeld	-	39

Apart from the figures presented in the above table, no other benefits were paid to management or Board members.

Compensation to the Board of Directors for 2010 and 2009 has been charged to the income statement in USD .

Loans to subsidiaries

Carrying value of loans to subsidiaries	2010	2009
Principal balance receivable from Nexus 1 Pte Ltd at 31 December	183 434	183 434
Principal balance receivable from Nexus 2 Pte Ltd at 31 December	100 512	100 512
Impairment at 31 December	(283 946)	(283 946)
Carrying value of receivable from subsidiaries at 31 December	-	-

There was no movement in the loans to subsidiaries during the year.

Loans to subsidiaries are denominated in USD. The loan to Nexus 1 is unsecured and non-interest bearing. The loan to Nexus 2 is unsecured and interest is charged at a rate of 11.065% per annum up until the date when the Nexus 2 vessel has been delivered from the yard and is generating income from a time charter, at which point interest will be calculated on the outstanding loan balance at a rate of LIBOR + 2.5%. Following the impairment recorded during 2009, which resulted in reducing the carrying value of the loan to nil, no interest has been accrued on the outstanding balance.

The following subsidiaries are included in the consolidated financial statements:

Company	Country of registration	Year of acquisition	Ownership share	Voting share
Nexus Floating Production Norge AS	Norway	2006	100 %	100 %
Nexus 1 Pte Ltd	Singapore	2007	100 %	100 %
Nexus 2 Pte Ltd	Singapore	2007	100 %	100 %

Nexus Floating Production Norge AS was founded by Nexus Floating Production Ltd in July 2006.

Nexus 1 Pte and Nexus 2 Pte were founded by Nexus Floating Production Ltd on 5 March and 28 June 2007.

Included in other short-term liabilities is a payable owed to Nexus 1 Pte Ltd. The balance is non-interest bearing and payable under normal accounts payable terms.

Other related party transactions

BWO own 49.8% of the share capital of the Company. The Company has transactions with companies within the BW Offshore group. The transactions relate to management services regarding building of the FPSOs, as well as accounting services and leases of premises. In addition, Nexus Floating Production Ltd entered into agreements with APL regarding delivery of complete STP-systems for the vessels.

Sales and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash.

Transactions with companies within BW Offshore-group:

	Accounts payable		Total purchases	
	2010	2009	2010	2009
BW Offshore	-	2	2	29
APL Management Services AS	-	200	-	1 099
APL Norway AS	3	-	59	-
Advanced Production and Loading AS	4	4	-	81

Notes to the financial statements

(Unconsolidated Parent Company)

Note 12 Fair value of financial instruments

Figures in USD 1 000

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade payables and other short-term liabilities reasonably approximate their fair values because they are short-term in nature.

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value are as follows:

	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial liabilities:				
Residual claim issue number one (first bond)	37 956	209	37 956	3 500
Residual claim issue number two (convertible bond)	29 069	160	29 069	750
	67 025	369	67 025	4 250

Determination of fair value

Financial liabilities

The fair values of the residual claims of the bond holders are measured at a rate prescribed by The Norwegian Securities Dealers Association based upon the secondary market prices of the respective securities.

There are no assets or liabilities measured at fair value and no assets measured at amortised cost in 2010 or in 2009. The total carrying value of liabilities measured at amortised cost is TUSD 67,025 (2009 - TUSD 67,025).

Notes to the financial statements

(Unconsolidated Parent Company)

Note 13 Financial risks

Figures in USD 1 000

Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has cash and short-term deposits that arrive directly from its operations and financing.

The Company is exposed to market risk (fair value interest risk and price risk), credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. Management oversee that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. However, based on an assessment of the different risks involved, no hedging contract has been entered.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Company monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Company's operations. The Company's liquidity risk management policy is to ensure sufficient liquidity for operation until completion of construction of the vessel owned by the subsidiary Nexus 2.

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2010			
	1 year or less	1 to 5 years	Over 5 years	Total
Trade and other payables	96	-	-	96
Other liabilities	213	-	-	213
Non-interest bearing loans (residual claims)	-	67 025	-	67 025
	309	67 025	-	67 334

	2009			
	1 year or less	1 to 5 years	Over 5 years	Total
Trade payables	222	-	-	222
Other payables and accruals	18	-	-	18
Interest-bearing loans and borrowings	-	67 025	-	67 025
	240	67 025	-	67 265

The non-interest bearing liability is a residual claim and will only become payable in the event that the Nexus 2 project is re-commenced and generates sufficient residual equity. At the year end, the Company is not in a position to make any repayments to the residual claim holders. However, the Company has received written confirmation from the ad hoc committee of bondholders indicating they would be willing to reduce the liability to USD 15,000,000, plus certain other possible earnings clauses, though at the year end and date of authorizing these financial statements no formal legal agreement has been signed.

The Group has sufficient liquidity to continue in its current operative state for a period of at least 12 months following the balance sheet date.

In order to complete construction of the vessel Nexus 2 further funding is required. Acquiring such financing, as well as securing a customer for the completed vessel, is the current priority of the Board. Discussions with interested parties have occurred during the year, though no contracts either for financing or utilisation of a completed vessel have yet been secured.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of changes in market interest rates. During 2009, the Company's exposure to the risk of changes in market interest rates was removed as all interest-bearing obligations with floating interest rates were extinguished.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to keep the majority of its borrowings at fixed rates of interest.

The Company's result before tax and equity are not sensitive to possible changes in interest rates, as at 31 December 2009 the Company has no interest-bearing borrowings.

(d) Foreign currency risk

The majority of cost and investments are made in USD and revenues are expected to be in USD. Long-term financing is in USD. The Company's shares are traded in NOK. The NOK trading price is affected by the underlying activities of the Company which are primarily denominated in USD.

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk from its operating activities (primarily related to trade receivables from revenue) is minimal. The Company is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by senior management in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 December 2010 and 2009 are the

Notes to the financial statements

(Unconsolidated Parent Company)

Note 14 Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern by maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2010 and 31 December 2009.

The Company aims to have an equity capital at a level appropriate to its objectives, strategy and risk profile. As the Company is still in a stage focusing on securing a customer contract for the second vessel, financing to complete the construction of the vessel has been put on hold. When applicable, the Company aims to consider the possibility of both equity and debt financing. Therefore, the Company currently manage both equity and liability as capital. The Group do not currently have qualitative capital management targets, such as a gearing ratio. The Company plan to develop a qualitative capital management policy once a customer contract and the construction financing has been secured for the

Notes to the financial statements

(Unconsolidated Parent Company)

Note 15 Commitments and contingencies

Figures in USD 1 000

Operational lease

The Company has entered into various rental agreements for premises and equipment. Total annual rental cost is USD 20,000 (2009: USD 20,000). These rental agreements are determined as operational lease and consequently all rental cost is expensed when incurred.

	2010	2009
Minimum lease payments under operational lease of premises and equipment		
Not later than one year	20	20

Notes to the financial statements

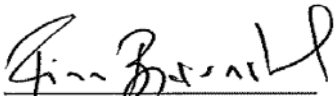
(Unconsolidated Parent Company)

Note 16 Authorisation of the financial statements

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 April 2011.

31. December 2010

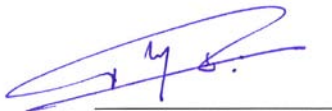
26. April 2011




Finn Bjørnstad, Chairman



Carl Arnet



Harry Bitounis



Jean-Jaques Royant



Knut R. Sæthre

To the Annual Shareholders' Meeting of
Nexus Floating Production Limited

Independent auditor's report for 2010

We have audited the accompanying annual financial statements of Nexus Floating Production Limited, which comprise the financial statements of the parent and the group. The financial statements for the Parent Company and the Group comprise the statements of financial position as at 31 December 2010, the statements of 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.

Management's responsibility for the financial statements

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements 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 their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$1 698 000 during the year ended 31 December 2010 and, as of that date, the Company's current liabilities exceeded its total assets by \$65 731 000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Arendal, 26 April 2011
ERNST & YOUNG AS



Johan Bringsverd
State Authorised Public Accountant (Norway)