



EQUINOX OFFSHORE ACCOMMODATION LIMITED

**Unaudited Financial Results For The First Quarter
Ended 31 March 2011**

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1) Consolidated Income Statement

	Group		
	3 months ended		
	31.3.2011	31.3.2010	Increase / (Decrease)
	USD'000	USD'000	USD'000
Revenue	-	-	-
Direct costs	2,889	-	2,889
Gross Profit/ (Loss)	(2,889)	-	(2,889)
			-
EEH Management Costs	1,134	1,511	(377)
Administrative Expenses	1,267	540	727
Marketing Expenses	77	7	70
Total Operating Expenses	2,478	2,058	420
Operating Loss	(5,367)	(2,058)	(3,309)
Interest Expenses	(2,948)	(1,852)	(1,096)
Loss Before Tax	(8,315)	(3,910)	(4,405)
Tax	-	-	-
Loss After Tax	(8,315)	(3,910)	(4,405)
Other Comprehensive Loss	-	-	-
Total Comprehensive Loss	(8,315)	(3,910)	(4,405)

Commentary on Profit and Loss for the 3 months ended 31 March 2011

No charter revenue was recorded for the quarter periods ended 31 March 2011 (1Q11) and 31 March 2010 (1Q10).

During March 2011, ARV 1 mobilised to commence a charter in Angola. Charter revenue has commenced and will be recorded from the second quarter onwards.

Group gross loss for 1Q11 recorded USD2.9 million, comprising ARV 1 vessel expenses incurred for mobilisation to Angola amounting to USD0.9 million and ARV 1 depreciation of USD2.0 million. There was no direct cost in 1Q10 as ARV 1 was undergoing conversion and without charter activity.

Total operating expenses in 1Q11 and 1Q10 amounted to USD2.5 million and USD2.1 million respectively.

The USD0.4 million increase in total operating expenses was mainly attributable to:

- USD0.7 million higher administration expenses due to higher forex losses USD0.4 million arising from the weakened USD against SGD liabilities and the laid up costs of vessels accrued for USD0.3 million.



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- USD0.07 million higher marketing costs incurred for 1Q11 as ARV 1 pursued various potential charter tenders.
- USD0.4 million lower EEH management cost expensed in 1Q11 mainly due to lower staff costs.

Interest expenses incurred in 1Q11 were USD1.1 million higher than 1Q10 mainly due to USD0.3 million interest accrued for payables to the ship yard and USD 0.8 million higher bonds interest and redemption premium following extension of original maturity date in Oct 2010.

Net loss for 1Q11 registered USD8.3 million compared with USD3.9 million in 1Q10.

The USD4.4 million increase in net loss was a result of the mobilisation expenses of ARV 1 USD2.9 million, higher interest expenses USD1.1 million and higher operating expenses by USD0.4 million.

2) Consolidated Balance Sheets

	Group	
	31.3.2011	31.12.2010
	USD'000	USD'000
CURRENT ASSETS		
Cash at Bank	402	1,976
Fixed Deposits	-	1,549
Other Debtors and Prepayments	6,951	2,200
Total Current Assets	7,353	5,725
FIXED ASSETS		
Plant and Equipment	144,036	141,470
Accumulated Depreciation	(6,785)	(4,764)
Net Fixed Assets	137,251	136,706
TOTAL ASSETS	144,604	142,431
CURRENT LIABILITIES		
Bonds Payable	34,400	34,400
Trade Creditors	4,995	1,924
Other Creditors & Accruals	29,030	21,613
Total Current Liabilities	68,425	57,937
SHAREHOLDERS' EQUITY		
Ordinary Shares	121,141	121,141
Accumulated Losses	(44,962)	(36,647)
Total Shareholders' Equity	76,179	84,494
TOTAL LIABILITIES & EQUITY	144,604	142,431



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Commentary on Group Balance Sheets

Equity

As at 31 March 2011, shareholders' equity was USD76.2 million compared to USD84.5 million at the end of the previous financial year. The decrease of USD8.3 million in our equity was the result of the 1Q11 net loss of USD8.3 million.

Liabilities

Current liabilities increased from USD57.9 million as at 31 December 2010 to USD68.4 million as at 31 March 2011. The increase of USD10.5 million in current liabilities was mainly due to the increase in trade creditors USD3.1 million relating to mobilisation of ARV1, an increase in other creditors and accrual of USD7.4 million. Other creditors and accrual increased mainly due to the advance charter billing USD3.9 million, interest expenses accrual of USD2.9 million, accrual of laid up costs USD0.3 million and other creditors USD0.3 million.

Fixed Assets

As at 31 March 2011, our net fixed assets amounted to USD137.3 million which comprised mainly the two vessels namely, ARV 1 and MV Normandy.

Current Assets

As at 31 March 2011, our current assets amounted to USD7.4 million, comprising mainly our bank balances, prepayments and deposits made mainly for purchase of vessel equipment. Current assets increased by USD1.7 million from the previous financial year end mainly due to the increase in our receivables from the Angola advance charter billings USD3.8 million, and increase prepayment for mobilisation costs USD0.9 million offset with the decrease of our cash and fixed deposit balance by USD3.0 million.

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3) Consolidated Cash Flow Statement

	Group	
	3 months ended	
	31.3.2011	31.3.2010
	USD'000	USD'000
<u>Cash Flows From Operating Activities</u>		
Loss Before Tax	(8,315)	(3,910)
Add/ (Less) Adjustments:		
Interest Expenses	2,948	1,852
Depreciation	2,020	16
Loss Before Depreciation and Interest	(3,347)	(2,042)
(Increase) / Decrease in Working Capital		
Trade and Other Debtors	(4,822)	485
Trade and Other Creditors	7,610	(974)
Cash Generated From/ (Used In) Operating Activities	(559)	(2,531)
<u>Cash Flows From Investing Activities</u>		
Purchase of Plant and Equipment	(2,565)	(1,738)
Cash Applied in Investing Activities	(2,565)	(1,738)
<u>Cash Flows From Financing Activities</u>		
Cash From Financing Activities	-	-
Net Decrease in Cash and Cash Equivalents	(3,124)	(4,269)
Cash Balance At The Beginning of the Financial Period	3,526	7,554
Cash Balance At The End of the Financial Period	402	3,285

Commentary on Cash Flow for the 3 months ended 31 March 2011.

The cash balance reduced from USD3.5 million from the beginning of the year to USD0.4 million as at 31 March 2011. The net cash deficit of USD3.1 million was mainly attributable to:

- cash flow used for investing amounting to USD2.6 million, which was mainly incurred for ARV 1 capex required for its Angolan charter mobilisation; and
- cash flow used in our operations amounting to USD0.5 million, mainly as a result of the decrease in working capital amounting to USD2.8 million offset against the loss before depreciation and interest incurred of USD3.3 million.



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4) Statement of changes in equity for the quarter ended 31.3.2011

<u>Group</u>	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
Balance at 1 January 2011	121,141	(36,647)	84,494
Total comprehensive loss for the period	-	(8,315)	(8,315)
Balance at 31 March, 2011	121,141	(44,962)	76,179
Balance at 1 January 2010	94,404	(14,078)	80,326
Total comprehensive loss for the period	-	(3,910)	(3,910)
Balance at 31 March, 2010	94,404	(17,988)	76,416

Commentary on Group's changes in equity for the quarter ended 31 March 2011

The Group net equity decreased from USD84.5 million as at 31 December 2010 to USD76.2 million as at 31 March 2011. The decreased in equity by USD8.3 million is due to net loss incurred for 1Q11.

5) Commentary on FY2011

As announced on 24 March 2011, the Group has through its Angolan partner, Technoil Tecnologia e Servicos Limitada, entered into a contract for the charter of the ARV 1 for a minimum fixed period of three months. The Charterer has option periods totalling 80 days.

Charter payments have now commenced, which will be recorded in second quarter results.

Barring any unforeseen circumstances, the Board expects the Group's performance to improve in FY2011 from the above charter of ARV1 and subsequent charters of ARV1 and MV Normandy.

Submitted by:
Board of Directors
Equinox Offshore Accommodation Limited