NORDIC AMERICAN TANKER SHIPPING LTD
Form 20-F
June 27, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number 1-13944

NORDIC AMERICAN TANKER SHIPPING LIMITED

(Exact name of Registrant as specified in its charter)

ISLANDS OF BERMUDA

(Jurisdiction of incorporation or organization)

Cedar House
41 Cedar Avenue
Hamilton HM EX
Bermuda

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Shares	American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares, par value $0.01 9,706,606

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 |X| Item 18

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ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following historical financial information should be read in conjunction with our audited consolidated financial statements and related notes all of which are included elsewhere in this document and "Operating and Financial Review and Prospects." The statements of operations data for each of the three years ended December 31, 2002, 2001, and 2000 and selected balance sheet data as of December 31, 2002 and 2001 are derived from our audited consolidated financial statements included elsewhere in this document. The statements of operations data for each of the years ended December 31, 1999 and 1998 and selected balance sheet data as of December 31, 2000, 1999 and 1998 are derived from our audited financial statements not included in this document.

SELECTED BALANCE SHEET DATA

	December 31,				
	2002	2001	2000	1999	
Assets					
Cash and Cash Equivalents	277,783	630,868	1,922,925	2,507,017	
Accounts Receivable	3,276,523	170,180	10,228,286	0	
Prepaid Finance Costs	28,955	43,435	57,915	72,395	
Prepaid Insurance	83,333	70,000	58,333	70,833	
Vessels	134,912,965	141,744,005	148,575,045	155,406,085	16
Total Assets	138,579,559	142,658,488	160,842,504	158,056,330	16
Accounts Payable	996	0	0	0	
Accrued expenses	2,016,000	778,000	0	0	
Accrued Interest	215,466	38,666	43,500	77,333	
Long-term debt	30,000,000	30,000,000	30,000,000	30,000,000	3

Total Long-term Liabilities	32,232,462	30,816,666	30,043,500	30,077,333	3
Shareholders' Equity					
Common stock	97,066	97,066	97,066	97,066	
Accumulated Other Comprehensive Loss	(2,016,000)	(778,000)	0	0	
Other Shareholders' Equity	108,266,031	112,522,756	130,701,938	127,881,931	13
Total Shareholders' Equity	106,347,097	111,841,822	130,799,004	127,978,997	13
Total Liabilities and Shareholders' Equity	138,579,559	142,658,488	160,842,504	158,056,330	16

SELECTED STATEMENT OF OPERATIONS DATA

	Year Ended December 31,				
	2002	2001	2000	1999	
Revenue	18,057,989	28,359,568	36,577,262	14,782,500	1
Ship Broker Commissions	(184,781)	(184,781)	(185,288)	(184,781)	
Mgmt. Fee and Admin. Exp.	(340,381)	(281,406)	(290,791)	(314,004)	
Directors Insurance	(86,667)	(72,333)	(82,500)	(97,500)	
Depreciation	(6,831,040)	(6,831,040)	(6,831,040)	(6,831,039)	(
Net Operating Income	10,615,120	20,990,008	29,187,643	7,355,176	
Net Financial Items	(1,767,852)	(1,604,532)	(1,518,677)	(1,580,498)	
Net Profit for the Year	8,847,268	19,385,476	27,668,966	5,774,678	
Basic Earnings Per Share	0.91	2.00	2.85	0.59	
Diluted Earnings Per Share	0.91	2.00	2.85	0.59	
Cash Dividends Declared Per Share	1.35	3.87	2.56	1.35	
Weighted Average Shares Outstanding:					
Basic	9,706,606	9,706,606	9,706,606	9,706,606	1
Diluted	9,706,606	9,706,606	9,706,606	9,706,606	1

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable

D. RISK FACTORS

Industry Specific Risk Factors

THE CYCLICAL NATURE OF THE TANKER INDUSTRY MAY LEAD TO VOLATILE CHANGES IN CHARTER RATES WHICH MAY ADVERSELY AFFECT THE COMPANY'S EARNINGS

If the tanker industry, which has been cyclical, is depressed in the future when the Company's vessels' charters expire or when the Company wants to sell a vessel, the Company's earnings and available cash flow may decrease. The Company's ability to recharter its vessels on the expiration or termination of their current charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker market. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for tanker vessels are outside of the Company's control, and the nature, timing and degree of changes in industry conditions are unpredictable. The factors that influence demand for tanker capacity include:

- demand for oil and oil products;
- global and regional economic conditions;
- the distance oil and oil products are to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels; and
- the number of vessels that are out of service.

The Company's vessels are currently operated under bareboat charters to BP Shipping Ltd., a wholly owned subsidiary of BP p.l.c. The Company receives a set minimum base rate charter hire and variable additional hire under these bareboat charters. The amount of additional hire is determined by a brokers' panel and therefore is subject to variation depending on general tanker market conditions. The Company cannot assure you that the Charterer will pay additional hire for any quarter.

THE VALUE OF THE COMPANY'S VESSELS MAY FLUCTUATE AND ALSO DEPEND ON WHETHER BP SHIPPING LTD. RENEWS ITS CHARTERS WHICH COULD RESULT IN A LOWER SHARE PRICE

Tanker values have generally experienced high volatility. Investors can expect the fair market value of the Company's oil tankers to fluctuate, depending on general economic and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other modes of transportation. In addition, as vessels grow older, they generally decline in value. These factors will affect the value of the Company's vessels at the termination of their charters or earlier at the time of their sale. It is very possible that the value of the Company's vessels could be well below both their implied value based on the trading price for the Company's shares and their present market value without the BP Shipping Ltd. charters. While the trading price for the Company's shares depends on many factors, the failure of BP Shipping Ltd. to renew the charters could result in a lower market price for the Company's shares.

Company Specific Risk Factors

BECAUSE THE COMPANY'S CHARTERS MAY EXPIRE IN 2004, THE COMPANY MAY INCUR ADDITIONAL EXPENSES AND NOT BE ABLE TO RECHARTER THE COMPANY'S VESSELS

PROFITABLY

Each of the Company's charters with BP Shipping Ltd. expires approximately seven years after the date of delivery of each vessel to us, which could be as early as September 2004, unless extended at the option of the charterer for seven successive one year periods, on twelve months' prior written notice. The charterer has the sole discretion to exercise that option under one or more of the charters. The charterer will not owe any fiduciary or other duty to the Company or its shareholders in deciding whether to exercise the extension option, and the charterer's decision may be contrary to the Company's interests or those of the Company's shareholders.

The Company cannot predict at this time any of the factors that the charterer will consider in deciding whether to exercise any of its extension options under the charters. It is likely, however, that the charterer would consider a variety of factors, which may include whether a vessel is surplus or suitable to the charterer's requirements and whether competitive charterhire rates are available to the charterer in the open market at that time.

In the event BP Shipping Ltd. does not extend the Company's current charters, the Company will present to its shareholders a recommendation by the Company's Board of Directors as to whether it believes that the sale of the Company's vessels is in the shareholders' best interests or whether an alternative plan, such as attempting to arrange a replacement charter, might be of greater benefit. Replacement charters may include shorter term time charters and employing the vessels on the spot charter market (which is subject to greater fluctuation than the time charter market). Any replacement charters may bring the Company lower charter rates and would likely require the Company to incur greater expenses which may reduce the amounts available, if any, to pay distributions to shareholders.

SHIPPING COMPANIES GENERALLY MUST CONDUCT OPERATIONS IN MANY PARTS OF THE WORLD, AND ACCORDINGLY THEIR VESSELS ARE EXPOSED TO INTERNATIONAL RISKS WHICH COULD REDUCE REVENUE OR INCREASE EXPENSES.

Shipping companies conduct global operations. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism and other efforts to disrupt shipping. The terrorist attacks against targets in the United States on September 11, 2001, the military response by the United States and the recent conflict in Iraq may increase the likelihood of acts of terrorism worldwide. Acts of terrorism, regional hostilities or other political instability could affect trade patterns and reduce our revenue or increase our expenses.

TERRORIST ATTACKS, SUCH AS THE ATTACKS ON THE UNITED STATES ON SEPTEMBER 11, 2001, AND OTHER ACTS OF VIOLENCE OR WAR MAY AFFECT THE FINANCIAL MARKETS AND OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the United States' continuing response to these attacks, as well as the threat of future terrorist attacks, continues to cause uncertainty in the world financial markets. The recent conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets, including the energy markets.

Future terrorist attacks, such as the attack on the m.t. Limburg in October 2002, may also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the

United States and globally and could result in an economic recession in the United States or the world. If the Company's charters with BP Shipping Ltd. expire, any of these occurrences could have a material adverse impact on our operating results, revenue, and costs.

THE COMPANY OPERATES IN THE HIGHLY COMPETITIVE INTERNATIONAL TANKER MARKET AND ITS POSITION COULD BE ADVERSELY AFFECTED IF BP SHIPPING LTD. DOES NOT RENEW THE COMPANY'S CHARTERS

The operation of tanker vessels and transportation of crude and petroleum products and the other businesses in which the Company operates are extremely competitive. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of whom have substantially greater resources. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. During the term of the Company's existing charters with BP Shipping Ltd. the Company is not exposed to the risk associated with this competition. In the event that BP Shipping Ltd. does not renew the charters in 2004, the Company will have to compete with other tanker owners, including major oil companies as the well as independent tanker companies for charterers. Due in part to the fragmented tanker market, competitors with greater resources could enter and operate larger fleets through acquisitions or consolidations and may be able to offer better prices and fleets, which could result in the Company's achieving lower revenues from the Company's oil tankers.

COMPLIANCE WITH ENVIRONMENTAL LAWS OR REGULATIONS MAY ADVERSELY AFFECT THE COMPANY'S EARNINGS AND FINANCIAL CONDITIONS IF BP SHIPPING LTD. DOES NOT RENEW ITS CHARTERS

Regulations in the various states and other jurisdictions in which the Company's vessels trade affect the Company's business. Extensive and changing environmental laws and other regulations, compliance with which may entail significant expenses, including expenses for ship modifications and changes in operating procedures, affect the operation of the Company's vessels. Although BP Shipping Ltd. is responsible for all operational matters and bears all these expenses during the term of the Company's current charters, these expenses could have an adverse effect on the Company's business operations at any time after the expiration or termination of a charter or in the event BP Shipping Ltd. fails to make a necessary payment.

THE COMPANY MAY NOT HAVE ADEQUATE INSURANCE IN THE EVENT EXISTING CHARTERS ARE NOT RENEWED

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. Under the existing charters, BP Shipping Ltd. bears all risks associated with the operation of the Company's vessels including any total loss of one or more vessels. However, the Company cannot assure investors that the Company will adequately insure against all risks in the event the Company's existing charters are not renewed at the expiration of their terms. The Company may not be able to obtain adequate insurance coverage at reasonable rates for the Company's fleet in the future and the insurers may not pay particular claims.

THE COMPANY IS HIGHLY DEPENDENT ON BP SHIPPING LTD. AND BP p.l.c.

The Company is highly dependent on the due performance by BP Shipping Ltd. of its obligations under the charters and by its guarantor, BP p.l.c. Any failure by BP Shipping Ltd. or BP p.l.c. to perform its obligations could result in enforcement by the Company's lenders of their rights including foreclosing on the mortgages over the vessels and the outstanding capital stock of the Company's subsidiaries, all of which are pledged to the lenders, and all of the subsidiaries' rights in the charters, and the consequent forfeiture of the Company's vessels. The Company's shareholders do not have any recourse against BP Shipping Ltd. or BP p.l.c.

The Company's ability to recharter or sell the vessels if BP Shipping Ltd. or BP p.l.c. defaults would be subject to the rights of the lenders and the rights of the lessor under finance leases to which the Company is a party for its vessels. In addition, if BP Shipping Ltd. were to default on its obligations under a charter or not exercise its charter extension option, the Company may be required to change the flagging or registration of the related vessel and may incur additional costs, including maintenance and crew costs.

INCURRENCE OF EXPENSES OR LIABILITIES MAY REDUCE OR ELIMINATE DISTRIBUTIONS

The Company has made distributions quarterly since September 1997, in an aggregate amount equal to the charterhire received from BP Shipping Ltd. less the Company's cash expenses and less any reserves required in respect of any contingent liabilities. It is possible that the Company could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution as dividends. In particular, toward the end of the term of the charters in 2004, the Company is likely to have additional expenses and may have to set aside amounts for future payments of interest. The Company's loan agreements prohibit the declaration and payment of dividends if the Company is in default under them. In addition, the declaration and payment of dividends is subject at all times to the discretion of the Company's Board. The Company cannot assure you that the Company will pay dividends in the amounts anticipated or at all.

THE COMPANY HAS A LIMITED BUSINESS PURPOSE WHICH LIMITS ITS FLEXIBILITY

The Company's bye-laws limit the Company's business to engaging in the acquisition, disposition, ownership, leasing and chartering of the Company's three Suezmax oil tankers. During the terms of the Company's charters with BP Shipping Ltd. the Company expects that the only source of operating revenue from which the Company may pay distributions will be from these charters.

GOVERNMENTS COULD REQUISITION THE COMPANY'S VESSELS DURING A PERIOD OF WAR OR EMERGENCY, RESULTING IN A LOSS OF EARNINGS

A government could requisition for title or seize the Company's vessels. Requisition for title occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition the Company's vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. If a vessel is requisitioned for hire from a pre-existing charterer beyond the scheduled termination date, BP Shipping Ltd. will be obligated to pay to us only those amounts received by it as charterhire from the requisitioning entity, less operating costs. This amount could be materially less than the charterhire that would have been payable otherwise. In addition, the Company would bear all risk of loss or damage to the vessel after the charter would otherwise have terminated.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT

Nordic American Tanker Shipping Limited (the "Company") was incorporated on June 12, 1995, under the laws of the Islands of Bermuda ("Bermuda") for the purpose of acquiring, disposing, owning, leasing, and chartering three double hull Suezmax oil tankers (the "Vessels"). The principal executive offices of the Company are located at: Cedar House, 41 Cedar Avenue, Hamilton HM EX, Bermuda, telephone number (441) 295-2244.

Pursuant to an agreement (the "Management Agreement") between the Company and its manager (the "Manager"), the Manager provides certain management, administrative and advisory services to the Company. Before May 2003, Ugland Nordic Shipping AS, or UNS, acted as the Manager. On May 30, 2003, following approval by the Company's shareholders, the Management Agreement was novated to Scandic American Shipping Ltd., or Scandic, a company owned by Herbjorn Hansson, the Company's Chairman and by Andreas Ove Ugland, a director, which became the Manager.

B. BUSINESS OVERVIEW

Vessels Owned by the Company

Each of the Company's Vessels is a 1997 built, 151,459 dwt double hull Suezmax oil tanker. The purchase price of each Vessel was approximately $56.9 million. The Vessels were delivered between August and December 1997 and have been designed according to the specifications set forth in the shipbuilding contracts between the Builder and the Company (the "Shipbuilding Contracts"). The Vessels were built at Samsung Heavy Industries Co. Ltd. in South Korea.

Each Vessel is registered in the Isle of Man and flies the British flag.

Chartering Operations Commenced on September 30, 1997

Each Vessel is chartered to BP Shipping Ltd., or the Charterer, pursuant to separate "hell and high water" bareboat charters (the "Charters"). The initial term of the Charters is from September 30, 1997 and will end approximately seven years from that date, subject to extension at the option of the Charterer for up to seven successive one-year periods. Under each Charter, the Charterer is required to provide the Company with at least twelve months' prior notice of each such extension. The Company's dividend policy is to pay dividends to the shareholders in amounts substantially equal to the amounts received by it under the Charters, less expenses. In 2001, a portion of these dividends was considered return of capital for United States federal income tax purposes.

The daily charterhire rate payable under each Charter is comprised of two components: (i) a fixed minimum rate of charterhire of $13,500 per Vessel per day (the "Base Rate"), paid quarterly in advance, and (ii) additional charterhire (which will be determined and paid quarterly in arrears and may equal zero) which would equal the excess, if any, of a weighted average of the daily time charter rates for two round-trip trade routes traditionally served by Suezmax tankers (Bonny, Nigeria to/from the Louisiana Offshore Oil Port, and Hound Point, U.K. to/from Philadelphia, Pennsylvania (the "Reference Ports")), over the sum of (A) an agreed amount of $8,500 representing daily operating costs and (B) the Base Rate ("Additional Hire"). The amount of Additional Hire, if any, will be determined by the London Tanker Brokers Panel or another panel of ship brokers mutually acceptable to the Charterer and the Company (the "Brokers Panel"). In 2002, the Company did not receive any Additional Hire.

Pursuant to the terms of the Charters, the Charterer's obligation to pay charterhire is absolute, regardless whether there is loss or damage to a Vessel or any other reason. The Charterer is also obligated to indemnify and hold the Company harmless from all liabilities arising from the operation, design and construction of the Vessels prior to and during the term of the Charters, including environmental liabilities, other than liabilities arising out of the gross negligence or willful misconduct of the Company. The obligations of the Charterer are guaranteed by BP p.l.c., the successor company to the merger between Amoco Corp and The British Petroleum Company p.l.c.

At least six months prior to the end of the term (including any extension thereof) of a Charter, the Company's shareholders will be entitled to vote on a proposal to sell the related Vessels and to distribute the net proceeds to the shareholders to the extent permitted under Bermuda law. The Board of Directors of the Company, or the Board, will make a recommendation which may favor such sale or an alternative plan, such as the operation, rechartering or other disposition of the Vessels. The proposal to sell the Vessels and distribute the resulting net proceeds shall be adopted if approved by the holders of a majority of the Common Shares voting at the meeting called for such purpose.

The International Tanker Market

International seaborne oil and petroleum products transportation services are mainly provided by two types of operator: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. Both types of operators transport oil under short-term contracts (including single-voyage "spot charters") and long-term time charters with oil companies, oil traders, large oil consumers, petroleum product producers and government agencies. The oil companies own, or control through long-term time charters, approximately one third of the current world tanker capacity, while independent companies own or control the balance of the fleet. The oil companies use their fleets not only to transport their own oil, but also to transport oil for third-party charterers in direct competition with independent owners and operators in the tanker charter market.

The oil transportation industry has historically been subject to regulation by national authorities and through international conventions. Over recent years, however, an environmental protection regime has evolved which has a significant impact on the operations of participants in the industry in the form of increasingly more stringent inspection requirements, closer monitoring of pollution-related events, and generally higher costs and potential liabilities for the owners and operators of tankers.

In order to benefit from economies of scale, tanker charterers will typically charter the largest possible vessel to transport oil or products, consistent with port and canal dimensional restrictions and optimal cargo lot sizes. The oil tanker fleet is generally divided into the following five major types of vessels, based on vessel carrying capacity: (i) ULCC-size range of approximately 320,000 to 450,000 dwt; (ii) VLCC-size range of approximately 200,000 to 320,000 dwt; (iii) Suezmax-size range of approximately 120,000 to 200,000 dwt; (iv) Aframax-size range of approximately 60,000 to 120,000 dwt; and (v) small tankers of less than approximately 60,000 dwt. ULCCs and VLCCs typically transport crude oil in long-haul trades, such as from the Arabian Gulf to Rotterdam via the Cape of Good Hope. Suezmax tankers also engage in long-haul crude oil trades as well as in medium-haul crude oil trades, such as from West Africa to the East Coast of the United States. Aframax-size vessels generally engage in both medium-and short-haul trades of less than 1,500 miles and carry crude oil or petroleum products. Smaller tankers mostly transport petroleum products in short-haul to medium-haul trades.

The tanker market in general was depressed through the second half of

1998 and 1999 as a result of lower volumes of oil transported due to cuts in oil production by OPEC. A high proportion of the OPEC cuts were taken by the Middle East producers which account for the long-haul crude. The cut in long-haul crude resulted in decreased transportation demand. At the beginning of the year 2000 the Suezmax market started to improve, backed by increasing OPEC production and the fact that scrapping of older tonnage in the weak 1999 market brought demand and supply of transportation capacity closer to a balance. A high-profile oil-spill off the coast of France in late 1999 created strong public and political pressure for stricter requirements on tankers. The result was an increased demand for modern quality tonnage as many leading charterers reduced their use of older tonnage. OPEC increased output on several occasions in 2000 in response to oil demand and the demand for tonnage grew through the year with gradually higher charter rates and, in the last quarter of 2000, the highest average Suezmax rates paid since the early 1970's. The charter rates have dropped in the beginning of 2001, compared to the highs of end 2000. Market rates which are used to determine additional hire decreased in 2001. The decrease was driven by OPEC oil production decreases and a slow down in the world economy. The rates continued to decrease through the first three quarters of 2002. Market rates began increasing during the fourth quarter due to, among other things, a strike in the Venezuelan oil industry. As a result of the strike, the United States was forced to import oil from the Arabian Gulf and West Africa. The longer transportation requirements and increased demand for oil has led to a strong tanker market which has continued into 2003. A strong Suezmax market will largely depend on the global oil demand in 2002 and the implementation by IMO and EU of new rules that would remove from trading in the next 3 to 4 years almost all Suezmaxes built before 1980 and the net delivery of new tankers.

Environmental and Other Regulations

The operation of the Vessels are affected by environmental protection laws and other regulations. Such laws and regulations are subject to extensive and material changes. Compliance with such laws and regulations may entail significant expenses, including expenses for ship modifications and changes in operating procedures. Although all such expenses are payable by the Charterer during the term of the Charters, such expenses could have an adverse effect on the Company at any time after the expiration or termination of a Charter or in the event the Charterer and BP p.l.c. (as the guarantor of the obligations of the Charterer) fail to make any such payment. Certain proposals in the United States for new regulatory requirements could create significant additional expenses in such event. In particular, certain legislation has been proposed that would, among other things, impose minimum wage requirements on foreign crews, impose restrictions on the use of foreign-flagged vessels (such as the Vessels) in United States trade and impose additional costs on operators of foreign-built vessels (such as the Vessels). The Company cannot predict the likelihood of any of this proposed legislation being enacted or the ultimate cost of complying with such legislation if enacted.

In addition, although the United States Oil Pollution Act of 1990, as amended, or OPA, limits the strict liability of owners, operators and charterers by demise (i.e., bareboat charterers) of vessels (the "Responsible Parties") to the greater of $1,200 per gross ton or $10 million per tanker (subject to possible adjustment for inflation) for removal costs and damages that result from a discharge of oil, these limits do not apply if the discharge is caused by gross negligence or willful misconduct, or the violation of an applicable U.S. federal safety, construction or operating regulation by a Responsible Party.

Pursuant to interim implementing regulations promulgated by the United States Coast Guard, or USCG, Responsible Parties must meet new financial responsibility requirements that are significantly greater than those previously required. The protection and indemnity associations ("P&I

Associations"), which have historically provided shipowners and operators financial assurance, have refused to furnish evidence of insurance to Responsible Parties and therefore, Responsible Parties have had to obtain financial assurance from other sources at additional cost. While the Charterer will be responsible for compliance during the term of the Charters, the inability of the Company to comply with these regulations following the expiration or termination of the Charters would have an adverse effect on the Company's business and results of operations.

The International Maritime Organization, an agency of the United Nations, or IMO, has adopted regulations that are designed to reduce oil pollution in international waters. In complying with OPA and the IMO regulations and other regulations that may be adopted, shipowners and operators may be forced to incur additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Additional laws and regulations may be adopted which could limit the ability of the Company to do business and which could have a material adverse effect on the Company's business and results of operations following the expiration or termination of a Charter.

The operation of the Vessels is also affected by the newly adopted requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners and bareboat charterers to develop an extensive "Safety Management System," which includes policy statements, manuals, standard procedures and lines of communication. Noncompliance with the ISM Code may subject the shipowner or bareboat charterer to increased liability and may lead to decreases in available insurance coverage for affected vessels. Although compliance with the ISM Code is the responsibility of the Charterer during the term of the Charters, the Company would become primarily responsible for compliance with the ISM Code if the Charterer were to default in its obligations under the Charter.

C. ORGANIZATIONAL STRUCTURE

Prior to September 30, 1997, the Company was a wholly owned subsidiary of UNS, a Norwegian shipping company whose shares were listed on the Oslo Stock Exchange. On September 30, 1997, 11,731,613 warrants for the purchase of the Company's common shares, which had been sold to the public in 1995, were exercised. UNS, currently a wholly-owned subsidiary of Teekay Shipping Corporation, a New York Stock Exchange listed tanker owner and operator, holds 10.31% of the outstanding Shares. Until May 30, 2003, UNS acted as the Manager, and provided managerial, administrative and advisory services to the Company pursuant to the Management Agreement. Since May 30, 2003, Scandic has acted as the Company's Manager, and provides such services pursuant to the Management Agreement, as novated. See Item 7.

D. PROPERTY, PLANT AND EQUIPMENT

Other than the Vessels described elsewhere in this filing, the Company does not own or lease any tangible fixed property.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

The Company owns three modern double hull 151,459 dead weight tonne Suezmax tankers, or the Vessels, which were delivered in the last half of 1997. The Vessels were built at Samsung Heavy Industries Ltd. in South Korea.

Each Charter is subject to extension at the option of the Charterer for up to seven successive one-year periods. During the term of each Charter (including any extension thereof) the Charterer is obligated to pay (i) the Base Rate, which is charterhire at a fixed minimum daily rate of $13,500 per Vessel per day (time charter equivalent of $22,000 per day), payable quarterly in advance and (ii) Additional Hire, to the extent spot charter rates exceed certain levels, payable quarterly in arrears, from January 1998. The amount of Additional Hire for each quarter, if any, will be determined by the Brokers Panel.

Results of Operations

The Company's revenues from charterhire for 2002 decreased 36% from 2001 to $18,057,989 or $16,491 per day per vessel (time charter equivalent of $24,991 per day per vessel). Charterhire revenue for 2002 was derived from Base Hire of $14,782,500 ($13,500 per day per Vessel) and Additional Hire of $3,275,489 ($2,991 per day per vessel).

Market rates which are used to determine additional hire decreased significantly in 2002. The decrease was driven by OPEC oil production decreases and a slow down in the world economy. Additional hire, determined by the Brokers Panel, was awarded for 4th quarter 2002 only. The additional hire was $3,275,489. Charterhire per day per Vessel (time charter equivalent) for each quarter of 2002 was $22,000 for the 1st, 2nd and 3rd quarter and $33,868 for the 4th quarter.

Comparatively, Base Hire in 2001 and 2000 was $14,782,500 ($13,500 per day per Vessel) for each year. Additional Hire was $13,577,068 in 2001 and $21,754,262 in 2000.

Management, insurance and administrative costs, or MI&A, for 2002, 2001 and 2000 were $611,829, $538,520 and $558,759 respectively. The Company's MI&A for all three years consisted of ship brokers commissions of approximately $185,000 and management fees of $250,000 which are fixed. The increase in costs of $73,309 from 2001 to 2002 is mainly due to higher insurance costs and attorney fees. Depreciation expense approximated $6,831,040 for each of the three years.

Liquidity and Capital Resources

The Company's cash flows are primarily from charter hire revenue.

Cash flows provided by operating activities decreased in 2002 to $12,750,908 due primarily to the decrease in net profit and an increase in accounts receivable due to additional hire awarded in 4th quarter.

Cash flows used in financing activities decreased 65% to $13,103,993 due to the decrease in dividends paid during the year.

There were no cash flows from investing activities during the year.

Due to the nature of the business, cash flows are predictable with the exception of additional charter hire to be awarded, if any. The Company expects that cash from base charter hire will be sufficient to meet operational requirements in 2003. The Company does not have plans for significant capital expenditures or other investments during 2003.

Dividend payment

Total dividends paid out in 2002 were $13,103,993 or $1.35 per Share. The dividend payments per share in 1997, 1998, 1999, 2000, 2001 and 2002 have been as follows:

Period	1997	1998	1999	2000	2001	2002
1st Quarter		0.40	0.32	0.34	1.41	0.36
2nd Quarter		0.41	0.32	0.45	1.19	0.34
3rd Quarter		0.32	0.35	0.67	0.72	0.33
4th Quarter	0.30	0.30	0.36	1.10	0.55	0.32
Total USD	0.30	1.43	1.35	2.56	3.87	1.35

The Company declared a dividend of $0.63 per share for the first quarter of 2003. The dividend of $0.63 was paid to Shareholders in February 2003.

Long-Term Debt and Repurchase of Common Stock

In 1998, the Company borrowed $30.0 million from Den norske Bank ASA, Oslo, Norway, or DnB, to finance the repurchase of 2,107,244 shares through a "Dutch Auction" self-tender offer at a price of $12.50 per Share. The total purchase price of the Shares including the costs associated with the transaction was $27.1 million. On May 12, 1999, the General Shareholders Meeting approved the remaining proceeds being utilized to increase the quarterly dividends.

An important objective of the repurchase of Shares was to increase the Company's cash distribution to shareholders while the Vessels are on charter to the Charterer. While the Vessels are on charter, the minimum cash distribution per Share (assuming receipt of Base Hire and no increase of expenses) has increased by $0.15, from $1.20 to $1.35 per year, an increase of 12.5%.

The Company has entered into an interest swap agreement with DnB, as a result of which the Company pays a fixed interest on the Loan of 5.8% per annum for the next two years. The swap agreement terminates on the final repayment date of the Loan, i.e., the fourth quarter of the year 2004.

Contractual Obligations

The Company does not have contractual obligations or commercial commitments except long-term debt as described above.

Disclosure and Internal Controls

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Company's Chairman, Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2002. No significant changes in the Company's internal controls or in other factors have occurred that could significantly affect controls subsequent to December 31, 2002.

ITEM 6.   DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the Management Agreement, the Manager provides management, administrative and advisory services to the Company with respect to the Vessels.

Set forth below are the names and positions of the directors and executive officers of the Company. Directors of the Company are elected annually, and each director elected holds office until a successor is elected. Officers of the Company are elected from time to time by vote of the board of directors and hold office until a successor is elected.

The Company

Name	Age	Position
Peter Bubenzer	48	Secretary
Tharald Brovig	60	Director
Hon. Sir David Gibbons	75	Director
Herbjorn Hansson	55	Director and President
George C. Lodge	75	Director
Andreas Ove Ugland	48	Director

Certain biographical information with respect to each director and executive officer of the Company is set forth below.

Herbjorn Hansson has been President and Chief Executive Officer of the Company and of the Manager since July 1995 and September 1993, respectively, and has served as a director of the Manager since its organization in June 1989 and as a director of the Company since July 1995. Mr. Hansson formerly served as the Chairman of the Board of the Manager from June 1989 to September 1993. Mr. Hansson has been involved in various aspects of the shipping industry and international finance since the early 1970s, including serving as Chief Economist of Intertanko, the International Association of Independent Tanker Owners, from 1975-1980. He was an executive officer of the Anders Jahre/Kosmos Group from 1980 to 1989, serving as Chief Financial Officer from 1983 to 1988. Mr. Hansson is a major shareholder and Deputy Chairman of Scandic.

Peter Bubenzer has been the Secretary of the Company since May 1999. Mr. Bubenzer has been a Partner of the law firm of Appleby, Spurling & Kempe, Bermuda since 1986.

Tharald Brovig has been a director of the Company since July 1995 and has been a director of the Manager since its organization in June 1989.

Sir David Gibbons has been a director of the Company since September 1995. Sir David served as the Prime Minister of Bermuda from August 1977 to January 1982. Sir David has served as Chairman of The Bank of N.T. Butterfield and Son Limited since 1986 and as Chief Executive Officer of Edmund Gibbons Ltd. since 1954.

George C. Lodge has been a director of the Company since September 1995. Professor Lodge has been a member of the Harvard Business School faculty since 1963. He was named associate professor of business administration at Harvard in 1968 and received tenure in 1972.

Andreas Ove Ugland has been a director of the Company since February 1997. Mr. Ugland has also served as director and Chairman of: Ugland International Holding Plc, a shipping/transport company listed on the London Stock Exchange, Andreas Ugland & Sons AS, Grimstad, Norway, H0egh Ugland Autoliners AS, Oslo and Buld Associates Inc., Bermuda. Mr. Ugland has had his whole career in shipping in the Ugland family owned shipping group. Mr. Ugland is controlling shareholder and Chairman of Scandic.

B. COMPENSATION

Pursuant to the Management Agreement, the Manager pays from the Management Fee the annual directors' fees of the Company, currently estimated at an aggregate amount of $80,000 per annum. Accordingly, from the inception of the Company through December 31, 2002, the directors of the Company have not been paid by the Company any amount for services rendered by them to the Company in any capacity.

C. BOARD PRACTICES

The members of the Company's board of directors serves until the next annual general meeting following his or her election to the board. The members of the current board of directors were elected at the annual general meeting held on May 30, 2003. The full board of directors currently acts as the Audit Committee of the Company.

D. EMPLOYEES

The Company has not had any employees during the past three fiscal years. Pursuant to a management agreement with the Manager, the Manager provides management, administrative and advisory services to the Company.

E. SHARE OWNERSHIP

The following table sets forth information regarding the share ownership of the Company by its directors and officers. All of the shareholders are entitled to one vote for each share of common stock held.

Title	Identity of Person	No. of Shares	% of Class
Common	Herbjorn Hansson	*	