

**UNITED STATES
SECURITIES 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

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2001**

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 0-29106

KNIGHTSBRIDGE TANKERS LIMITED
(Exact name of Registrant as specified in its charter)

ISLANDS OF BERMUDA
(Jurisdiction of incorporation or organization)

Par-la-Ville Place

**14 Par-la-Ville Road
Hamilton, HM 08
Bermuda**

(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to section 12(g) of the Act.

Common Shares, \$0.01 Par Value
(Title of class)

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.

17,100,000 Common Shares, \$0.01 Par Value

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 No

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

Item 17 Item 18

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Knightsbridge Tankers Limited desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe," "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the tanker market, as a result of changes in OPEC's petroleum production levels and world wide oil consumption and storage, changes in the company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by Knightsbridge Tanker Limited with the Securities and Exchange Commission.

PART I

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 selected consolidated income statement data of Knightsbridge Tankers Limited and its subsidiaries (the "Company") with respect to the fiscal years ended December 31, 2001, 2000 and 1999 and the selected consolidated balance sheet data of the Company with respect to the fiscal years ended December 31, 2001 and 2000 have been derived from the Company's Consolidated Financial Statements included herein and should be read in conjunction with such statements and the notes thereto. The selected consolidated income statement data with respect to the fiscal year ended December 31, 1998 and the fiscal period ended December 31, 1997 and the selected consolidated balance sheet data with respect to the fiscal years ended December 31, 1999 and 1998 and the fiscal period ended December 31, 1997 has been derived from consolidated financial statements of the Company not included herein. The following table should also be read in conjunction with Item 5 "Operating and Financial Review and Prospects" and the Company's Consolidated Financial Statements and Notes thereto included herein.

| | Fiscal Year Ended December 31 | | | Fiscal Period Ended December 31 | |
|---|--|----------------|----------------|--|----------------|
| | 2001 | 2000 | 1999 | 1998 | 1997 |
| (in US\$, except share data) | | | | | |
| INCOME STATEMENT DATA: | | | | | |
| Charter hire revenues | \$ 61,534,355 | \$ 76,335,975 | \$ 40,275,925 | \$ 45,039,385 | \$ 42,138,180 |
| Net operating income | \$ 43,140,556 | \$ 57,935,758 | \$ 21,842,043 | \$ 26,605,385 | \$ 26,573,686 |
| Net income | \$ 33,915,432 | \$ 48,723,745 | \$ 12,572,476 | \$ 17,385,820 | \$ 19,479,297 |
| Earnings per share | | | | | |
| - basic and diluted | \$ 1.98 | \$ 2.85 | \$ 0.74 | \$ 1.02 | \$ 1.61 |
| Cash dividends per share | \$ 4.24 | \$ 2.66 | \$ 1.80 | \$ 2.36 | 1.26 |
| BALANCE SHEET DATA (at December 31): | | | | | |
| Cash and cash equivalents | \$ 278,268 | \$ 247,370 | \$ 70,695 | \$ 315,223 | \$ 217,374 |
| Vessels under capital lease, net | \$ 354,593,912 | \$ 372,186,772 | \$ 389,779,632 | \$ 407,372,491 | \$ 424,965,352 |
| Total assets | \$ 366,204,004 | \$ 404,739,841 | \$ 403,265,501 | \$ 428,293,722 | \$ 458,067,222 |
| Long-term debt (including current portion) | \$ 125,397,399 | \$ 125,397,399 | \$ 127,078,937 | \$ 133,805,088 | \$ 140,531,239 |
| Shareholders' equity | \$ 229,077,216 | \$ 277,218,288 | \$ 273,980,543 | \$ 292,188,066 | \$ 315,158,247 |
| Common Shares | \$ 171,000 | \$ 171,000 | \$ 171,000 | \$ 171,000 | \$ 171,000 |
| Common shares outstanding | 17,100,000 | 17,100,000 | 17,100,000 | 17,100,000 | 17,100,000 |

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable

D. RISK FACTORS

Please note: In this section, "we", "us" and "our" all refer to the Company and its subsidiaries.

Industry Specific Risk Factors

The cyclical nature of the tanker industry may lead to volatile changes in charter rates which may adversely affect our earnings

If the tanker industry, which has been cyclical, is depressed in the future when our vessels' charters expire or when we want to sell a vessel, our earnings and available cash flow may decrease. Our ability to recharter our 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 our 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.

Our vessels are currently operated under bareboat charters to Shell International Petroleum Company Limited. We receive a set minimum base rate charter hire and variable additional hire under these bareboat charters. The amount of additional hire is determined quarterly with reference to three round-trip traditional trade routes and therefore is subject to variation depending on general tanker market conditions. We cannot assure you that we will receive additional hire for any quarter.

Any decrease in shipments of crude oil from the Arabian Gulf may adversely affect our financial performance

The demand for our very large crude carrier, or VLCC, oil tankers derives primarily from demand for Arabian Gulf crude oil, which, in turn, primarily depends on the economies of the world's industrial countries and competition from alternative energy sources. A wide range of economic, social and other factors can significantly affect the strength of the world's industrial economies and their demand for Arabian Gulf crude oil. One such factor is the price of worldwide crude oil. The world's oil markets have experienced high levels of volatility in the last 25 years. If oil prices were to rise dramatically, the economies of the world's industrial countries may experience a significant downturn.

Any decrease in shipments of crude oil from the Arabian Gulf would have a material adverse effect on our financial performance at any time after the expiration or termination of our current charters with Shell International (or earlier if a decrease adversely affects VLCC charterhire rates for shipments from the Arabian Gulf.) Among the factors which could lead to such a decrease are:

- increased crude oil production from non-Arabian Gulf areas;
- increased refining capacity in the Arabian Gulf area;
- increased use of existing and future crude oil pipelines in the Arabian Gulf area;
- a decision by Arabian Gulf oil-producing nations to increase their crude oil prices or to further decrease or limit their crude oil production;
- armed conflict in the Arabian Gulf and political or other factors; and
- the development and the relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

The value of our vessels may fluctuate and also depends on whether Shell International 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 our VLCC 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 our vessels at the termination of their charters or earlier at the time of their sale. It is very possible that the value of our vessels could be well below both their implied value based on the trading price for our shares and their present market value without the Shell International charters. While the trading price for our shares depends on many factors, the failure of Shell International to renew the charters could result in a lower market price for our shares. Based on the closing price of \$15.75 for our common shares on April 29, 2002, taking into account our total indebtedness of \$125.4 million, and assuming no other factors, such as liquidity premiums, our cash position, or expectations of future performance, the implied value of each of our vessels with the Shell International charter was \$78.9 million. The market value of a similar vessel, without charter, may be significantly lower than the implied value of our vessels.

Company Specific Risk Factors

Because our charters may expire in 2004, we may incur additional expenses and not be able to recharter our vessels profitably

Each of our charters with Shell International expires approximately seven years after the date of delivery of each vessel to us, which could be as early as February 2004, unless extended at the option of the charterer for an additional period of approximately seven years, on eight 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 us or our shareholders in deciding whether to exercise the extension option, and the charterer's decision may be contrary to our interests or those of our shareholders.

We 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 Shell International does not extend our current charters, we will present to our shareholders a recommendation by our Board of Directors as to whether it believes that the sale of our vessels is in our shareholders' best interests or whether an alternative plan, such as attempting to arrange a replacement charter, might be of greater benefit to us. 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 us lower charter rates and would likely require us to incur greater expenses which may reduce the amounts available, if any, to pay distributions to shareholders.

We operate in the highly competitive international tanker market which could affect our position if Shell International does not renew our charters

The operation of tanker vessels and transportation of crude and petroleum products and the other businesses in which we operate 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 than we do. 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 our existing charters with Shell International we are not exposed to the risk associated with this competition. In the event that Shell International does not renew the charters in 2004, we will have to compete with other tanker owners, including major oil companies as 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 our achieving lower revenues from our VLCC oil tankers.

Compliance with environmental laws or regulations may adversely affect our earnings and financial conditions if Shell International does not renew its charters

Regulations in the various states and other jurisdictions in which our vessels trade affect our 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 our vessels. Although Shell International is responsible for all operational matters and bears all these expenses during the term of our current charters, these expenses could have an adverse effect on our business operations at any time after the expiration or termination of a charter or in the event Shell International fails to make a necessary payment.

We 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, Shell International bears all risks associated with the operation of our vessels including any total loss of one or more vessels. However, we cannot assure investors that we will adequately insure against all risks in the event our existing charters are not renewed at the expiration of their terms. We may not be able to obtain adequate insurance coverage at reasonable rates for our fleet in the future and the insurers may not pay particular claims.

We are highly dependent on Shell International and its guarantors

We are highly dependent on the due performance by Shell International of its obligations under the charters and by its guarantors, Shell Petroleum N.V. and The Shell Petroleum Company Limited, of their obligations under their respective guarantees. Any failure by Shell International or the guarantors to perform their obligations could result in enforcement by our lenders of their rights including foreclosing on the mortgages over the vessels and the outstanding capital stock of our subsidiaries, all of which are pledged to the lenders, and all of the subsidiaries' rights in the charters, and the consequent forfeiture of our vessels. Our shareholders do not have any recourse against Shell International or its guarantors.

Our ability to recharter or sell the vessels if Shell International and its guarantors default would be subject to the rights of the lenders and the rights of the lessor under finance leases to which we are a party for our vessels. In addition, if Shell International were to default on its obligations under a charter or not exercise its charter extension option, we 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

We have made distributions quarterly since April 1997, in an aggregate amount equal to the charterhire received from Shell International less our cash expenses and less any reserves required in respect of any contingent liabilities. It is possible that we could incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution by us as dividends. In particular, toward the end of the term of the charters in 2004, we are likely to have additional expenses and may have to set aside amounts for future payments of interest and principal. Our loan agreements prohibit the declaration and payment of dividends if we are in default under them. In addition, the declaration and payment of dividends is subject at all

times to the discretion of our Board. We cannot assure you that we will pay dividends in the amounts anticipated or at all.

If we cannot refinance our loans, we may have to sell our vessels, which may leave no additional funds for distributions to shareholders

Whether or not Shell International renews our charters, our outstanding loan facility will mature in 2004, seven years and six months after the date of delivery of the related vessel, and we will be obligated to repay or refinance the related loan at that time. There is no assurance that we will be able to repay or refinance those loans. In addition, even if Shell International renews the charters for one or more of our vessels, but we are unable to refinance the related loan facility on acceptable terms, we may be forced to attempt to sell the vessels subject to the charters. Depending on the market value for our vessels at the time, it is possible that there could be no funds left to distribute to our shareholders.

We have a limited business purpose which limits our flexibility

Our bye-laws limit our business to engaging in the acquisition, disposition, ownership, leasing and chartering of our five VLCC oil tankers. During the terms of our charters with Shell International we expect that the only source of operating revenue from which we may pay distributions will be from these charters.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition our 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, Shell International 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, we 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 OF THE COMPANY

Knightsbridge Tankers Limited (the "Company") was incorporated in Bermuda on September 18, 1996. The Company's registered and principal executive offices are located at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda, and its telephone number is +1 (441) 295-0182. The Company was incorporated for the purpose of the acquisition, disposition, ownership, leasing and chartering of, through wholly-owned subsidiaries (the "Subsidiaries"), five very large crude oil carriers ("VLCCs") (the "Vessels"), and certain related activities. The Company charters the Vessels to Shell International Petroleum Company Limited (the "Charterer") on long-term "hell and high water" bareboat charters (the "Charters"). The obligations of the Charterer under these charters are jointly and severally guaranteed (the "Charter Guarantees") by Shell Petroleum N.V. and The Shell Petroleum Company Limited (the "Charter Guarantors"). The Charterer and the Charter Guarantors are all companies of the Royal Dutch/Shell Group of Companies. References herein to the Company include the Company and the Subsidiaries, unless otherwise indicated.

The business of the Company is limited by its Bye-Laws to the consummation of the transactions described above and related activities including the ownership of the Subsidiaries engaged in the acquisition, disposition, ownership, leasing and chartering of the Vessels and engaging in activities necessary, suitable or convenient to accomplish, or in connection with or incidental to, the foregoing, including entering into the Credit Facility (as defined below) and U.K finance leases and the refinancing thereof. During the terms of the Charters, the Company expects that its only source of operating revenue from which the Company may pay distributions to shareholders on its common shares, par value \$.01 per share, (the "Common Shares") will be cash payments from the Subsidiaries to the Company. Also, during the terms of the Charters, the Subsidiaries' only source of operating revenue will be charterhire paid to the Subsidiaries by the Charterer. The Company's Bye-Laws may be amended only upon the affirmative vote of 66-2/3% of the outstanding Common Shares, and, insofar as the Company's purposes or powers are concerned or insofar as the interests of the lenders under the Credit Facility are prejudiced, with the approval of the lenders under the Credit Facility. In addition, the Company and the Subsidiaries have agreed with the Charterer not to take certain acts which would subject them to general jurisdiction of the U.S. courts.

In February, 1997, upon the exercise by the underwriters of their over-allotment option, the Company offered and sold to the public 16,100,000 Common Shares at an initial offering price of \$20 per share. Simultaneously, the Company sold 1,000,000 Common Shares at a price of \$20 per share to ICB International Limited ("ICB International"), an indirect wholly-owned subsidiary of ICB Shipping Aktiebolag (publ) ("ICB"). ICB has since disposed of almost all of those shares. ICB is a Swedish oil tanker owning and operating company which until December 29, 1999, was publicly traded. ICB has been a subsidiary of Frontline Ltd. ("Frontline"), a Bermuda publicly traded oil tanker owning and operating company since September 23, 1999 when Frontline through purchases of shares became the indirect owner of more than 90 % of the shares and votes in ICB. As of December 31, 2001, ICB International owns approximately 0.01 % of the outstanding Common Shares. ICB Shipping (Bermuda) Limited (the "Manager"), another wholly-owned subsidiary of ICB and of which Frontline is the ultimate parent, manages the business of the Company.

The Company used the net proceeds of the offerings described above, together with advances totaling \$145.6 million under a credit facility from an international syndicate of lenders (the "Credit Facility"), primarily to fund the purchase by the Subsidiaries of the Vessels. Upon their purchase from their previous owners on February 27, 1997 (the "Delivery Date"), the Vessels were delivered by the Company to the Charterer under the Charters. The term of each of the Charters is a minimum of seven years, with an option for the Charterer to extend the period for each Vessel's Charter for an additional seven-year term, to a maximum of 14 years per Charter. Under the Charters, the Charterer pays the greater of a base rate of hire or a spot market related rate. See B. Business Overview below.

The Subsidiaries have each entered into conditional sale/leaseback arrangements (the "U.K. Finance Leases") with a subsidiary of National Westminster Bank plc, NatWest Leasing and Asset Finance Ltd. (the "U.K. Lessor") pursuant to which each Subsidiary has sold a Vessel to the U.K. Lessor under a conditional sale agreement (the "CSA") and concurrently leased its Vessel back from the U.K. Lessor for a term of 25 years. By virtue of certain benefits under United Kingdom tax laws which will be passed to the Charterer, the U.K. Finance Leases enable the Charterer to achieve a reduction in its costs of hiring and using the Vessels, without reducing the Base Hire, Additional Hire, if any, or Supplemental Hire (as these terms are defined herein) payable to the Subsidiaries. During the term of the U.K. Finance Leases, the Vessels will remain on the Company's consolidated balance sheet and each Subsidiary will retain title to the related Vessel.

On the Delivery Date, the U.K. Lessor paid to the Subsidiaries an amount equal to \$439.8 million in the aggregate and each Subsidiary delivered its related Vessel to the Charterer as agent for the U.K. Lessor. Each Subsidiary procured the opening of a letter of credit (each a "Letter of Credit" and, collectively, the "Letters of Credit") by a major commercial bank (each an "LC Bank" and, collectively, the "LC Banks") from which the U.K. Lessor will be paid rental and other payments due under the U.K. Finance Leases. The Subsidiaries also established letter of credit reimbursement accounts (each a "LC Account" and, collectively, the "LC Accounts") with the LC Banks, as security for their respective obligations to reimburse the LC Banks for amounts paid under the Letters of Credit. Interest on the LC Accounts will be added to such security, and, therefore, will not benefit the Company.

The U.K. Lessor, the Charterer and each Subsidiary have entered into a direct support agreement (each a "Direct Support Agreement" and, collectively, the "Direct Support Agreements") containing certain indemnification and other payment obligations of the Charterer in favor of the U.K. Lessor. The U.K. Finance Leases are structured so that the LC Banks may not make claims for reimbursement against the Subsidiaries or the Vessels for amounts paid or capable of being drawn under the Letters of Credit, other than claims in respect of funds on deposit in the LC Accounts (including interest thereon), except in the event that such funds are returned to the Subsidiaries or paid to a creditor or a trustee or similar official and then only to the extent of such returned or paid funds. In addition, the U.K. Lessor may not make claims against the Subsidiaries or the Vessels for amounts otherwise due under the U.K. Finance Leases and capable of being drawn under the Letters of Credit, except to the extent that the Charterer has paid to a Subsidiary under the Charters separate amounts denominated in Pounds Sterling ("Sterling Hire") for the sole purpose of enabling the Subsidiaries to meet their obligations to the U.K. Lessor.

The U.K. Lessor, the Charterer and each Subsidiary (with the consent of the Charterer) may not terminate the U.K. Finance Leases apart from under certain conditions and upon such termination a termination sum (the "Termination Sum") will be payable to the U.K. Lessor. One of those conditions includes the termination of the Charter and the failure to substitute an acceptable replacement charter. The recourse of the U.K. Lessor against the Subsidiaries or the Vessels for all or any portion of the Termination Sum will be limited to amounts capable of being drawn under the Letters of Credit and to any amounts paid in respect thereof by the Charterer to the Subsidiaries as Sterling Hire. To the extent the Termination Sum exceeds the amount capable of being drawn under the Letters of Credit, the Charterer will be obligated to pay the U.K. Lessor the difference. Also, upon termination, the U.K. Lessor will agree to sell its interest in the related Vessel and to allow the relevant Subsidiary to control the disposition of such interest in the related Vessel and to receive the net proceeds of any sale thereof except in limited circumstances. However, the Subsidiaries' rights will be subject to the rights of the agent on behalf of the lenders under the Credit Facility, as described below, who will be entitled to control such disposition in certain circumstances.

The Company has entered into the Credit Facility with a syndicate of international lenders, pursuant to which the Company on the Delivery Date borrowed \$145.6 million in the form of term loans. Of such amount, \$125.4 million was in respect of five loans (the "Primary Loans"), each in respect of a Vessel, and \$20.2 million was in respect of five loans (the "Amortizing Loans"), each in respect of a Vessel. The Primary and Amortizing Loans were equal to approximately 31.65% of the purchase price of the Vessels, which was \$439,821,545 million in the aggregate. Each Primary Loan will mature on August 27, 2004. The Amortizing Loans amortized in equal quarterly installments beginning on April 15, 1997 through January 15, 2000, when they were repaid in full. Whether or not the term of any of the Charters is extended, the Company is obligated to repay the borrowings under the Credit Facility on the maturity date. The Credit Facility provides for payment of interest on the outstanding principal balance of each of the Primary Loans and on the Amortizing Loans quarterly, in arrears, at a floating interest rate based on the rate in the London interbank eurocurrency market. However, the Company has entered into an interest rate swap transaction (the "Swap") with Goldman Sachs Capital Markets, L.P., an affiliate of Goldman, Sachs & Co. (the "Swap Counterparty"), so that it has effectively

fixed its interest rate on the Primary Loans and the Amortizing Loans at the rate of approximately 7.14% and 6.51%, respectively, per annum.

If a Subsidiary sells or disposes of the related Vessel or the Company sells or disposes of its shareholding in such Subsidiary, or the U.K. Lessor sells or otherwise disposes of its interest in a Vessel and rebates the proceeds thereof to the Subsidiary the Company will be obligated to make a loan prepayment in respect of the Credit Facility which will be applied against the Primary Loans in a manner depending upon whether the disposal occurred prior to, or on or after February, 2004.

The Credit Facility is secured by, among other things, a pledge by the Company of 100% of the issued and outstanding capital stock of the Subsidiaries, a guarantee from each Subsidiary, a mortgage on each Vessel (collectively, the "Mortgages"), assignments of the Charters and the Charter Guaranties and an assignment of the U.K. Lessor's rights to take title to the Vessels and the proceeds from the sale or any novation thereof. The Credit Facility is not guaranteed by the Charterer or the Charter Guarantors. The failure by the Company to make payments due and payable under the Credit Facility could result in the acceleration of all principal and interest on the Credit Facility, the enforcement by the lenders under the Credit Facility of their rights with respect to the security therefor, and the consequent forfeiture by the Company of one or more of the Vessels. The Credit Facility and the Swap also provide for other customary events of default.

The Credit Facility contains a number of covenants made by the Company and each of the Subsidiaries that, among other things, restrict the ability of the Company to incur additional indebtedness, pay dividends if the Company is in default, change the business conducted by the Company, create liens on assets or dispose of assets. In addition, upon termination of a Charter, the Company and the relevant Subsidiary will be subject to additional covenants pursuant to the Credit Facility pertaining primarily to the maintenance and operation of the Vessels.

The Charter Guarantors have entered into the separate joint and several Charter Guaranties in favor of the Company and each Subsidiary. Pursuant to the Charter Guaranties, the Charter Guarantors on a joint and several basis fully and unconditionally guarantee the prompt payment and performance by the Charterer of all its obligations under and in connection with each Charter to the relevant Subsidiary and certain indemnification obligations under the Charters to the Company. The Charter Guaranties do not confer any rights or remedies thereunder on any person, other than the Company and the Subsidiaries, and are not guaranties of the payment of dividends or any other amounts to the holders of Common Shares. As the Charter Guarantors are holding companies, the Charter Guaranties are effectively subordinated to the debt of their subsidiaries which are operating companies.

B. BUSINESS OVERVIEW

The Charterer is Shell International Petroleum Company Limited, a wholly-owned subsidiary of The Shell Petroleum Company Limited, which, in turn, is a subsidiary of N.V. Koninklijke Nederlandsche Petroleum Maatschappij, which owns 60% of its share capital, the remaining 40% being owned by The "Shell" Transport and Trading Company, p.l.c.

The principal activities of the Charterer are to buy, sell and otherwise deal in, and to transport, crude oil, petroleum products and coal and to provide services to the companies of the Royal Dutch/Shell Group of Companies. The Charterer currently charters the Vessels from the Subsidiaries under the Existing Charters.

Pursuant to the Charters, each Vessel is chartered for an initial term of seven years (ending in February, 2004). Each Charter is subject to extension at the option of the Charterer for an additional period of seven years plus, subject to the notice requirement described below, at the option of the Charterer, up to 90 days plus up to 30 days thereafter upon at least eight months' prior notice of such extension, which notice shall be

irrevocable. The obligation of the Charterer to pay charterhire for the Vessels commenced on the Delivery Date. The Charterer is obligated to give written notice (which shall be irrevocable), not less than three months prior to the seventh or as applicable, the fourteenth, anniversary of the Delivery Date (February, 2004 and February, 2011, respectively), of the number of days, if any, by which the original term or the extended term, respectively, of a Charter will extend beyond such anniversary.

Pursuant to the terms of the Charters, the Charterer's obligation to pay charterhire for the entire charter period is absolute, whether there is a loss or damage to a Vessel of any kind or whether such Vessel or any part thereof is rendered unfit for use or is requisitioned for hire or for title, and regardless of any other reason whatsoever. The Charter Guarantors have agreed to guarantee all of the Charterer's obligations under each of the Charters.

A Subsidiary has the right to assign the income it receives under the relevant Charter without the Charterer's consent; however, the Subsidiary may not otherwise assign its rights and obligations under such Charter, without the prior written consent of the Charterer, which consent shall not be unreasonably withheld, provided that for this purpose (i) a transfer of the legal ownership of the shares of a Subsidiary shall be deemed to be an assignment of such rights and obligations by such Subsidiary for which the Charterer's consent shall be required, and (ii) without limitation, it shall be reasonable for the Charterer to withhold its consent to a transfer and assignment by a Subsidiary of its rights and obligations under the relevant Charter to a person or entity with whom the Charterer does not wish, in good faith, for policy or other reasons to enter into a business relationship.

The Charterer may not assign its rights and obligations under each of the Charters nor may it charter a Vessel by demise, to any company other than a company of the Royal Dutch/Shell Group of Companies without the prior written consent of the relevant Subsidiary, which consent shall not be unreasonably withheld. The Charterer may otherwise charter a Vessel without the prior consent of the relevant Subsidiary, provided that the Charterer remains responsible as principal (or appoints another person to be responsible in its stead) for navigating and managing such Vessel throughout the period of such Charter and for defraying all expenses in connection with such Vessel throughout such period. In any such case the Charterer will remain liable for payment and performance of the Charterer's obligations under such Charter and the relevant Charter Guaranty shall remain in effect with respect to such Charter.

Under each Charter, the Charterer is liable for all expenses of operating, repairing and maintaining the related Vessel, other than the initial registration expenses of such Vessel, and bears all risk of loss of or damage to such Vessel during the term of such Charter. In addition, a Subsidiary (i) has no liability to the Charterer for breaches of any of its representations or warranties made to the Charterer with respect to the Vessel owned by such Subsidiary, except to the extent of actual recoveries made by a Subsidiary from third parties in relation thereto, and (ii) is not liable to continue to supply a Vessel or any part thereof if, following the delivery of such Vessel under a Charter, such Vessel or any part thereof is lost, damaged rendered unfit for use, confiscated, seized, requisitioned, restrained or appropriated and, in any such case or for any reason whatsoever, the charterhire payable in respect of such Vessel shall continue to be payable.

The Charterer is obligated under each Charter to indemnify the relevant Subsidiary and the Company in respect of events arising prior to and through the term of the Charters with respect to, among other things (i) all costs and expenses of operating, maintaining and replacing all parts in respect of the Vessels and (ii) all liabilities, claims and proceedings claimed by anyone arising in any manner out of, among other things, the operation or chartering of the Vessels, including environmental liabilities, other than liabilities arising out of the gross negligence or willful misconduct of such Subsidiary or the Company. The indemnities provided in the Charters continue in full force (in respect of events occurring during the pendency of a Charter) notwithstanding termination or expiration of such Charter. All amounts payable under the Charters by the Charterer, including indemnity payments, are required to be paid free from and without deduction for certain taxes specified in the Charter. The Charterer has the right at its expense to assume the defense of indemnified claims.

During the term of each Charter, the Charterer is required, at its own cost, (a) to maintain the related Vessel, as well as the machinery, cargo handling and other equipment, appurtenances and spare parts thereof, in the same good state of repair and efficient operating condition as other vessels owned or operated by companies of the Royal Dutch/Shell Group of Companies, ordinary wear and tear excepted, and (b) to keep each Vessel with unexpired classification of Lloyds Register of Shipping and with other required certificates (including, without limitation, those required by the Vessel's country of registry). In addition, the Charterer is required to drydock such Vessel and clean and paint its underwater parts whenever the same shall be necessary, in accordance with the practices applied to other vessels owned or operated by companies of the Royal Dutch/Shell Group of Companies. A Subsidiary shall have the right, at any time on reasonable notice to the Charterer and at such Subsidiary's expense, to inspect or survey the relevant Vessel, to ascertain that such Vessel is being properly repaired and maintained, provided that such inspection or survey will not interfere with such Vessel's trading requirements and such Subsidiary shall be required to rebate to Charterer a sum equivalent to charterhire payable during any period of drydocking caused solely by the subsidiary's inspection and survey.

Pursuant to the Charters, the Charterer is obliged to maintain marine (hull and machinery), war, protection and indemnity and pollution risk insurance on each Vessel in a manner consistent with insurance arrangements currently in force in relation to similar vessels owned or operated by companies of the Royal Dutch/Shell Group of Companies, provided that the Charterer is entitled to self insure with respect to marine (hull and machinery) and war risks.

The daily charterhire rate payable under each Charter is comprised of two primary components: (i) the Base Rate, which is a fixed minimum rate of charterhire equal to \$22,069 per Vessel per day, payable quarterly in arrears, and (ii) Additional Hire, which is additional charterhire (determined and paid quarterly in arrears and may equal zero) that will equal the excess, if any, of a weighted average of the daily time charter rates for three round-trip trade routes traditionally served by VLCCs, less an agreed amount of \$10,500 during the initial term of the Charters, and \$14,900 for any extended term, representing daily operating costs over the Base Rate. This charterhire computation is intended to enable the Company to receive the greater of (i) an average of prevailing spot charter rates for VLCCs trading on such routes after deducting daily operating costs of \$10,500 during the initial term of the Charters, and \$14,900 for any extended term and (ii) the Base Rate.

The Charterer has also been obligated to pay Supplemental Hire quarterly in arrears until January 15, 2000 in fixed amounts that were calculated with reference to the swap fixed interest rate under the Credit Facility and which were equivalent to amounts due under the Amortizing Loan. Supplemental Hire therefore served the Company's business purpose of repaying the Amortizing Loan. The Charterer was obligated to pay supplemental Hire as set forth below:

| | |
|------------------|-------------|
| January 15, 1999 | \$1,819,615 |
| April 15, 1999 | \$1,789,599 |
| July 15, 1999 | \$1,763,484 |
| October 15, 1999 | \$1,736,769 |
| January 15, 2000 | \$1,709,153 |

The amount of Additional Hire, if any, that is payable is calculated based on a determination of the London Tanker Brokers Panel (the "Brokers Panel") or another panel of brokers mutually acceptable to the Subsidiaries and the Charterer of the average spot rates (the "Average Spot Rates") in Worldscale points over the three months ending on the last day of the month preceding the relevant charterhire payment date (the "Hire Payment Date") on the following three standard notional round voyage routes and cargo sizes for similar ships:

- (A) Arabian Gulf to Rotterdam with 280,000 tonnes of cargo;
- (B) Arabian Gulf to Singapore with 260,000 tonnes of cargo; and
- (C) Arabian Gulf to Japan with 260,000 tonnes of cargo.

The determination of the Brokers Panel shall be binding upon both the Subsidiaries and the Charterer. "Worldscale" is an index commonly used in the tanker industry for calculating freight rates in the spot charter market.

Industry Conditions

The oil tanker industry has been highly cyclical, experiencing volatility in charterhire rates and vessel values resulting from changes in the supply of and the demand for crude oil and tanker capacity. The demand for tankers is influenced by, among other factors, the demand for crude oil, global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather patterns, oil production, armed conflicts, port congestion, canal closures, embargoes and strikes. In addition, the Company anticipates that the future demand for VLCCs, such as the Vessels, will also be dependent upon continued economic growth in the United States, Continental Europe and the Far East and competition from pipelines and other sizes of tankers. Adverse economic, political, social or other developments in any of these regions could have an adverse effect on the Company's business and results of operations. In addition, even if demand for crude oil grows in these areas, demand for VLCCs may not necessarily grow and may even decline. Demand for crude oil is affected by, among other things, general economic conditions, commodity prices, environmental concerns, taxation, weather and competition from alternatives to oil. Demand for the seaborne carriage of oil depends partly on the distance between areas that produce crude oil and areas that consume it and their demand for oil. The incremental supply of tanker capacity is a function of the delivery of new vessels and the number of older vessels scrapped, in lay-up, converted to other uses, reactivated or lost. Such supply may be affected by regulation of maritime transportation practices by governmental and international authorities. All of the factors influencing the supply of and demand for oil tankers are outside the control of the Company, and the nature, timing and degree of changes in industry conditions are unpredictable. Furthermore, the amount of Additional Hire will be determined quarterly with reference to three round-trip trade routes between the following locations: (i) the Arabian Gulf and Rotterdam, The Netherlands, (ii) the Arabian Gulf and Japan and (iii) the Arabian Gulf and Singapore. Therefore, the demand for oil in the areas serviced by such routes could have a significant effect on the amount of Additional Hire that may be payable. There can be no assurance that Additional Hire will be payable for any quarter.

VLCCs are specifically designed for the transportation of crude oil and, due to their size, are used to transport crude oil primarily from the Arabian Gulf to the Far East, Northern Europe, the Caribbean and the Louisiana Offshore Oil Port ("LOOP"). While VLCCs are increasingly being used to carry crude oil from other areas, any decrease in shipments of crude oil from the Arabian Gulf would have a material adverse effect on the Company at any time after the expiration or termination of the Charters (or earlier if such decrease adversely affects charterhire rates for shipments from the Arabian Gulf).

Among the factors which could lead to such a decrease are (i) increased crude oil production from non-Arabian Gulf areas, (ii) increased refining capacity in the Arabian Gulf area, (iii) increased use of existing and future crude oil pipelines in the Arabian Gulf area, (iv) a decision by Arabian Gulf oil-producing nations to increase their crude oil prices or to further decrease or limit their crude oil production, (v) armed conflict in the Arabian Gulf or along VLCC trading routes, (vi) political or other factors and (vii) the development and the relative costs of nuclear power, natural gas, coal and other alternative sources of energy.

VLCC demand is primarily a function of demand for Arabian Gulf crude oil, which in turn is primarily dependent on the economies of the world's industrial countries and competition from alternative energy sources. A wide range of economic, political, social and other factors can significantly affect the strength of the world's industrial economies and their demand for Arabian Gulf crude oil. One such factor is the price of worldwide crude oil. The world's oil markets have experienced high levels of volatility in the last 25 years. If oil prices were to rise dramatically, the economies of the world's industrial countries may experience a significant downturn. See Item 5. Operating and Financial Review and Prospects -- Operating Results -- The Tanker Market.

Vessel Values

Tanker values have generally experienced high volatility. The fair market value of oil tankers, including the Vessels, can be expected to fluctuate, depending upon 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 may be expected to decline in value. These factors will affect the value of the Vessels at the termination of their respective charters or earlier at the time of their sale.

Since the mid-1970s, during most periods there has been a substantial worldwide oversupply of crude oil tankers, including VLCCs. In addition, the market for secondhand VLCCs has generally been weak since the mid-1970s. Notwithstanding the aging of the world tanker fleet and the adoption of new environmental regulations which will result in a phaseout of many single hull tankers, significant deliveries of new VLCCs would adversely affect market conditions.

Loss and Liability Insurance

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. The United States Oil Pollution Act of 1990, or OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market and has also caused insurers to consider reducing available liability coverage. Pursuant to the Charters, the Charterer will bear all risks associated with the operation of the Vessels, including, without limitation, any total loss of one or more Vessels. The Charterer will also indemnify each Subsidiary and the Company, and the Charter Guarantors have agreed to guarantee such obligation, for all liabilities arising prior to and during the term of the Charters in connection with the chartering and operation of the Vessels, including, under environmental protection laws and regulations, other than liabilities arising out of the gross negligence or willful misconduct of such Subsidiary or the Company.

The Charterer is entitled to self-insure the marine (hull and machinery) and war risk on each Vessel. In event of loss, following full payments of charterhire under the Charter's "hell and high water" provisions, a lump sum payment will be made to the relevant Subsidiary on expiration of a Charter, based upon three independent shipbrokers' evaluations of fair market values of similar vessels at the expiry of the Charter.

Protection and indemnity insurance covers the legal liability of the Charterer, the Subsidiaries and, as required, their respective associated companies or managers for their shipping activities. This includes the legal liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property,

pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. The Company expects that the Charterer will obtain coverage to the fullest extent from time to time available on normal terms from members of the International Group of P&I Associations (currently approximately \$4.25 billion, with the exception of oil pollution liability, which has been available up to \$500 million per Vessel per accident increasing to \$1.0 billion from February 20, 2000). The Company believes that the Charterer has entered each of the Vessels into a P&I Association that is a member of the International Group of P&I Associations. As a member of a mutual association, the Charterer (and, under certain circumstances, a Subsidiary) will be subject to calls payable to the association based on its claim records as well as the claim record of all other members of the association.

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. The various types of governmental regulation that affect our vessels include international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels. Although we believe that we are substantially in compliance with applicable environmental and regulatory laws and have all permits, licenses and certificates necessary for the conduct of our operations, future non-compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

Our vessels are subject to both scheduled and unscheduled inspections by a variety of governmental and private entities, each of which may have unique requirements. These entities include the local port authorities such as the Coast Guard, harbor master or equivalent, classification societies, flag state administration or country of registry, and charterers, particularly terminal operators and major oil companies which conduct frequent vessel inspections.

Environmental Regulation--IMO.

In April 2001, the International Maritime Organization, or IMO, the United Nations' agency for maritime safety, revised its regulations governing tanker design and inspection requirements. The proposed regulations, which are expected to become effective September 2002 provided they are ratified by the IMO member states, provide for a more aggressive phase-out of single hull oil tankers as well as increased inspection and verification requirements. They provide for the phase-out of most single hull oil tankers by 2015 or earlier, or, subject to approval by the vessel's flag state until 2017, depending on the age of the vessel and whether or not the vessel complies with requirements for protectively located segregated ballast tanks. Segregated ballast tanks use ballast water that is completely separate from the cargo oil and oil fuel system. Segregated ballast tanks are currently required by the IMO on crude oil tankers constructed after 1983. The changes which are intended to reduce the likelihood of oil pollution in international waters, will result in scrapping of most tankers built prior to 1980 in the period until 2007.

The proposed regulation identifies three categories of tankers based on cargo carrying capacity and the presence or absence of protectively located segregated ballast tanks. Under the new IMO regulations, single-hull oil tankers with carrying capacities of 20,000 deadweight, or dwt, tons and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 dwt and above carrying other oils, which do not comply with IMO requirements for protectively located segregated ballast tanks will be phased out no later than 2007. Single-hull oil tankers with similar carrying capacities which do comply with IMO requirements for protectively located segregated ballast tanks are to be phased out by 2015, or under certain conditions, 2017, depending on the date of delivery of the vessel. All other single-hull oil tankers with carrying capacities of

5,000 dwt and above and not falling into one of the above categories will also be phased out by 2015, depending on the date of delivery of the vessel.

All of the Company's Vessels have double hulls and comply with the proposed IMO regulations.

The requirements contained in the International Safety Management Code, or ISM Code, promulgated by the IMO, also affect our operations. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. Our vessel manager is certified as an approved ship manager under the ISM Code.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a Document of Compliance, issued by each flag state, under the ISM Code. All of our vessels have received safety management certificates.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. Both the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, as the case may be.

The IMO continues to review and introduce new regulations on a regular basis. It is impossible to predict what additional regulations, if any, may be passed by the IMO, whether those regulations will be adopted by member countries and what effect, if any, such regulations might have on the operation of oil tankers. The Charterer has advised the Company that it currently intends to use the Vessels to deliver crude oil primarily to Northern Europe, East Asia, the United States and the Gulf of Mexico (primarily LOOP) from oil producing areas in the Arabian Gulf. Because patterns of world crude oil trade are not constant, the Vessels may load crude oil in any crude oil producing areas of the world for delivery to areas where oil refineries are located. In the Company's opinion, trading of the Vessels in such areas will not expose the Vessels to regulations more stringent than those of the United States and/or the IMO. However, additional laws and regulations may be adopted which could limit the use of oil tankers such as the Vessels in oil producing and refining regions.

Environmental Regulation--OPA/CERCLA

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for environmental protection and cleanup of oil spills. OPA affects all owners and operators whose vessels trade with the U.S. or its territories or possessions, or whose vessels operate in the waters of the U.S., which include the U.S. territorial waters and the two hundred nautical mile exclusive economic zone of the U.S. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, applies to the discharge of hazardous substances whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat or "demise" charterers are "responsible parties" who are all liable regardless of fault, individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These "responsible parties" would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

- natural resource damages and related assessment costs;
- real and personal property damages;
- net loss of taxes, royalties, rents, profits or earnings capacity;
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and
- loss of subsistence use of natural resources.

OPA limits the liability of responsible parties to the greater of \$1,200 per gross ton or \$10 million per tanker that is over 3,000 gross tons. This is subject to possible adjustment for inflation. OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states which have enacted their own legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws.

CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million. These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels will call.

OPA requires owners and operators of vessels to establish and maintain with the Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA. The Coast Guard has enacted regulations requiring evidence of financial responsibility in the amount of \$1,500 per gross ton for tankers, coupling the OPA limitation on liability of \$1,200 per gross ton with the CERCLA liability limit of \$300 per gross ton. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one tanker will be required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the tanker having the greatest maximum liability under OPA/CERCLA.

Under OPA, with limited exceptions, all newly-built or converted tankers operating in U.S. waters must be built with double-hulls. Existing vessels that do not comply with the double-hull requirement must be phased out over a 20-year period beginning in 1995 based on size, age and place of discharge, unless retrofitted with double-hulls. Notwithstanding the phase-out period, OPA currently permits existing single-hull tankers to operate until the year 2015 if their operations within U.S. waters are limited to:

- discharging at the Louisiana Offshore Oil Port, also known as the LOOP; or
- unloading with the aid of another vessel, a process referred to in the industry as "lightering," within authorized lightering zones more than 60 miles off-shore.

Currently, all of the Company's Vessels comply with the double hull requirements set forth under OPA.

Owners or operators of tankers operating in the waters of the U.S. must file vessel response plans with the Coast Guard, and their tankers are required to operate in compliance with their Coast Guard approved plans. These response plans must, among other things:

- address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge";
- describe crew training and drills; and
- identify a qualified individual with full authority to implement removal actions.

Environmental Regulation--Other

Although the U.S. is not a party to these conventions, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, or CLC. Under this convention, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of oil, subject to some complete defenses. Liability is limited to approximately \$270 per gross registered ton or approximately \$28.3 million, whichever is less. If, however, the country in which the damage results is a party to the 1992 Protocol to the CLC, the maximum liability rises to \$74.9 million. The limit of liability is tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault and under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to states which are party to this convention must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

In addition, most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and many states have enacted legislation providing for unlimited liability for oil spills.

It is impossible to predict what additional legislation, if any, may be promulgated by the United States or any other country or authority.

Proposed EU Regulations

The International Maritime Organization has approved an accelerated timetable for the phase-out of single hull oil tankers. The new regulations, expected to take effect in September 2002 provided they are ratified by the IMO member states, require the phase-out of most single hull oil tankers by 2015 or earlier, depending on the age of the tanker and whether or not it has segregated ballast tanks. Under the new regulations the maximum permissible age for single hull tankers after 2007 will be 26 years, as opposed to 30 years under current regulations. The amendments to the International Convention for the Prevention of Marine Pollution from Ships 1973, as amended in 1978, accelerates the phase-out schedule previously set by the IMO in 1992.

The European Union has already adopted a directive incorporating the IMO regulations so that port states may enforce them.

The sinking of the oil tanker Erika off the coast of France on December 12, 1999 polluted more than 250 miles of French coastline with heavy oil. Following the spill, the European Commission adopted a "communication on the safety of oil transport by sea," also named the "Erika communication."

As a part of this, the Commission has adopted a proposal for a general ban on single-hull oil tankers. The timetable for the ban shall be similar to that set by the United States under OPA in order to prevent oil tankers banned from U.S. waters from shifting their trades to Europe. The ban plans for a gradual phase-out of tankers depending on vessel type:

- Single-hull oil tankers larger than 20,000 dwt without protective ballast tanks around the cargo tanks. This category is proposed to be phased out by 2005.
- Single-hull oil tankers larger than 20,000 dwt in which the cargo tank area is partly protected by segregated ballast tank. This category is proposed to be phased out by 2015.
- Single-hull tankers below 20,000 dwt. This category is proposed to be phased out by 2015.

In addition, Italy has announced a ban of single hull crude oil tankers over 5,000 dwt from most Italian ports, effective April 2001. This ban will be placed on oil product carriers, effective December 31, 2003. It is impossible to predict what legislation or additional regulations, if any, may be promulgated by the European Union or any other country or authority.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the

intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the shipowner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies.

Sale of Vessels and Replacement Charters

At least five months prior to the end of the term of a Charter (including the extension thereof), the Company is obligated pursuant to its Bye-Laws to call a special meeting of its shareholders for the purpose of presenting the shareholders with a proposal to cause the Company to sell the related Vessel (or the Subsidiary owning such Vessel) and cause the distribution of the net proceeds of such sale to the shareholders to the extent permitted under Bermuda law. The materials to be distributed to shareholders in connection with such meeting will include a recommendation by the Board as to whether it believes that the sale of the Vessel is in the best interest of the Company or whether an alternative plan, such as attempting to arrange a replacement charter, might be of greater benefit to the Company. 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 such replacement charters would likely require the Company to incur greater expenses (which may reduce the amounts available to pay dividends to shareholders), including insurance, maintenance, crew labor costs, vessel registration costs and, in the case of spot charters, bunker (fuel oil) costs and port charges. Also, the Company's ability to recharter or sell the Vessels would be subject to the rights of the lenders under the Credit Facility and the rights of the U.K. Lessor under the U.K. Finance Lease Transactions. Any proposal to cause the sale of a Vessel (or the Subsidiary owning such Vessel) and the distribution of the resulting net proceeds (subject to any mandatory prepayments under the Credit Facility) will be adopted if approved by the holders of a majority of the Common Shares voting at a duly constituted meeting of the holders thereof at which a quorum is present and voting. If not directed by the Company's shareholders to cause the sale of the Vessel (or the Subsidiary owning such Vessel), the Company will attempt to recharter the Vessel on an arm's-length basis upon such terms as the Manager recommends, subject to approval by the Board, or implement such other plan as the Board shall approve. Alternatively, if directed by the shareholders to sell a Vessel, the Manager, pursuant to the Management Agreement, shall solicit bids for the sale of such Vessel through one or more independent shipbrokers. In such case, the Manager will be obligated to recommend the sale of the Vessel to

the bidder whose bid is on the most favorable terms to the Company. Neither the Charterer, the Guarantors nor any other company of the Royal Dutch/Shell Group of Companies shall have any preferential rights with respect to any sale or rechartering of any Vessel in such instance.

Whether or not all or any of the Charters are renewed, each of the Primary Loans will mature in July 2004, seven years and six months after the Delivery Date of the related Vessel, and the Company will be obligated to repay or refinance such borrowings at such time. There is no assurance that the Company will be able to repay or refinance such borrowings. In addition, as noted above, if the Charters for one or more of the Vessels are renewed and the Company is unable to refinance the related Primary Loans on acceptable terms, the Company may be forced to attempt to sell the Vessels subject to the Charters.

There can be no assurance as to the ability of the Manager to sell or recharter a Vessel or as to the amount or timing of any payments to be received therefrom.

Any sale or any alternative plan will also be subject to the Company's obligations under the U.K. Finance Lease Transactions.

C. ORGANIZATIONAL STRUCTURE

The Company has five wholly-owned subsidiaries, that each own one of the Vessels. The following table sets out the details of the Subsidiaries:

| NAME | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST | VESSEL OWNED |
|------------------------|---------------------------------|---------------------------|---------------------|
| Cedarhurst Tankers LDC | Cayman Islands | 100% | Magdala |
| Hewlett Tankers LDC | Cayman Islands | 100% | Megara |
| Inwood Tankers LDC | Cayman Islands | 100% | Murex |
| Lawrence Tankers LDC | Cayman Islands | 100% | Macoma |
| Woodmere Tankers LDC | Cayman Islands | 100% | Myrina |

D. PROPERTY, PLANT AND EQUIPMENT

Each Vessel is an approximately 298,000 deadweight tonne ("dwt") double hull VLCC built by Daewoo Heavy Industries, Ltd. (the "Builder") at its shipyard in Korea. The Vessels meet all material existing regulatory requirements affecting the Vessels and their operations. The name, dwt, hull type and date of original delivery from the Builder's yard are set forth below.

| VESSEL NAME | APPROXIMATE DWT | HULL TYPE | DATE OF DELIVERY FROM BUILDER'S YARD |
|--------------------|------------------------|------------------|---|
| Murex | 298,000 | Double | June 2, 1995 |
| Macoma | 298,000 | Double | August 1, 1995 |
| Magdala | 298,000 | Double | September 28, 1995 |
| Myrina | 298,000 | Double | November 15, 1995 |
| Megara | 298,000 | Double | March 5, 1996 |

The Vessels are modern, high-quality double hull tankers designed for enhanced safety and reliability and for relatively low operating and maintenance costs. Design features include a cargo system designed for optimum port performance, a high grade anti-corrosion paint system and pipeline materials which

have been specified with a view to long service, an efficient power generation system including shaft generator, additional firefighting and safety equipment over and above minimum standards and improved structural design.

The Vessels are all registered in the Isle of Man.

Other than its interests in the Vessels, the Company has no interest in any other property.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

In February, 1997, the Company offered and sold to the public 16,100,000 Common Shares at the initial public offering price of \$20 per share. Simultaneously the Company sold 1,000,000 Common Shares at a price of \$20 per share to ICB International Ltd.

The Company's five subsidiaries each purchased one VLCC from their previous owner on February 27, 1997 and immediately delivered the Vessels to the Charterer under five separate "hell and high water" bareboat charters, each with a minimum term of seven years with an option for the Charterer to extend the period for each Vessel with another seven year period. The first seven year period is until February 2004.

Under the Charters, the Charterer pays the higher of a base rate of hire or a spot market related rate. The charterhire is payable quarterly in arrears and the spot market rate of hire is assessed on a quarterly basis. In each quarter where the spot market related rate is lower than the base rate the charterhire payable is the base rate. In each quarter where the spot market related rate is higher than the base rate, the spot market related rate is payable.

The base rate is the aggregate of a bareboat charter component of \$22,069 per vessel per day and an operating element of \$10,500 per day (in the first seven years) which result in a time charter equivalent rate of \$32,569 per day.

The spot market related rate is assessed through a formula agreed between the Company and the Charterer and based on market awards provided by the London Tanker Broker Panel. The London Tanker Broker Panel is asked to provide for each quarter the average spot rates for three standard notional round voyages for ships similar to the Vessels:

- i) Arabian Gulf to Rotterdam with 280,000 tonnes of cargo;
- ii) Arabian Gulf to Singapore with 260,000 tonnes of cargo; and
- iii) Arabian Gulf to Japan with 260,000 tonnes of cargo.

The relevant spot rates are weighted with (i) representing 50% and (ii) and (iii) each representing 25% when the spot market related rate is determined.

The calculated spot market related rates for each of the years ended December 31, 2001, 2000 and 1999 were:

| | 2001 | 2000 | 1999 |
|----------------|-------------|-------------|-------------|
| First Quarter | \$ 68,506 | \$ 21,713 | \$ 31,003 |
| Second Quarter | \$ 42,949 | \$ 38,684 | \$ 18,330 |
| Third Quarter | \$ 25,163 | \$ 59,056 | \$ 17,498 |
| Fourth Quarter | \$ 33,360 | \$ 78,145 | \$ 15,421 |

The strengthening of the spot market rates that commenced in 2000 continued during the first half of 2001 before there was a significant weakening in the spot market that has continued through to the first quarter of 2002. As a consequence, additional hire was paid in the first, second and fourth quarters of 2001 but not in the third. The charterhire payment for the fourth quarter of 2001 was received in January 2002.

The Tanker Market

In the first quarter of 2000 the tanker market showed significant improvement which continued into the early part of 2001. This strengthening of the market arose from a number of factors. After production quota cuts in 1999, OPEC responded to market demand by increasing output in 2000. Due to the weak market in 1999 and early 2000 a substantial number of tankers were scrapped which together with higher oil production created a balance between demand and supply in the tanker market. The VLCC rates as a consequence started to improve from the end of the first quarter of 2000 and continued to strengthen through the year, with fourth quarter earnings averaging more than \$70,000 per day. This was a sharp improvement compared to the corresponding figures for 1999 when modern VLCCs earned \$21,000 per day on average for the year and less than \$16,000 per day in the fourth quarter. In early 2001, OPEC reduced production quotas to accommodate a seasonal reduction in oil demand with the aim to keep OPEC crude oil prices within the range of US\$22-28 per barrel. As a result, tanker rates started to decline in 2001 compared to the record rates seen in the fourth quarter of 2000. OPEC instituted a further export cut in September 2001 and this, together with a general global economic slowdown, led to a steep fall in rates. Further quota cuts have been implemented in 2002 and rates at the end of the first quarter of 2002 remain at low levels.

As a result of declining freight rates, the age composition of the VLCC fleet and new IMO rules that set a definite date for the trading life of older tankers, scrapping of older VLCC tonnage increased in the second half of 2001 and a total of approximately 40 VLCCs were removed from the active fleet in 2001 as they were sold for scrap, lost or converted for use in the offshore industry. The trend has continued in 2002 and so far in the year approximately 20 VLCCs have been sold for scrap. The current VLCC orderbook for delivery in the next 3 years stands at approximately 80 vessels.

Critical Accounting Policies and Estimates

The Company's accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements. As disclosed in Note 2 of the Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of the Company's financial statements include estimates associated with the determination of (i) the estimated useful lives of the Company's vessels, and (ii) the estimated fair values of the Company's interest rate swap agreements. Various assumptions and other factors underlie the determination of these significant estimates.

The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic and industry conditions, present and expected conditions in the financial markets, and in some cases, the credit worthiness of counter parties to contracts held by the Company. The Company constantly re-evaluates these significant factors and makes adjustments where facts and circumstances dictate. Historically, actual results have not significantly deviated from those determined using the estimates described above.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Charterhire

In 2001, charterhire revenue totaled \$61,534,335, a decrease of 19% compared with \$76,335,975 in the year ended December 31, 2000. In 2000, the Company benefited from the strengthening in the tanker market and, in accordance with the terms of the Charters, received Additional Hire. This strong market continued in the first half of 2001 but thereafter there was a weakening of the market such that Additional Hire was not received in the third quarter and only \$363,860 was received for the fourth quarter. The Additional Hire, which is calculated on a quarterly basis, totalled \$21,258,410 for the year, equivalent to an average of \$11,648 per day per vessel compared with \$35,949,705 in 2000, equivalent to an average of \$19,645 per day per vessel.

Operating Expenses

Operating expenses decreased in 2001 due to a reduction in administrative expenses. This was achieved primarily through a reduction in the premium paid for the Company's directors' and officers' liability insurance. The Company does not incur and does not expect to incur significant administrative expenses, apart from premiums in respect of the Company's directors' and officers' and general liability insurance, which the Company prepays on an annual basis. There can be no assurance, however, that the Company will not have other cash expenses or contingent liabilities for which reserves will be required.

Interest Income And Expense

Interest income, being interest on bank deposits, increased by \$19,898 to \$205,374 in 2001. This reflects the higher cash balances during the first part of 2001 due to the additional revenues in this period.

Interest expense increased by 0.8% to \$9,008,839 in 2001 from \$8,933,869 in 2000. Interest expense relates entirely to the Primary Loan in 2001 and 2000, with the exception of \$5,101 relating to the Amortizing Loan in 2000. Amortization of the Credit Facility expense, the main component of other financial costs, was \$371,543 in 2001 and 2000. In addition, during 2001 and 2000, the Company incurred a fee to the agent bank for the Credit Facility in the amount of \$50,000. There can be no assurance that the Company will not have other financial expenses for which reserves will be required.

**YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR
ENDED DECEMBER 31, 1999**

Charterhire

In 2000, charterhire revenue totaled \$76,335,975, an increase of 89.5%, or \$36,060,050, compared with \$40,275,925 in the year ended December 31, 1999. In 1999, the conditions prevailing in the tanker market meant that only base rate charterhire of \$22,069 per day per vessel was received. In 2000, the Company benefited from the strengthening in the tanker market and, in accordance with the terms of the Charters, received Additional Hire. This Additional Hire, which is calculated on a quarterly basis, totalled \$35,949,705 for the year, equivalent to an average of \$19,645 per day per vessel. No additional hire was earned in 1999.

Operating Expenses

Operating expenses decreased in 2000 due to a reduction in administrative expenses. This was achieved primarily through a reduction in the premium paid for the Company's directors' and officers' liability insurance. The Company does not incur and does not expect to incur significant administrative expenses, apart from premiums in respect of the Company's directors' and officers' and general liability insurance, which the Company prepays on an annual basis. There can be no assurance, however, that the Company will not have other cash expenses or contingent liabilities for which reserves will be required.

Interest Income And Expense

Interest income and interest expense were affected in 2000 by the repayment of the final installment of the Amortizing Loan as discussed below. Interest income decreased by \$215,611 to \$185,476 in 2000. The Company received interest on bank deposits in the amount of \$185,476 in 2000, as compared to \$111,434 in 1999. Interest received from the Charterer (in the form of Supplemental Hire) in respect of the Amortizing Loan totalled \$289,653 in 1999 and \$nil in 2000.

Interest expense decreased by 3.4% to \$8,933,869 in 2000 from \$9,249,110 in 1999. Interest relating to the Primary Loan was \$8,959,457 in 1999 and 1998. Interest relating to the Amortizing Loan was \$289,653 in 1999 and \$5,101 in 2000. Amortization of the Credit Facility expense, the main component of other financial costs, was \$371,543 in 2000 and 1999. In addition, during 2000 and 1999, the Company incurred a fee to the agent bank for the Credit Facility in the amount of \$50,000. There can be no assurance that the Company will not have other financial expenses for which reserves will be required.

Inflation

Management does not believe that inflation will significantly affect the Company's expenses over the term of the Charters. However, during the term of the Charters, inflationary pressures could result in increased spot charter rates, thereby resulting in an increase in Additional Hire being payable by the Charterer. On the other hand, in the event that inflation becomes a significant factor in the world economy, management believes that inflationary pressures could materially and adversely affect the market for crude oil and oil tankers (including the Vessels) and result in increased vessel operating costs. These factors may affect the Charterer's decision as to whether to extend the term with respect to one or more of the Charters and may be significant to the Company in the event that the Charterer does not exercise such rights of extension.

The Company's borrowings under the Credit Facility bear interest at a floating rate. The Company has entered into the Swap, which effectively converts its obligations to a fixed rate, assuming the Swap Counterparty performs its obligations thereunder. In the event of a default by such Swap Counterparty, the Company could face increased interest expense.

Although the Company's activities are conducted worldwide, the international shipping industry's functional currency is the United States Dollar and virtually all of the Company's operating revenues and most of its anticipated cash expenses are expected to be denominated in United States Dollars. Accordingly, the Company's operating results following expiration of termination of the Charters are not expected to be adversely affected by movements in currency exchange rates or the imposition of currency controls in the jurisdictions in which the vessels operate.

B. LIQUIDITY AND CAPITAL RESOURCES

Total assets of the Company at December 31, 2001, were \$366,204,004 compared with \$404,739,841 at December 31, 2000. The Company's shareholders' equity at December 31, 2001, was \$229,077,216 compared with \$277,218,288 at December 31, 2000. This decrease in shareholders' equity of \$48,141,072 is due to net income for 2001 of \$33,915,432 less distributions to the shareholders of \$72,504,000. In addition, with the adoption of SFAS 133, discussed in greater detail in Note 2 to the Notes to Consolidation Financial Statements, the Company has recorded the fair value of its interest rate swap agreement. The interest rate swap is designated as a cash flow hedge against future variable-rate interest payments on the Company's debt. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. The Company is recording changes in the fair value of the interest rate swap each period as an asset or a liability, as appropriate, with an equal adjustment to accumulated other comprehensive income, which is a component of shareholders' equity. At December 31, 2001 the derivative liability was \$9,552,504 reflecting the unfavorable fair value of the interest rate swap at that date.

Cash generated from operating activities in 2001 was \$72,534,898 of which \$72,504,000 was distributed to shareholders.

The Company's sources of capital have been the proceeds of its initial public offering and the Credit Facility and the U.K. Finance Lease. While the Manager is required to bear the Company's expenses (other than certain extraordinary expenses, insurance premiums for directors' and officers' liability and general liability insurance and principal and interest on account of the Credit Facility), the Manager has no additional obligation to make additional capital contributions to the Company. The Company has sufficient sources of income through the payment of charterhire by the Charterer during the term of the Charters to pay ordinary recurring expenses that are not borne by the Manager. However, there can be no assurance that the Company will be able to repay or refinance its borrowings when the Primary Loan becomes due, or that it will not incur extraordinary expenses. Payments of principal and interest on the Amortizing Loan were due in quarterly installments through January 15, 2000. The Supplemental Hire was in an amount equivalent to those quarterly installments.

Recently Issues Accounting Standards

In June 2001, the U.S. Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" which requires the application of the purchase method in accounting for business combinations including the identification of the acquiring enterprise for each transaction. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and all business combinations accounted for by the purchase method that are completed after June 30, 2001. The adoption of SFAS No. 141 by the Company did not have any impact on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 applies to all acquired intangible assets whether acquired singly, as part of a group, or in a business combination. The adoption of SFAS No. 142 by the Company on January 1, 2002 did not have any impact on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for the Asset Retirement Obligations". Under SFAS No. 143, an entity shall recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability shall be recognized when a reasonable estimate of fair value can be made. Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. An entity shall subsequently allocate that asset retirement cost to expense using a systematic and rational method over its useful life. SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and/or the normal operation of a long-lived asset, with limited exceptions. SFAS No. 143 does not apply to obligations that arise solely from a plan to dispose of a long-lived asset, nor does it apply to obligations that result from the improper operation of an asset. SFAS No. 143 is effective for fiscal years beginning after December 15, 2002. Management has not completed their evaluation of the impact of SFAS No. 143 on the Company's results of operations or financial position. However, management does not expect that the adoption of the SFAS No. 143 on January 1, 2003 will have a material effect on the Company's consolidated financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The objectives of SFAS No. 144 are to address significant issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and to develop a single accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less costs to sell. Additionally, the standard expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of SFAS No. 144 by the Company on January 1, 2002 did not have any impact on the Company's consolidated financial position or results of operations.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable

D. TREND INFORMATION

The oil tanker industry has been highly cyclical, experiencing volatility in charterhire rates and vessel values resulting from changes in the supply of and demand for crude oil and tanker capacity. See Item 4. Information on the Company – Business Overview – Industry Conditions.

According to preliminary data from industry sources, which the Company has not verified, there was no, or only marginal, increase in global oil demand in 2001 compared with 2000. OPEC production, which has a significant impact on demand for VLCCs, declined on a quarterly basis through 2001 and average OPEC supply in 2001 fell below that of 2000. OPEC supply in the first half on 2002 is expected to be significantly lower than the corresponding period of 2001.

As a consequence of lower OPEC production, and especially lower exports from the Middle East Gulf, VLCC rates declined significantly in the second half of 2001 and to date in 2002. Lower rates have resulted in scrapping of 1970's built tonnage and the VLCC count is lower today than a year ago.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the names and positions of the directors and executive officers of Knightsbridge Tankers Limited (the "Company").

The Company

| Name | Age | Position |
|---------------------|-----|---------------------------------------|
| Ola Lorentzon | 52 | Director and Chairman |
| Tor Olav Troim | 39 | Director and Vice-Chairman |
| Douglas C. Wolcott | 70 | Director |
| David M. White | 60 | Director |
| Timothy J. Counsell | 43 | Director |
| Kate Blankenship | 37 | Chief Financial Officer and Secretary |

Pursuant to a Management Agreement with the Company, the Manager provides management, administrative and advisory services to the Company. Set forth below are the names and positions of the directors and executive officers of the Manager.

| Name | Age | Position |
|---------------------|-----|----------------------------------|
| Kate Blankenship | 37 | Director, Chairman and Secretary |
| Tom E. Jebesen | 44 | Director and Vice-Chairman |
| Timothy J. Counsell | 43 | Director |

Directors of both the Company and the Manager are elected annually, and each director elected holds office until a successor is elected. Officers of both the Company and the Manager are elected from time to time by vote of the respective board of directors and hold office until a successor is elected. Certain biographical information with respect to each director and executive officer of the Company and the Manager is set forth below.

Ola Lorentzon has been a director of the Company since September 18, 1996 and Chairman since May 26, 2000. Mr. Lorentzon has also been a director and President of ICB since 1987 and has been Managing Director of Frontline Management AS, a subsidiary of Frontline, since April 2000. Mr. Lorentzon is a director of the United Kingdom Protection and Indemnity Club. Until 2000 Mr. Lorentzon was a director of The Swedish Protection and Indemnity Club (SAAF), Swedish Ships Mortgage Bank and The Swedish Shipowners' Association, Deputy Chairman of the Liberian Shipowners Council and a member of the International Association of Tanker Owners (Intertanko) Council.

Tor Olav Troim has been a director, Vice-Chairman and Chief Executive Officer of the Company since May 26, 2000. Mr. Troim has been a director of Frontline since July 1, 1996. Mr. Troim also serves as a director of ICB and Frontline Management AS, both subsidiaries of Frontline. He is a director of Aktiv Inkasso ASA,

Northern Oil ASA, both Norwegian Oslo Stock Exchange listed companies. He is also a director of Northern Offshore Ltd. and Golar LNG Limited, both Bermuda companies listed on the Oslo Stock Exchange. Prior to his service with Frontline, from January 1992, Mr. Troim served as Managing Director and a member of the board of Directors of DNO AS, a Norwegian oil company.

Douglas C. Wolcott has been a director of the Company since September 18, 1996. Mr. Wolcott has also served as President of Chevron Shipping Corporation until 1994. Mr. Wolcott previously served as Deputy Chairman and Director of the United Kingdom Protection and Indemnity Club and as a director of London & Overseas Freighters Limited. He is currently a director of the American Bureau of Shipping and One Mind Connect, Inc.

David M. White has been a director of the Company since September 18, 1996. Mr. White was Chairman of Dan White Investment Limited which is now closed. Mr. White has also served as a director of NatWest Equity Primary Markets Limited from January 1992 to March 1996, and was previously a director of both NatWest Markets Corporate Finance Limited and NatWest Markets Securities Limited until December 1991.

Timothy J. Counsell has been a director of the Company since March 27, 1998 and a director of the Manager since May 14, 1999. Mr. Counsell is a partner of the law firm of Appleby Spurling & Kempe, Bermudian counsel to the Company and has been with that firm since 1990. Mr. Counsell is currently a director of BT Shipping Limited and of Benor Tankers Ltd, alternate director of Bona Shipholding Ltd and Resident Representative of Mosvold Shipping.

Kate Blankenship has been Chief Financial Officer of the Company since April 17, 2000 and Secretary of the Company since December 27, 2000. Mrs. Blankenship has been a director and Chairman of the Manager since March 2000 and Secretary of the Manager since December 28, 2000. Mrs. Blankenship has been Chief Accounting Officer and Secretary of Frontline since 1994. Prior to joining Frontline, she was a Manager with KPMG Peat Marwick in Bermuda. She is a member of the Institute of Chartered Accountants in England and Wales.

Tom E. Jebsen has been a director of the Manager since March 2000. Mr. Jebsen has served as Chief Financial Officer of Frontline Management since June 1997. From December 1995 until June 1997, Mr. Jebsen served as Chief Financial Officer of Tschudi & Eitzen Shipping ASA, a publicly traded Norwegian shipowning company. From 1991 to December 1995, Mr. Jebsen served as Vice President of Dyno Industrier ASA, a publicly traded Norwegian explosives producer. Mr. Jebsen is also a director of Asuranceforeningen Skuld, Unitas, a mutual hull and machinery club and Hugin AS, an internet company.

Management Agreement

Under the Management Agreement the Manager is required to manage the day-to-day business of the Company subject, always, to the objectives and policies of the Company as established from time to time by the Board. All decisions of a material nature concerning the business of the Company are reserved to the Company's Board of Directors. The Management Agreement will terminate in 2012, unless earlier terminated pursuant to the terms thereof, as discussed below.

For its services under the Management Agreement, the Manager is entitled to a Management Fee equal to \$750,000 per annum. The Company believes that these fees are substantially on the same terms that would be obtained from a non-affiliated party. The Manager was not affiliated with the Company, the Charterer or Guarantors at the time these fees were negotiated.

Pursuant to the Management Agreement, the Manager is required to pay from the Management Fee, on behalf of the Company, all of the Company's expenses including the Company's directors' fees and

expenses; provided, however, that the Manager is not obligated to pay, and the Company is required to pay from its own funds (i) all expenses, including attorneys' fees and expenses, incurred on behalf of the Company in connection with (A) the closing of the Company's public offering and all fees and expenses related thereto and to the documents and agreements described herein, including in connection with the Credit Facility and the U.K. Finance Leases, (B) any litigation commenced by or against the Company unless arising from the Manager's gross negligence or willful misconduct, and (C) any investigation by any governmental, regulatory or self-regulatory authority involving the Company or the Offerings unless arising from the Manager's gross negligence or willful misconduct, (ii) all premiums for insurance of any nature, including directors' and officers' liability insurance and general liability insurance, (iii) all costs in connection with the administration and the registration and listing of the Common Shares, (iv) principal and interest on the Credit Facility, (v) brokerage commissions, if any, payable by the Company, (vi) all costs and expenses required to be incurred or paid by the Company in connection with the redelivery of any Vessel following the expiration or earlier termination of the related Charter, (including, without limitation, any drydocking fees and the cost of special surveys and appraisals) and (vii) any amount due to be paid by the Company pursuant to the U.K. Finance Lease Transactions.

Notwithstanding the foregoing, the Manager will have no liability to the Company under the Management Agreement for errors of judgment or negligence other than its gross negligence or willful misconduct.

In the event the Charterer shall notify a Subsidiary that it will not extend or renew a Charter for a Vessel, the Manager is required under the Management Agreement to analyze the alternatives available to the Company for the use or disposition of such Vessel, including the sale of such Vessel (or the Subsidiary owning such Vessel) and the distribution of the proceeds to the Company's shareholders, and to report to the Board with its recommendations and the reasons for such recommendations at least five months before the expiration of such Charter. If directed by the Company's shareholders to sell a Vessel (or the Subsidiary owning such Vessel), the Manager is required upon the Board's request to solicit bids for the sale of such Vessel (or the Subsidiary owning such Vessel) for the presentation to the Board. In such case, the Manager will be obligated to recommend the sale of the Vessel to the bidder which has offered the bid most economically favorable to the Company and the holders of the Common Shares. The Manager will receive a commission equal to 1% of the net proceeds of such sale unless sold to the Manager or an affiliate of the Manager. If not directed by the Company shareholders to sell the Vessel, the Manager is required to attempt to recharter the Vessel on an arms-length basis upon such terms as the Manager deems appropriate, subject to the approval of the Board. The Manager will receive a commission equal to 1.25% of the gross freight earned from such rechartering (which is the standard industry commission). In either such case, the Manager, on behalf of the Company, may utilize the services of brokers and lawyers, and enter into such compensation arrangements with them, subject to the Board's approval, as the Manager deems appropriate.

If, upon the expiration of a Charter, the Company undertakes any operational responsibility with respect to the related Vessel and requests the Manager to perform any of such responsibility on the Company's behalf, the parties will negotiate a new fee and expense arrangement. If the parties are unable to reach a new fee and expense arrangement, either party may terminate the Management Agreement on 30 days' notice to the other party.

In addition to the circumstance set forth above, the Company may terminate the Management Agreement at any time upon 30 days' notice to the Manager for any reason, provided that any such termination shall have been approved by a resolution duly adopted by the affirmative vote of the holders of at least 66-2/3% of the Company's outstanding Common Shares. The Company may terminate the Management Agreement at any time upon five business days' prior written notice to the Manager in the event of the Manager's material breach thereof, the failure of the Manager to maintain adequate authorization to perform its duties thereunder, the Manager's insolvency, in the event that it becomes unlawful for the Manager to perform its duties thereunder or if the Manager ceases to be wholly-owned, directly or indirectly, by ICB or its successor as ultimate parent of

the Manager. Frontline, with its acquisition of ICB, is ICB's successor as ultimate parent of the Manager. The Manager may terminate the Management Agreement upon ten business days' prior written notice to the Company in the event that the Company undergoes a "change of control" which is the election of any director whose election was not recommended by the then current Board. Upon any termination of the Management Agreement, the Manager is required to promptly wind up its services thereunder in such a manner as to minimize any interruption to the Company's business and submit a final accounting of funds received and disbursed under the Management Agreement to the Company and any undisbursed funds of the Company in the Manager's possession or control will be promptly paid by the Manager as directed by the Company. The Company believes that in the case of any termination of the Management Agreement, the Company could obtain an appropriate alternative arrangement for the management of the Company, although there can be no assurance that such alternative arrangement would not cause the Company to incur additional cash expenses. In the case of a termination without cause by the Company upon a resolution adopted by the holders of at least 66 2/3% of the Company's Common Shares (as described above) or by the Manager in the case of a "change in control," the Company shall pay to the Manager an amount equal to the present value calculated at a discount rate of 5% per annum of all fees which the Manager would have received through the seventh anniversary of the Delivery Date in the absence of such termination, and following the seventh anniversary of the Delivery Date, the Company shall pay to the Manager an amount equal to the present value calculated at a discount rate of 5% per annum of all fees which the Manager would have received through the fifteenth anniversary of the Delivery Date in the absence of such termination.

B. COMPENSATION

Pursuant to the Management Agreement, the Manager pays from the Management Fee the annual directors' fees of the Company. For 2001, the directors received from the Manager \$72,000 in fees in the aggregate. No separate compensation was paid to the Company's officers. The Manager expects to pay the same directors' fee for the year 2002 as was paid to directors for 2001.

C. BOARD PRACTICES

As provided in the Company's Bye-laws, each Director shall hold office until the next Annual General Meeting following his election or until his successor is elected. The Officers of the Company are elected by the Board of Directors as soon as possible following each Annual General Meeting and shall hold office for such period and on such terms as the Board may determine.

The Company has established an audit committee comprised of Messrs. White and Wolcott, independent directors of the Company.

D. EMPLOYEES

Neither the Company nor the Manager have had any employees since inception.

E. SHARE OWNERSHIP

As of April 30, 2002, none of the directors or officers of the Company owned any Common Shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The Company is not directly or indirectly controlled by another corporation, by a foreign government or by any other natural or legal person.

The following table presents certain information regarding the current ownership of the Common Shares with respect to (i) each person who is known by the Company to own more than 5 per cent of the Company's outstanding Ordinary Shares; and (ii) all directors and officers as a group as of April 30, 2002.

| OWNER | ORDINARY SHARES | |
|-----------------------------------|------------------------|-----------------|
| | AMOUNT | PER CENT |
| Smith Barney Asset Management | 1,152,534 | 6.7% |
| Goldman, Sachs & Co. | 985,180 | 5.8% |
| AIG Global Investment Group, Inc. | 899,340 | 5.3% |

There are no differences in the voting rights of the major shareholders.

As of April 30, 2002, none of the directors or officers of the Company owned any Common Shares.

B. RELATED PARTY TRANSACTIONS

Not Applicable

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18.

Legal Proceedings

To the best of the Company's knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have, significant effects on the Company's financial position or profitability and no such proceedings are pending or known to be contemplated by governmental authorities.

Dividend Policy

The Company policy is to pay quarterly distributions to holders of record of Common Shares in each January, April, July and October in amounts substantially equal to the charterhire received by the Company under the Charters, less cash expenses and less any reserves required in respect of any contingent liabilities. Currently, the Company does not have any material cash expenses other than (i) a management fee of \$750,000 per annum, payable to the Manager (the "Management Fee") (ii) certain directors' and officers' liability insurance premiums in the current amount of \$60,000 per annum, (iii) the agent bank annual fee of

\$50,000 and (iv) payment of interest on the Primary Loan. Until January 15, 2000, when the Amortizing Loans were satisfied, the Company also paid interest and principal on the Amortizing Loans (which were equivalent to the amounts of Supplemental Hire). Any lease payments under the U.K. Finance Leases are expected to be paid under the Letters of Credit or otherwise by the Charterer, and therefore are not considered cash expenses of the Company and are not expected to reduce amounts available to the Company for the payment of distributions to shareholders.

Declaration and payment of any dividend is subject to the discretion of the Company's Board of Directors. The declaration and payment of distributions to shareholders is prohibited if the Company is in default under the Credit Facility or if such payment would be or is reasonably likely to result in an event of default under the Credit Facility. Any payment of distributions to shareholders by the Company in any year may also be dependent upon the adoption by the holders of a majority of the Common Shares voting at the annual meeting of shareholders of the Company of a resolution effectuating a reduction in the Company's share premium and a credit to the Company's contributed capital surplus account. The Company's shareholders adopted such a resolution at the Company's annual general meeting in March, 1999. The timing and amount of dividend payments will be dependent upon the Company's earnings, financial condition, cash requirements and availability, the provisions of Bermuda law affecting the payment of distributions to shareholders and other factors.

There can be no assurance that the Company will not have other expenses, including extraordinary expenses, which could include costs of claims and related litigation expenses, which are not covered by the indemnification provisions of the Charters, or that the Company will not have contingent liabilities for which reserves are required. As an "exempted" Bermuda company, the Company does not expect to pay any income taxes in Bermuda. The Company also does not expect to pay any income taxes in the Cayman Islands (the jurisdiction of organization of the Subsidiaries) or the Isle of Man (the jurisdiction in which the Vessels are registered).

The Company has paid dividends on a quarterly basis commencing in April 1997, in an aggregate amount equal to the charterhire received from the charterer less the Company's cash expenses and less any reserves required in respect of any contingent liabilities. Such expenses will consist primarily of a management fee, payments of principal and interest on loans, interest payments on loans and the insurance premiums, plus any other expenses and contingent liabilities not covered by the management fee. The Company intends to continue to pay dividends on a quarterly basis. There can be no assurance that the Company will not 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, the Company is likely to have additional expenses and may have to set aside amounts for future payments of interest.

In 2001, 2000 and 1999, the Company paid the following distributions to shareholders.

| RECORD DATE | PAYMENT DATE | AMOUNT PER SHARE |
|--------------------|---------------------|-------------------------|
| 2001 | | |
| January 26, 2001 | February 9, 2001 | \$1.68 |
| April 27, 2001 | May 11, 2001 | \$1.39 |
| July 26, 2001 | August 9, 2001 | \$0.72 |
| October 25, 2001 | November 8, 2001 | \$0.45 |

2000

| | | |
|------------------|-------------------|--------|
| January 28, 2000 | February 11, 2000 | \$0.44 |
| April 27, 2000 | May 12, 2000 | \$0.44 |
| July 24, 2000 | August 7, 2000 | \$0.61 |
| October 26, 2000 | November 8, 2000 | \$1.17 |

1999

| | | |
|------------------|-------------------|--------|
| January 25, 1999 | February 9, 1999 | \$0.45 |
| April 26, 1999 | May 11, 1999 | \$0.45 |
| July 27, 1999 | August 11, 1999 | \$0.45 |
| October 26, 1999 | November 10, 1999 | \$0.45 |

Because the Primary Loan matures after the initial term of the Charters and must be repaid or refinanced at such time, the Company may, in the last year of the initial term of a Charter, set aside amounts for payment of interest and principal which would be due on the related Primary Loan following termination of such Charter in the event the Charterer does not renew such Charter or the Company cannot arrange to recharter or sell the Vessel as of the expiration date of such Charter. In addition, the Company may have to set aside amounts in the last year of the initial term of a Charter in anticipation of costs that may be incurred in connection with the resale or rechartering of the Vessel in the event the Charterer does not renew such Charter. These amounts would not be available for the payment of distributions to shareholders at such time.

It is expected that any cash distributions by the Company will exceed the Company's earnings and profits for U.S. tax purposes, with the result that for each full year that the Charters are in place a portion of such distributions may be treated as a return of the "basis" of a U.S. holder's Common Shares. The Company is a passive foreign investment company ("PFIC"), and as a result U.S. Holders must make a timely tax election known as "QEF Election" with respect to the Company in order to prevent certain tax penalties from applying to such U.S. holder. The Company intends to provide all necessary tax information to shareholders during February of each year in order that they may make such election. For the year ended December 31, 2001, the Company mailed such tax information to its shareholders in February, 2002.

B. SIGNIFICANT CHANGES

Not Applicable

ITEM 9. THE OFFER AND LISTING

Not applicable except for Item 9.A.4. and Item 9.C

The following table sets forth, for the four most recent fiscal years and the period during 1997 during which the Company's Common Shares were traded on the Nasdaq National Market, the annual high and low closing prices for the Common Shares as reported by the Nasdaq National Market.

| FISCAL YEAR ENDED DECEMBER 31 | HIGH | LOW |
|--------------------------------------|-------------|------------|
| 2001 | \$27.800 | \$14.320 |
| 2000 | \$25.250 | \$11.938 |
| 1999 | \$21.875 | \$11.500 |
| 1998 | \$30.750 | \$18.500 |

FISCAL PERIOD ENDED DECEMBER 31

| | | |
|------|----------|----------|
| 1997 | \$33.375 | \$20.375 |
|------|----------|----------|

The following table sets forth, for the two most recent fiscal years, the high and low closing prices for the Common Shares as reported by the Nasdaq National Market.

| | HIGH | LOW |
|--|-------------|------------|
| FISCAL YEAR ENDED DECEMBER 31, 2001 | | |
| First quarter | \$25.188 | \$20.000 |
| Second quarter | \$27.800 | \$20.000 |
| Third quarter | \$22.690 | \$14.320 |
| Fourth quarter | \$18.900 | \$15.000 |
| FISCAL YEAR ENDED DECEMBER 31, 2000 | | |
| First quarter | \$18.750 | \$11.938 |
| Second quarter | \$20.750 | \$15.750 |
| Third quarter | \$25.250 | \$18.375 |
| Fourth quarter | \$24.000 | \$18.250 |

The following table sets forth, for the most recent six months, the high and low closing prices for the Common Shares as reported by the Nasdaq National Market.

| | HIGH | LOW |
|----------------|-------------|------------|
| February 2002 | \$16.150 | \$15.450 |
| January 2002 | \$17.530 | \$15.400 |
| December 2001 | \$17.020 | \$15.000 |
| November 2001 | \$16.820 | \$15.020 |
| October 2001 | \$18.900 | \$16.120 |
| September 2001 | \$18.240 | \$14.320 |

The Company's Common Shares have been quoted on the Nasdaq National Market under the symbol "VLCCF" since its initial public offering in February 1997.

ITEM 10. ADDITIONAL INFORMATION**A. SHARE CAPITAL**

Not Applicable

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Incorporated by reference to "Description of Capital Stock" in the prospectus contained in the Company's Registration Statement on Form F-1, filed December 13, 1996 (File No. 333-6170).

C. MATERIAL CONTRACTS

Not Applicable

D. EXCHANGE CONTROLS

The Company has been designated as a non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority, whose permission for the issue of the Common Shares was obtained prior to the offering thereof.

The transfer of shares between persons regarded as resident outside Bermuda for exchange control purposes and the issuance of Common Shares to or by such persons may be effected without specific consent under the Bermuda Exchange Control Act of 1972 and regulations thereunder. Issues and transfers of Common Shares involving any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Bermuda Exchange Control Act 1972.

Subject to the foregoing, there are no limitations on the rights of owners of the Common Shares to hold or vote their shares. Because the Company has been designated as non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to United States residents who are holders of the Common Shares, other than in respect of local Bermuda currency.

In accordance with Bermuda law, share certificates may be issued only in the names of corporations or individuals. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, the Company is not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

The Company will take no notice of any trust applicable to any of its shares or other securities whether or not it had notice of such trust.

As an "exempted company", the Company is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, the Company may not participate in certain business transactions including: (i) the acquisition or holding of land in Bermuda (except that required for its business and held by way of lease or tenancy for terms of not more than 21 years) without the express authorization of the Bermuda legislature; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Finance of Bermuda; (iii) the acquisition of securities created or issued by, or any interest in, any local company or business, other than certain types of Bermuda government securities or securities of another "exempted company, exempted partnership or other corporation or partnership resident in Bermuda but incorporated abroad; or (iv) the carrying on of business of any kind in Bermuda, except in so far as may be necessary for the carrying on of its business outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

There is a statutory remedy under Section 111 of the Companies Act 1981 which provides that a shareholder may seek redress in the Bermuda courts as long as such shareholder can establish that the Company's affairs are being conducted, or have been conducted, in a manner oppressive or prejudicial to the interests of some part of the shareholders, including such shareholder. However, this remedy has not yet been interpreted by the Bermuda courts.

The Bermuda government actively encourages foreign investment in "exempted" entities like the Company that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, the Company is subject neither to taxes on its income or dividends nor to any exchange controls in Bermuda. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by the Company, as required, without limitation. There is no income tax treaty

between the United States and Bermuda pertaining to the taxation of income other than applicable to insurance enterprises.

E. TAXATION

The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to tax on income or capital gains, and no Bermuda withholding tax will be imposed upon payments of dividends by the Company to its shareholders. No Bermuda tax is imposed on holders with respect to the sale or exchange of Common Shares. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts any legislation imposing any tax computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital asset, appreciation, or any tax in the nature of an estate, duty or inheritance tax, then the imposition of any such tax shall not be applicable. The assurance further provides that such taxes, and any tax in the nature of estate duty or inheritance tax, shall not be applicable to the Company or any of its operations, nor to the shares, debentures or other obligations of the Company, until March 2016.

There are no provisions of any reciprocal tax treaty between Bermuda and the United States affecting withholding.

F. DIVIDENDS AND PAYING AGENTS

Not Applicable

G. STATEMENT BY EXPERTS

Not Applicable

H. DOCUMENTS ON DISPLAY

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Northwestern Atrium Center, Chicago, Illinois 60661. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, documents referred to in this annual report may be inspected at the Company's headquarters at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda.

I. SUBSIDIARY INFORMATION

Not Applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates primarily resulting from the floating rate of the Company's borrowings. The Company uses interest rate swaps to manage such interest rate risk. The Company has not entered into any financial instruments for speculative or trading purposes.

The Company's borrowings under the Credit Facility at December 31, 2001 of \$125,397,399 bear interest at a floating rate which is reset quarterly based on the underlying London interbank eurocurrency market. Interest payments are made quarterly, and the Credit Facility expires August 27, 2004. The fair value of the Credit Facility at December 31, 2001 is equal to the carrying amount of the facility at the same date.

The Company has entered into an interest rate swap transaction to hedge the interest rate variability on the Credit Facility. The swap has a notional amount equal to the outstanding principal under the Credit Facility and the swap expires on the same date as that of the Credit Facility. At December 31, 2001, the pay-fixed interest rate of the swap was 6.74% and the receive-variable rate was 2.82%. As a hedge against the Credit Facility, the swap effectively resulted in a fixed borrowing rate to the Company of 7.14% at December 31, 2001. Periodic cash settlements under the swap agreement occur quarterly corresponding with the interest payments under the Credit Facility. The fair value of the interest rate swap agreement was an unfavorable \$9,552,504 at December 31, 2001 calculated by taking into account the cost of entering into an interest rate swap to offset the existing swap.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY
HOLDERS AND USE OF PROCEEDS**

Not Applicable

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable

ITEM 18. FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through F-13 together with the independent auditors' report of Deloitte & Touche AB thereon, are filed as part of this annual report:

Index to Financial Statements

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| Consolidated Financial Statements: | |
| Consolidated Balance Sheets as of December 31, 2001 and 2000 | F-2 |
| Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999 | F-3 |
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2001, 2000 and 1999 | F-4 |
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| Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999 | F-6 |
| Notes to Consolidated Financial Statements | F-7 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Knightsbridge Tankers Limited

We have audited the accompanying consolidated balance sheets of Knightsbridge Tankers Limited and subsidiaries (the "Company") as of December 31, 2001 and 2000 and the related consolidated statements of operations, comprehensive income, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Knightsbridge Tankers Limited and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities to conform to Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Deloitte & Touche AB
Stockholm, Sweden
May 10, 2002

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2001 AND 2000
(in U.S. Dollars)

| | 2001 | 2000 |
|--|--------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 278,268 | 247,370 |
| Charter hire receivable | 10,515,600 | |
| | 31,116,700 | |
| Prepaid expenses | <u>15,342</u> | <u>16,573</u> |
| Total current assets | 10,809,210 | |
| | 31,380,643 | |
| Vessels under capital lease, net | 354,593,912 | |
| | 372,186,772 | |
| Capitalized financing fees and expenses, net | <u>800,882</u> | <u>1,172,426</u> |
| TOTAL ASSETS | 366,204,004 | |
| | 404,739,841 | |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accrued expenses and other current liabilities | <u>2,176,885</u> | |
| | <u>2,124,154</u> | |
| Total current liabilities | 2,176,885 | |
| | 2,124,154 | |
| Credit facility | 125,397,399 | |
| | 125,397,399 | |
| Interest rate swap agreement at fair value | <u>9,552,504</u> | |
| | - | |
| Total liabilities | 137,126,788 | |
| | 127,521,553 | |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Common shares, par value \$0.01 per share: | | |
| Authorized and outstanding 17,100,000 | 171,000 | 171,000 |
| Contributed capital surplus account | 238,458,720 | |
| | 273,809,543 | |
| Accumulated other comprehensive income (loss) | | |
| Net unrealized loss on derivative instrument | (9,552,504) | |
| | - | |

| | | |
|---|--------------------|-----------|
| Retained earnings | - | 3,237,745 |
| Total shareholders' equity | <u>229,077,216</u> | |
| | <u>277,218,288</u> | |
| <hr/> | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 366,204,004 | |
| | 404,739,841 | |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(in U.S. Dollars)

| | 2001 | 2000 | 1999 |
|---|----------------------|----------------------|----------------------|
| Charterhire revenue | \$ 61,534,335 | \$ 76,335,975 | \$ 40,275,925 |
| Operating expenses: | | | |
| Depreciation of vessels under capital leases | 17,592,860 | 17,592,860 | 17,592,860 |
| Management fee | 750,000 | 750,000 | 750,000 |
| Administration expenses | 50,919 | 57,357 | 91,022 |
| Net operating income | 43,140,556 | 57,935,758 | 21,842,043 |
| Interest income | 205,374 | 185,476 | 401,087 |
| Interest expense | (9,008,839) | (8,933,869) | (9,249,110) |
| Other financial expenses | (421,659) | (463,620) | (421,544) |
| Net income | \$ 33,915,432 | \$ 48,723,745 | \$ 12,572,476 |
| Earnings per common share - basic and diluted | \$1.98 | \$2.85 | \$0.74 |
| Weighted average number of shares outstanding | 17,100,000 | 17,100,000 | 17,100,000 |

See accompanying notes to consolidated financial statements.

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(in U.S. Dollars)

| | 2001 | 2000 | 1999 |
|---|----------------------|----------------------|----------------------|
| Net income | \$ 33,915,432 | \$ 48,723,745 | \$ 12,572,476 |
| Other comprehensive income (loss): | | | |
| Cumulative effect of change in accounting for derivative instruments and hedging activities | (3,496,905) | - | - |
| Net unrealized loss on derivative instrument during the year | (6,055,599) | - | - |
| Total other comprehensive income (loss) | (9,552,504) | - | - |
| Comprehensive income | \$ 24,362,928 | \$ 48,723,745 | \$ 12,572,476 |

See accompanying notes to consolidated financial statements.

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(in U.S. Dollars)

| | 2001 | 2000 | 1999 |
|---|----------------------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Net income | \$ 33,915,432 | \$ 48,723,745 | \$ 12,572,476 |
| Items to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 17,592,860 | 17,592,860 | 17,592,860 |
| Amortization of capitalized financing fees and expenses | 371,544 | 371,543 | 371,543 |
| Changes in operating assets and liabilities: | | | |
| Charter hire receivable and prepaid expenses | 20,602,331 | (19,262,068) | 6,819,292 |
| Accrued expenses and other current liabilities | 52,731 | (81,867) | (94,547) |
| Net cash provided by operating activities | 72,534,898 | 47,344,213 | 37,261,624 |
| Cash flows from financing activities | | | |
| Repayments of loan | - | (1,681,538) | (6,726,153) |
| Distributions to shareholders | (72,504,000) | (45,486,000) | (30,779,999) |
| Net cash used in financing activities | (72,504,000) | (47,167,538) | (37,506,152) |
| Net increase (decrease) in cash and cash equivalents | 30,898 | 176,675 | (244,528) |
| Cash and cash equivalents at beginning of year | 247,370 | 70,695 | 315,223 |
| Cash and cash equivalents at end of year | \$ 278,268 | \$ 247,370 | \$ 70,695 |
| Supplemental cash flow information: | | | |
| Interest paid | \$ 8,955,981 | \$ 9,065,736 | \$ 9,254,563 |

See accompanying notes to consolidated financial statements.

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(in U.S. Dollars)

| | 2001 | 2000 | 1999 |
|--|--------------------|--------------------|--------------------|
| SHARE CAPITAL | | | |
| Balance at beginning of year | 171,000 | 171,000 | 171,000 |
| Shares issued | - | - | - |
| Shares bought back | - | - | - |
| Balance at end of year | 171,000 | 171,000 | 171,000 |
| CONTRIBUTED CAPITAL SURPLUS ACCOUNT | | | |
| Balance at beginning of year | 273,809,543 | 273,809,543 | 292,017,066 |
| Distributions to shareholders | (35,350,823) | - | (18,207,523) |
| Balance at end of year | 238,458,720 | 273,809,543 | 273,809,543 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Balance at beginning of year | - | - | - |
| Other comprehensive income (loss) | (9,552,504) | - | - |
| Balance at end of year | (9,552,504) | - | - |
| RETAINED EARNINGS | | | |
| Balance at beginning of year | 3,237,745 | - | - |
| Net income | 33,915,432 | 48,723,745 | 12,572,476 |
| Distributions to shareholders | (37,153,177) | (45,486,000) | (12,572,476) |
| Balance at end of year | - | 3,237,745 | - |
| Total Stockholders' Equity | 229,077,216 | 277,218,288 | 273,980,543 |

See accompanying notes to consolidated financial statements.

KNIGHTSBRIDGE TANKERS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

1. DESCRIPTION OF BUSINESS

GENERAL

Knightsbridge Tankers Limited (the "Company") was incorporated in Bermuda in September, 1996, for the purpose of the acquisition, disposition, ownership, leasing and chartering of five very large crude oil carriers (the "Vessels"), and certain related activities. The Vessels are owned through wholly-owned subsidiaries (the "Subsidiaries").

The Company charters the Vessels to Shell International Petroleum Company Limited (the "Charterer") on long-term "hell and high water" bareboat charters (the "Charters"). The obligations of the Charterer under these charters are jointly and severally guaranteed by Shell Petroleum N.V. and The Shell Petroleum Company Limited (the "Charter Guarantors"). The Charter and the Charter Guarantors are all companies of the Royal Dutch/Shell Group of Companies. The term of each of these Charters is a minimum of seven years, with an option for the Charterer to extend the period for each Vessel's Charter for an additional seven-year term, to a maximum of approximately 14 years per Charter.

The daily charterhire rate payable under each Charter is comprised of two primary components: (i) the base rate, which is a fixed minimum rate of charterhire equal to \$22,069 per Vessel per day, payable quarterly in arrears ("Base Rate"), and (ii) additional hire, which is additional charterhire (determined and paid quarterly in arrears) that will equal the excess, if any, of a weighted average of the daily time charter rates for three round-trip trade routes traditionally served by VLCCs, less an agreed amount of \$10,500 during the initial term of the Charters, and \$14,900 for any extended term, representing daily operating costs over the Base Rate.

OWNERSHIP AND MANAGEMENT OF THE COMPANY

In February, 1997, the Company offered and sold to the public 16,100,000 common shares, par value \$0.01 per share, at an initial offering price of \$20 per share. Simultaneously, the Company sold 1,000,000 common shares at a price of \$20 per share to ICB International Limited ("ICB International"), an indirect wholly-owned subsidiary of ICB Shipping Aktiebolag (publ) ("ICB"), a Swedish publicly traded oil tanker owning and operating company. As of December 31, 2000, ICB International owned approximately 0.84% of the outstanding Common Shares.

ICB Shipping (Bermuda) Limited (the "Manager") manages the business of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets and liabilities of Knightsbridge Tankers Limited and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REPORTING CURRENCY

The Company's functional currency is the U.S. dollar as all revenues are received in U.S. dollars and a majority of the Company's expenditures are made in U.S. dollars. The Company reports in U.S. dollars. The Company's subsidiaries report in U.S. dollars.

Transactions in foreign currencies during the year are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency translation gains or losses are included in the consolidated statements of operations.

REVENUE AND EXPENSE RECOGNITION

Revenues and expenses are recognised on the accrual basis. Revenues are generated from the Charters and such revenues are recorded over the term of the Charters as service is provided.

COMPREHENSIVE INCOME

Comprehensive income is defined as the change in the Company's equity during the year from transactions and other events and circumstances from nonowner sources. Comprehensive income of the Company includes not only net income but also unrealized losses on derivative instruments used in cash flow hedges of future variable-rate interest payments on the Company's debt. Such items are reported as accumulated other comprehensive income (loss), a separate component of shareholders' equity, until such time as the amounts are included in net income.

LEASES

In connection with the original Vessels purchase transaction, the Company entered into a conditional sale/leaseback transaction with a third party banking institution. The lease agreements do not encumber or obligate the Company's current or future cash flows and has no effect on the Company's financial position. The leasebacks have been classified as capital leases by the Company. Accordingly, during the term of the leases, the Vessels will remain on the Company's consolidated balance sheet and the relevant subsidiaries will retain title to the related Vessel.

The Company has subleased the Vessels to a third party in the form of bareboat charters. Such Charters are classified as operating leases by the Company.

CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, all demand and time deposits and highly liquid, low risk investments with maturities of three months or less at the date of purchase are considered equivalent to cash.

CHARTER HIRE RECEIVABLE

There is a concentration of credit risk in that all revenues are due solely from the Charterer.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Interest rate swap agreements are contractual agreements between the Company and other parties to exchange the net difference between a fixed and variable interest rate periodically over the life of the contract without the exchange of the underlying principal amount of the agreement. The interest rate swaps were executed as integral elements of the Company's original financing transactions and risk management policies to achieve specific interest rate management objectives. At the time of obtaining its original financing, the Company entered into pay-fixed, receive-floating interest rate swap agreements to hedge its exposure to future cash flow variability resulting from variable interest rates on the Company's debt. The Company has not entered into any derivative contracts for speculative or trading purposes.

On January 1, 2001 the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives Instruments and Hedging Activities," as amended. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of each derivative is recorded each period in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

Upon the adoption of SFAS No. 133 the Company recorded the fair value of its interest rate swap agreements which were designated as cash flow hedges against future variable-rate interest payments on the Company's debt. The amount recorded as a transition derivative liability was \$3,496,905 and an equal amount was recorded as accumulated other comprehensive income (loss), which is a component of shareholders' equity. Subsequent to adopting SFAS No. 133 on January 1, 2001, the derivative liability has been adjusted to its current fair value with equal adjustments to accumulated other comprehensive income (loss) reflecting the effectiveness of the cash flow hedge. The adoption of SFAS No. 133 had no impact upon the Company's consolidated net income for the year ended December 31, 2001.

Prior to the change in accounting principle referred to in the preceding paragraph, settlement hedge accounting was used by the Company whereby the fair values of the interest rate swap agreements were not recorded on the balance sheet. As the swap agreements effectively altered the interest-rate characteristics of the hedged debt, the interest rate differential between the swap agreements and the underlying hedged debt was accrued as interest rates changed and recognized as an adjustment to interest expense.

VESSELS AND DEPRECIATION

Vessels are stated at cost less accumulated depreciation. Depreciation is calculated based on cost, using the straight-line method, over the useful life of each vessel. The useful life of each vessel is deemed to be 25 years.

CAPITALIZED FINANCING FEES AND EXPENSES

Costs relating to the Credit Facility are capitalized and amortized over the term of the Credit Facility which is seven years.

EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding for the period presented. For all periods presented, the Company had no potentially dilutive securities outstanding and therefore basic and dilutive earnings per share are the same.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions to shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the contributed capital surplus account.

NEW ACCOUNTING STANDARDS

In December 1999, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements". SAB 101, as amended, summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in the financial statements. The adoption of SAB 101 in the fourth quarter of fiscal 2000 by the Company did not have a material effect on the Company's consolidated financial position or results of operations.

In June 2001, the U.S. Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" which requires the application of the purchase method in accounting for business combinations including the identification of the acquiring enterprise for each transaction. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and all business combinations accounted for by the purchase method that are completed after June 30, 2001. The adoption of SFAS No. 141 by the Company did not have any impact on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 applies to all acquired intangible assets whether acquired singly, as part of a group, or in a business combination. The adoption of SFAS No. 142 by the Company on January 1, 2002 did not have any impact on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for the Asset Retirement Obligations". Under SFAS No. 143, an entity shall recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability shall be recognized when a reasonable estimate of fair value can be made. Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. An entity shall subsequently allocate that asset retirement cost to expense using a systematic and rational method over its useful life. SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and/or the normal operation of a long-lived asset, with limited exceptions. SFAS No. 143 does not apply to obligations that

arise solely from a plan to dispose of a long-lived asset, nor does it apply to obligations that result from the improper operation of an asset. SFAS No. 143 is effective for fiscal years beginning after December 15, 2002. Management has not completed their evaluation of the impact of SFAS No. 143 on the Company's results of operations or financial position. However, management does not expect that the adoption of the SFAS No. 143 on January 1, 2003 will have a material effect on the Company's consolidated financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The objectives of SFAS No. 144 are to address significant issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and to develop a single accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less costs to sell. Additionally, the standard expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of SFAS No. 144 by the Company on January 1, 2002 did not have any impact on the Company's consolidated financial position or results of operations.

3. VESSELS UNDER CAPITAL LEASE

| | 2001 | 2000 |
|-------------------------------|-----------------------|-----------|
| <i>(in US Dollars)</i> | | |
| Cost | \$ 439,821,545 | \$ |
| | 439,821,545 | |
| Accumulated depreciation | <u>(85,227,633)</u> | |
| | (67,634,773) | |
| Net book value at end of year | <u>\$ 354,593,912</u> | <u>\$</u> |
| | 372,186,772 | |

4. CAPITALIZED FINANCING FEES AND EXPENSES

Capitalized financing fees and expenses are amortised on a straight-line basis over the life of the Credit Facility. The capitalized financing fees and expenses are comprised of the following amounts:

| | 2001 | 2000 |
|---|--------------------|---------------------|
| <i>(in US Dollars)</i> | | |
| Capitalized financing fees and expenses | \$ 2,600,804 | \$ |
| | 2,600,804 | |
| Accumulated amortization | <u>(1,799,922)</u> | |
| | (1,428,378) | |
| Net book value at end of year | <u>\$ 800,882</u> | <u>\$ 1,172,426</u> |

5. CREDIT FACILITY AND RELATED INTEREST RATE SWAP AGREEMENT

The Company has entered into a Credit Facility with a syndicate of international lenders, pursuant to which the Company borrowed \$145.6 million in the form of two term loans (the "Loans", or the "Primary

Loan" and the "Amortizing Loan"). Of such amount, \$125.4 million was in respect of the Primary Loan, and \$20.2 million was in respect of the Amortizing Loan.

The Credit Facility is secured by, among other things, a pledge by the Company of 100% of the issued and outstanding capital stock of the Subsidiaries, a guarantee from each Subsidiary, a mortgage on each Vessel, assignments of the Charters and the Charter Guaranties and an assignment of the rights to take title to the Vessels and the proceeds from the sale or any novation thereof.

The Credit Facility provides for payment of interest on the outstanding principal balance of the Loans quarterly, in arrears, at a floating interest rate based on the rate in the London interbank eurocurrency market.

During 2000, the final portion of the Amortizing Loan was repaid. The outstanding Credit Facility of \$125.4 million as of December 31, 2001 consists of the Primary Loan and is repayable in its entirety during the year ending December 31, 2004. The variable rate on the Primary Loan was 2.82% at December 31, 2001.

At the time of entering into the Credit Facility, the Company entered into an interest rate swap agreement with Goldman Sachs Capital Markets, L.P., an affiliate of Goldman, Sachs & Co., to hedge the future variable rate interest payments on the Primary Loan. The cash flow hedge effectively fixes the Company's interest rate obligations on the Primary Loan at the rate of approximately 7.14% per annum. The terms of the interest rate swap agreement outstanding at December 31, 2001 are as follows:

| | |
|-----------------------|-------------------|
| Notional amount | \$125,397,399 |
| Trade date | February 6, 1997 |
| Effective date | February 27, 1997 |
| Termination date | August 27, 2004 |
| Pay-fixed rate | 6.74% |
| Receive-variable rate | 2.43% |

The fair value of the interest rate swap agreement was an unfavorable \$9,552,504 at December 31, 2001 calculated by taking into account the cost of entering into an interest rate swap to offset the existing swap. The Company's accounting policy applied to the interest rate swap agreement changed effective January 1, 2001 and is described in more detail in Note 2. The credit risk under the swap agreement is not considered to be significant due to the counterparty's high credit rating.

6. LEASES

The minimum future revenues, in the form of operating lease rentals, to be received on the Charters as of December 31, 2001 is as follows:

| | |
|-----------------------------|---------------------|
| Year ending December 31: | |
| 2002 | \$40,275,925 |
| 2003 | 40,275,925 |
| 2004 | <u>6,400,010</u> |
| Total minimum lease rentals | <u>\$86,951,860</u> |

7. TAXATION

The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2016.

8. RELATED PARTY TRANSACTION

On February 12, 1997, the Company entered into a management agreement with ICB under which ICB provides certain administrative, management and advisory services to the Company for an amount of \$750,000 per year. The management agreement will terminate in 2012 unless earlier termination is approved.

ITEM 19. EXHIBITS

| Number | Description of Exhibit |
|--------|---|
| 1 | Underwriting Agreement among Knightsbridge Tankers Limited (the "Company"), Cedarhurst Tankers LDC ("Cedarhurst"), Hewlett Tankers LDC ("Hewlett"), Inwood Tankers LDC ("Inwood"), Lawrence Tankers LDC ("Lawrence") and Woodmere Tankers LDC ("Woodmere") (each of Cedarhurst, Hewlett, Inwood, Lawrence and Woodmere a "Subsidiary" and collectively the "Subsidiaries"), Lazard Freres & Co. LLC and Goldman, Sachs & Co., as representatives for the U.S. underwriters (the "Representatives"), ICB Shipping (Bermuda) Limited (the "Manager") and ICB International Ltd. ("ICB International")** |
| 3.1 | Memorandum of Association of the Company (Exhibit 3.1)* |
| 3.2 | Bye-Laws of the Company (Exhibit 3.2)* |
| 3.2.1 | Execution version of Bareboat Charter dated February 12, 1997 between Woodmere and Shell International Petroleum Company Limited ("SIPC") relating to the M.T. Myrina.** |
| 3.2.2 | Execution version of Bareboat Charter dated February 12, 1997 between Hewlett and SIPC relating to the M.T. Megara.** |
| 3.2.3 | Execution version of Bareboat Charter dated February 12, 1997 between Inwood and SIPC relating to the M.T. Murex.** |
| 3.2.4 | Execution version of Bareboat Charter dated February 12, 1997 between Lawrence and SIPC relating to the M.T. Macoma.** |
| 3.2.5 | Execution version of Bareboat Charter dated February 12, 1997 between Cedarhurst and SIPC relating to the M.T. Magdala.** |
| 3.3.1 | Execution version of Charter Guaranty dated February 12, 1997 made by Shell Petroleum N.V. ("SPNV") and The Shell Petroleum Company Limited ("SPCo") (collectively the "Guarantors") in favor of Woodmere relating to the M.T. Myrina.** |
| 3.3.2 | Execution version of Charter Guaranty dated February 12, 1997 made by the Guarantors in favor of Hewlett relating to the M.T. Megara.** |
| 3.3.3 | Execution version of Charter Guaranty dated February 12, 1997 made by the Guarantors in favor of Inwood relating to the M.T. Murex.** |
| 3.3.4 | Execution version of Charter Guaranty dated February 12, 1997 made by the Guarantors in favor of Lawrence relating to the M.T. Macoma.** |
| 3.3.5 | Execution version of Charter Guaranty dated February 12, 1997 made by the Guarantors in favor of Cedarhurst relating to the M.T. Magdala.** |

- 3.3.6 Execution version of Pooling Agreement dated February 27, 1997 among the Subsidiaries as owners, and Shell International Trading and Shipping Company Limited on behalf of SIPC (collectively the "Charterers") relating to the fleet spares.**
- 3.4 Execution version of Charter Guaranty dated February 12, 1997 made by the Guarantors in favor of the Company.**
- 3.5 Execution version of Management Agreement dated February 12, 1997 between the Manager and the Company (incorporated by reference from Exhibit 10.5 of the Registration Statement).**
- 3.6.1 Memorandum of Agreement dated October 24, 1996 among Ocala Shipping Limited ("Ocala"), the Charterers and Shell Tankers (UK) Limited ("STUK"), as buyer, relating to the M.T. Myrina (incorporated by reference from Exhibit 10.6 of the Registration Statement).**
- 3.6.2 Memorandum of Agreement dated October 24, 1996 among Kerbela Shipping Corp. ("Kerbela") the Charterers and STUK relating to the M.T. Megara (incorporated by reference from Exhibit 10.7 of the Registration Statement).**
- 3.6.3 Memorandum of Agreement dated October 24, 1996 among Trevose Shipping Corp. ("Trevose"), the Charterers and STUK relating to the M.T. Murex (incorporated by reference from Exhibit 10.8 of the Registration Statement).**
- 3.6.4 Memorandum of Agreement dated October 24, 1996 among Tourmaline Shipping Limited ("Tourmaline"), the Charterers and STUK relating to the M.T. Macoma (incorporated by reference from Exhibit 10.9 of the Registration Statement).**
- 3.6.5 Memorandum of Agreement dated October 24, 1996 among Fluid Navigation Ltd. ("Fluid"), the Charterers and STUK relating to the M.T. Magdala (incorporated by reference from Exhibit 10.10 of the Registration Statement).**
- 3.7.1 Assignment Agreement dated November 25, 1996 from STUK and Shell International Trading & Shipping Company Limited to the Company and the Subsidiaries relating to the relevant Memorandum of Agreement (incorporated by reference from Exhibit 10.11 of the Registration Statement).**
- 3.7.2 Assignment of Rights dated February 27, 1997 between Ocala as seller and Woodmere as buyer relating to the M.T. Myrina.**
- 3.7.3 Assignment of Rights dated February 27, 1997 between Kerbela as seller and Hewlett as buyer regarding the M.T. Megara.**
- 3.7.4 Assignment of Rights dated February 27, 1997 between Trevose as seller and Inwood as buyer regarding the M.T. Murex.**

- 3.7.5 Assignment of Rights dated February 27, 1997 between Tourmalene as seller and Lawrence as buyer regarding the M.T. Macoma.**
- 3.7.6 Assignment of Rights dated February 27, 1997 between Fluid as seller and Cedarhurst as buyer regarding the M.T. Magdala.**
- 3.8.1 Execution version of Letter Agreement dated February 6, 1997 among the Company, SIPC, ICB International, the Subsidiaries and the Manager (incorporated by reference from Exhibit 10.12.1 of the Registration Statement).**
- 3.8.2 Execution version of Letter Agreement dated February 6, 1997 among the Company, the Manager, ICB International, SIPC and the Guarantors (incorporated by reference from Exhibit 10.12.2 of the Registration Statement).**
- 3.9 U.K. Finance Lease Transaction Offer Letter dated November 12, 1996 made by National Westminster Bank Plc in favor of the Company and SIPC (incorporated by reference from Exhibit 10.13 of the Registration Statement).**
- 3.10.1 Conditional Sale Agreement dated November 25, 1996 between NatWest Leasing (GB) Limited ("NLL") and Woodmere relating to the M.T. Myrina (incorporated by reference from Exhibit 10.14 of the Registration Statement).**
- 3.10.2 Conditional Sale Agreement dated November 25, 1996 between NLL and Hewlett relating to the M.T. Megara (incorporated by reference from Exhibit 10.15 of the Registration Statement).**
- 3.10.3 Conditional Sale Agreement dated November 25, 1996 between NLL and Inwood relating to the M.T. Murex (incorporated by reference from Exhibit 10.16 of the Registration Statement).**
- 3.10.4 Conditional Sale Agreement dated November 25, 1996 between NLL and Lawrence relating to the M.T. Macoma (incorporated by reference from Exhibit 10.17 of the Registration Statement).**
- 3.10.5 Conditional Sale Agreement dated November 25, 1996 between NLL and Cedarhurst relating to the M.T. Magdala (incorporated by reference from Exhibit 10.18 of the Registration Statement).**
- 3.11.1 Execution version of Charterparty by way of Demise dated February 12, 1997 between NLL as lessor and Woodmere as lessee relating to the M.T. Myrina.**

- 3.11.2 Execution version of Charterparty by Way of Demise dated February 12, 1997 between NLL as lessor and Hewlett as leasee relating to the M.T. Megara.**
- 3.11.3 Execution version of Charterparty by Way of Demise dated February 12, 1997 between NLL as lessor and Inwood as leasee relating to the M.T. Murex.**
- 3.11.3(a) Amendment Agreement to the Charterparty by Way of Demise dated February 27, 1997 among NLL, Inwood and SIPC.**
- 3.11.4 Execution version of Charterparty by Way of Demise dated February 12, 1997 between NLL as lessor and Lawrence as leasee relating to the M.T. Macoma.**
- 3.11.5 Execution version of Charterparty by Way of Demise dated February 12, 1997 between NLL as lessor and Cedarhurst as leasee relating to the M.T. Magdala.**
- 3.12.1 Execution version of Direct Support Agreement dated February 12, 1997 among NLL as lessor, SIPC and Woodmere as leasee.**
- 3.12.2 Execution version of Direct Support Agreement dated February 12, 1997 among NLL as lessor, SIPC and Hewlett as leasee.**
- 3.12.3 Execution version of Direct Support Agreement dated February 12, 1997 among NLL as lessor, SIPC and Inwood as leasee.**
- 3.12.4 Execution version of Direct Support Agreement dated February 12, 1997 among NLL as lessor, SIPC and Lawrence as leasee.**
- 3.12.5 Execution version of Direct Support Agreement dated February 12, 1997 among NLL as lessor, SIPC and Cedarhurst as leasee.**
- 3.13 Execution version of Lessor Direct Agreement dated February 12, 1997 among the Company as borrower, the Subsidiaries as leasees, NLL as lessor and GSI.**
- 3.13(a) Amendment Agreement to the Lessor Direct Agreement dated February 27, 1997 among the Company as borrower, the Subsidiaries as leasees, NLL as lessor and Royal Bank of Scotland Plc ("RBS") as agent.**
- 3.14.1 Execution version of Lessor Mortgage and Assignment dated February 12, 1997 from NLL as chargor to Woodmere as chargee.**
- 3.14.2 Execution version of Lessor Mortgage and Assignment dated February 12, 1997 from NLL as chargor to Hewlett as chargee.**

- 3.14.3 Execution version of Lessor Mortgage and Assignment dated February 12, 1997 from NLL as chargor to Inwood as chargee.**
- 3.14.4 Execution version of Lessor Mortgage and Assignment dated February 12, 1997 from NLL as chargor to Lawrence as chargee.**
- 3.14.5 Execution version of Lessor Mortgage and Assignment dated February 12, 1997 from NLL as chargor to Cedarhurst as chargee.**
- 3.15.1 Execution version of Deposit Agreement and Deposit Charge dated February 12, 1997 between Woodmere as leasee and Midland Bank PLC as a letter of credit issuing bank ("Midland").**
- 3.15.2 Execution version of Deposit Agreement and Deposit Charge dated February 12, 1997 between Hewlett as leasee and Midland.**
- 3.15.3 Execution version of Deposit Agreement and Deposit Charge dated February 12, 1997 between Inwood as leasee and Royal Bank of Canada Europe Limited as a letter of credit issuing bank ("RBC").**
- 3.15.4 Execution version of Deposit Agreement and Deposit Charge dated February 12, 1997 between Lawrence as leasee and National Australia Bank Limited as a letter of credit issuing bank ("NAB").**
- 3.15.5 Execution version of Deposit Agreement and Deposit Charge dated February 12, 1997 between Cedarhurst as leasee and NAB.**
- 3.16.1 Execution version of Irrevocable Standby Letter of Credit by Midland in favor of Woodmere as leasee.**
- 3.16.2 Execution version of Irrevocable Standby Letter of Credit by Midland in favor of Hewlett as leasee.**
- 3.16.3 Execution version of Irrevocable Standby Letter of Credit by RBC in favor of Inwood as leasee.**
- 3.16.4 Execution version of Irrevocable Standby Letter of Credit by NAB in favor of Lawrence as leasee.**
- 3.16.5 Execution version of Irrevocable Standby Letter of Credit by NAB in favor of Cedarhurst as leasee.**
- 3.17.1 Execution version of Reimbursement Agreement dated February 12, 1997 between Woodmere as leasee and Midland.**
- 3.17.2 Execution version of Reimbursement Agreement dated February 12, 1997 between Hewlett as leasee and Midland.**

- 3.17.3 Execution version of Reimbursement Agreement dated February 12, 1997 between Inwood as lessee and RBC.**
- 3.17.4 Execution version of Reimbursement Agreement dated February 12, 1997 between Lawrence as lessee and NAB.**
- 3.17.5 Execution version of Reimbursement Agreement dated February 12, 1997 between Cedarhurst as lessee and NAB.**
- 3.18.1 Execution version of Residual Obligation Agreement dated February 12, 1997 between SIPC as obligor and Midland relating to Woodmere as lessee.**
- 3.18.2 Execution version of Residual Obligation Agreement dated February 12, 1997 between SIPC as obligor and Midland relating to Hewlett as lessee.**
- 3.18.3 Execution version of Residual Obligation Agreement dated February 12, 1997 between SIPC as obligor and RBC relating to Inwood as lessee.**
- 3.18.4 Execution version of Residual Obligation Agreement dated February 12, 1997 between SIPC as obligor and NAB relating to Lawrence as lessee.**
- 3.18.5 Execution version of Residual Obligation Agreement dated February 12, 1997 between SIPC as obligor and NAB relating to Cedarhurst as lessee.**
- 3.19 Execution version of Term Loan Facility Agreement dated February 6, 1997 among the Company as borrower, the Subsidiaries as guarantors, GSI as arranger and as agent, Goldman Sachs Capital Partners L.P. as bank ("GSCP") and Goldman Sachs Capital Markets L.P. as swap counterparty ("GSCM").**
- 3.19(a) Amendment Agreement to Term Loan Facility Agreement dated February 27, 1997 among the Company as borrower, the Subsidiaries as guarantors, GSI as arranger and retiring agent, Goldman Sachs International Bank as bank ("GSIB"), GSCM as swap counterparty and RBS as successor agent.**
- 3.19(b) Side Letter to the Term Loan Facility Agreement dated February 27, 1997 among the Company, the Subsidiaries, SIPC, NLL and GSI.**
- 3.20.1 Vessel Mortgage dated February 27, 1997 granted by Woodmere in favor of GSI relating to the M.T. Myrina.**
- 3.20.2 Vessel Mortgage dated February 27, 1997 granted by Hewlett in favor of GSI relating to the M.T. Megara.**

- 3.20.3 Vessel Mortgage dated February 27, 1997 granted by Inwood in favor of GSI relating to the M.T. Murex.**
- 3.20.4 Vessel Mortgage dated February 27, 1997 granted by Lawrence in favor of GSI relating to the M.T. Macoma.**
- 3.20.5 Vessel Mortgage dated February 27, 1997 granted by Cedarhurst in favor of GSI relating to the M.T. Magdala.**
- 3.21.1 Execution version of Floating Charge dated February 12, 1997 between Woodmere as chargor and GSI as agent.**
- 3.21.2 Execution version of Floating Charge dated February 12, 1997 between Hewlett as chargor and GSI as agent.**
- 3.21.3 Execution version of Floating Charge dated February 12, 1997 between Inwood as chargor and GSI as agent.**
- 3.21.4 Execution version of Floating Charge dated February 12, 1997 between Lawrence as chargor and GSI as agent.**
- 3.21.5 Execution version of Floating Charge dated February 12, 1997 between Cedarhurst as chargor and GSI as agent.**
- 3.22 Execution version of Floating Charge dated February 12, 1997 between the Company as chargor and GSI as agent.**
- 3.23 Execution version of Mortgage of Shares dated February 12, 1997 between the Company as chargor and GSI as agent.**
- 3.24 Execution version of Borrower Assignment dated February 12, 1997 between the Company as assignor and GSI as agent.**
- 3.25.1 Execution version of Guarantor (Subsidiary) Assignment dated February 12, 1997 between Woodmere as assignor and GSI as agent.**
- 3.25.2 Execution version of Guarantor (Subsidiary) Assignment dated February 12, 1997 between Hewlett as assignor and GSI as agent.**
- 3.25.3 Execution version of Guarantor (Subsidiary) Assignment dated February 12, 1997 between Inwood as assignor and GSI as agent.**
- 3.25.4 Execution version of Guarantor (Subsidiary) Assignment dated February 12, 1997 between Lawrence as assignor and GSI as agent.**
- 3.25.5 Execution version of Guarantor (Subsidiary) Assignment dated February 12, 1997 between Cedarhurst as assignor and GSI as agent.**

- 3.26 Execution version of ISDA Master Agreement dated February 6, 1997 between GSCM and the Company.**
- 3.27 Execution version of Intercreditor Agreement dated February 12, 1997 among the Company as borrower, the Subsidiaries as leasees (collectively with the Company as Obligors), GSI as arranger and as agent, GSCP as bank and GSCM as swap bank and SIPC, SPCo, SPNV and the Manager, each as a subordinated creditor.**
- 3.27(a) Amendment Agreement dated February 27, 1997 to the Intercreditor Agreement among the Company as borrower, the Subsidiaries as leasees (collectively with the Company as Obligors), GSI as arranger, RBS as agent, GSIB as bank, GSCM as swap bank and SIPC, SPCo, SPNV and the Manager, each as a subordinated creditor.**
- 3.27(b) Finance Party Accession/Designation Agreement dated February 27, 1997 among the Company and the Subsidiaries as obligors, GSI as existing party and arranger, RBS as new party, NLL as lessor, GSIB as bank, GSCM as swap bank and SIPC, SPCo, SPNV and the Manager, each as a subordinated creditor.**
- 3.28 Execution version of Multipartite Agreement dated February 12, 1997 among the Company as borrower, the Subsidiaries as guarantors, SIPC as charterer, GSI as arranger and agent, GSCP as bank and GSCM as swap bank.**
- 3.29 Execution version of Subordination Agreement dated February 12, 1997 among the Company, the Subsidiaries, ICB International, the Manager, the Guarantors, SIPC and Goldman, Sachs & Co. as representative of the U.S. Underwriters, and GSI as representative of the International Underwriters.**
- 3.30 Execution version of Share Purchase Agreement dated February 12, 1997 between the Company and ICB International (incorporated by reference from Exhibit 10.37 of the Company's Registration Statement on Form F-1, filed December 13, 1996 (File No. 333-6170)).

* Incorporated by reference to same Exhibit No. in the Company's Registration Statement on Form F-1, filed December 13, 1996 (File No. 333-6170)

** Incorporated by reference to same Exhibit No. in the Company's Report on Form 6-K, filed March 20, 1997 (File No. 0-29106)

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

KNIGHTSBRIDGE TANKERS LIMITED

By: /s/Ola Lorentzon

Ola Lorentzon
Chairman

Dated: May 10, 2002