

FINANCIAL STATEMENTS
DHT Maritime, Inc.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
DHT Maritime, Inc.

We have audited DHT Maritime, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DHT Maritime, Inc. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, cash flows, and changes in stockholder's equity for each of the three years in the period ended December 31, 2008 and our report dated March 11, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
March 11, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
DHT Maritime, Inc.

We have audited the accompanying consolidated balance sheets of DHT Maritime, Inc. and subsidiaries (the “Company”) as of December 31, 2008 and 2007 and the related consolidated statements of operations, cash flows, and changes in stockholders’ equity for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2009, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
March 11, 2009

DHT Maritime, Inc.
Consolidated Balance Sheets
as of December 31

	<u>2008</u>	<u>2007</u>
(Dollars in thousands, except Share and per share amounts)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,020	\$ 10,365
Voyage receivables from OSG	8,791	1,547
Prepaid expenses	382	318
Prepaid technical management fee to OSG	768	1,357
	<u>68,961</u>	<u>13,587</u>
Total current assets	68,961	13,587
Vessels, net of accumulated depreciation	462,387	398,005
Deferred debt issuance costs	1,148	1,337
Deposits for vessel acquisition	—	9,145
Deferred equity offering cost	—	134
	<u>532,496</u>	<u>422,208</u>
Total assets	\$ 532,496	\$ 422,208
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,400	\$ 4,409
Unrealized loss on interest rate swap	26,418	10,218
Deferred shipping revenues	7,855	7,006
Current installment of long-term debt	—	75,000
	<u>40,673</u>	<u>96,633</u>
Total current liabilities	40,673	96,633
Long-term liabilities		
Long-term debt	344,000	253,700
Stockholders' equity		
Preferred stock (\$0.01 par value, 1,000,000 shares authorized, none issued)	—	—
Common stock (\$0.01 par value, 100,000,000 authorized, 39,238,807 and 30,030,811 shares issued and outstanding, respectively).	392	300
Paid-in additional capital	200,570	108,760
Retained earnings/(deficit)	(26,721)	(26,967)
Accumulated other comprehensive income/(loss)	(26,418)	(10,218)
	<u>147,823</u>	<u>71,875</u>
Total stockholders' equity	147,823	71,875
Total liabilities and stockholders' equity	\$ 532,496	\$ 422,208

See notes to accompanying financial statements.

DHT Maritime, Inc.
Consolidated Statements of Operations
Years Ended December 31

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
(Dollars in thousands except per share amounts)			
Shipping revenues	\$ 114,603	\$ 81,427	\$ 86,793
Ship Operating Expenses:			
Vessel expenses	21,409	19,423	18,690
Depreciation and amortization	25,948	17,271	16,915
General and administrative	4,766	3,775	2,389
Total ship operating expenses	52,123	40,469	37,994
Income from vessel operations	62,480	40,958	48,799
Interest income	1,572	962	908
Interest expense and amortization of deferred debt issuance costs	(21,904)	(14,457)	(13,957)
Income before income taxes	42,148	27,463	35,750
Provision for income taxes	—	—	—
Net Income	\$ 42,148	\$ 27,463	\$ 35,750
Basic net income per share	\$ 1.17	\$ 0.91	\$ 1.19
Diluted net income per share	\$ 1.17	\$ 0.91	\$ 1.19
Cash dividends declared and paid per share	\$ 1.15	\$ 1.58	\$ 1.74
Shares used in computing basic net income per share	36,055,422	30,024,407	30,007,000
Shares used in computing diluted net income per share	36,055,422	30,036,523	30,016,352

See notes to accompanying financial statements.

DHT Maritime, Inc.
Consolidated Statements of Changes in Stockholders' Equity

	<u>Common Stock</u>		<u>Paid-in Additional Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income/(Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
(Dollars in thousands)						
Balance at December 31, 2005	30,006,250	\$ 300	\$ 108,272	\$ 9,469	\$ (807)	\$ 117,234
Net Income	—	—	—	35,750	—	35,750
Other Comprehensive Income, effect of derivative instruments	—	—	—	—	2,519	2,519
Other Comprehensive Income	—	—	—	—	—	—
Cash dividends declared and paid	—	—	—	(52,211)	—	(52,211)
Compensation related to options and restricted stock	—	—	123	—	—	123
Issuance of restricted stock awards	3,000	—	—	—	—	—
Balance at December 31, 2006	30,009,250	\$ 300	\$ 108,395	\$ (6,992)	\$ 1,712	\$ 103,415
Net Income	—	—	—	27,463	—	27,463
Other Comprehensive Income, effect of derivative instruments	—	—	—	—	(11,930)	(11,930)
Other Comprehensive Income	—	—	—	—	—	15,533
Cash dividends declared and paid	—	—	—	(47,438)	—	(47,438)
Compensation related to options and restricted stock	—	—	365	—	—	365
Issuance of restricted stock awards	21,561	—	—	—	—	—
Balance at December 31, 2007	30,030,811	\$ 300	\$ 108,760	\$ (26,967)	\$ (10,218)	\$ 71,875
Net Income	—	—	—	42,148	—	42,148
Other Comprehensive Income, effect of derivative instruments	—	—	—	—	(16,200)	(16,200)

Other Comprehensive Income	—	—	—	—	—	25,948
Cash dividends declared and paid	—	—	—	(41,902)	—	(41,902)
Issuance of Common Stock	9,200,000	92	91,334	—	—	91,426
Compensation related to options and restricted stock	—	—	476	—	—	476
Issuance of restricted stock awards	7,996	—	—	—	—	—
Balance at December 31, 2008	<u>39,238,807</u>	<u>\$ 392</u>	<u>\$ 200,570</u>	<u>\$ (26,721)</u>	<u>\$ (26,418)</u>	<u>\$ 147,823</u>

See notes to accompanying financial statements.

DHT Maritime, Inc. Consolidated Statements of Cash Flow
Years Ended December 31
(dollars in thousand)

	2008	2007	2006
Cash Flows from Operating Activities:			
Net income	\$ 42,148	\$ 27,463	\$ 35,750
Items included in net income not affecting cash flows:			
Depreciation and amortization	25,948	17,272	16,914
Amortization of debt issuance cost	189	165	160
Deferred compensation related to options and restricted stock granted	476	365	123
Changes in operating assets and liabilities:			
Receivables	(7,244)	2,462	1,497
Prepaid expenses	525	(20)	(50)
Accounts payable, accrued expenses and deferred revenue	2,840	1,790	(396)
Net cash provided by operating activities	<u>65,016</u>	<u>49,363</u>	<u>53,998</u>
Cash Flows from Investing Activities:			
Expenditures for vessels	(81,185)	(92,700)	—
Decrease/(increase) in vessel acquisition deposit	—	(9,145)	—
Net cash (used in) investing activities	<u>(81,185)</u>	<u>(101,845)</u>	<u>—</u>
Cash Flows from Financing Activities:			
Issuance of common stock	91,426	—	—
Issuance of long-term debt, net of issuance costs	90,300	92,605	—
Cash dividends paid	(41,902)	(47,438)	(52,211)
Deferred Offering Costs	134	(134)	—
Repayment of long-term debt	(75,000)	—	—
Net cash provided by/(used in) financing activities	<u>64,958</u>	<u>45,033</u>	<u>(52,211)</u>
Net increase/(decrease) in cash and cash equivalents	48,655	(7,315)	1,787
Cash and cash equivalents at beginning of period	<u>10,365</u>	<u>17,680</u>	<u>15,893</u>
Cash and cash equivalents at end of period	<u>\$ 59,020</u>	<u>\$ 10,365</u>	<u>\$ 17,680</u>
Interest paid	<u>\$ 20,750</u>	<u>\$ 13,752</u>	<u>\$ 13,686</u>

See notes to accompanying financial statements.

**NOTES TO DHT MARITIME, INC.
CONSOLIDATED FINANCIAL STATEMENTS**

General

DHT Maritime, Inc. (the “Company”) was incorporated under the name of Double Hull Tankers, Inc. on April 14, 2005 under the laws of the Marshall Islands as a wholly owned indirect subsidiary of Overseas Shipholding Group, Inc. (“OSG”). In October 2005, the Company completed its initial public offering (“IPO”) by issuing and selling to the public 16,000,000 common shares, par value \$0.01 per share, at a price to the public of \$12.00 per share, raising gross proceeds of \$192.0 million before deduction of underwriting discounts, commissions and expenses of approximately \$13.8 million. On the date of the IPO, the Company also raised \$236 million of secured debt (before expenses of approximately \$1.6 million). Simultaneously with the IPO, the Company acquired seven double hull tankers, comprising our initial fleet, consisting of three very large crude carriers, or VLCCs, and four Aframax vessels (collectively, the “Initial Vessels”) from subsidiaries of OSG in exchange for cash and shares of the Company’s common stock. The Company chartered the Initial Vessels back to subsidiaries of OSG. The aggregate purchase price for the Initial Vessels was \$580.6 million, of which \$412.6 million was in the form of cash and \$168 million in the form of common stock. The Company treated the excess of the purchase price over OSG’s \$343.0 million aggregate book value of the Initial Vessels, or \$237.6 million, as a deemed dividend to OSG.

During the first half of 2007, wholly owned subsidiaries of OSG sold all of their shares of the Company’s common stock. The Company did not receive any proceeds from the sale of the shares.

On December 4, 2007, the Company acquired a Suezmax tanker, the *Overseas Newcastle*, for \$92.7 million and on January 28, 2008, the Company acquired a Suezmax tanker, the *Overseas London*, for \$90.3 million. Both vessels are chartered to OSG. These vessels and the Initial Vessels are collectively referred to as the “Vessels.”

The Vessels are owned by nine Marshall Islands subsidiaries of the Company (the “Vessel Subsidiaries”). The primary activity of each of the Vessel Subsidiaries is the ownership and operation of a Vessel. The following table sets out the details of the Vessel Subsidiaries included in these consolidated financial statements:

Company	Vessel name	Dwt	Flag State	Year Built
Chris Tanker Corporation	<i>Overseas Chris</i>	309,285	Marshall Islands	2001
Ann Tanker Corporation	<i>Overseas Ann</i>	309,327	Marshall Islands	2001
Regal Unity Tanker Corporation	<i>Overseas Regal</i>	309,966	Marshall Islands	1997
Newcastle Tanker Corporation	<i>Overseas Newcastle</i>	164,626	Marshall Islands	2001
London Tanker Corporation	<i>Overseas London</i>	152,923	Marshall Islands	2000
Cathy Tanker Corporation	<i>Overseas Cathy</i>	112,028	Marshall Islands	2004
Sophie Tanker Corporation	<i>Overseas Sophie</i>	112,045	Marshall Islands	2003
Ania Aframax Corporation	<i>Overseas Ania</i>	94,848	Marshall Islands	1994
Rebecca Tanker Corporation	<i>Overseas Rebecca</i>	94,873	Marshall Islands	1994

Effective October 18, 2005, the Company chartered the Initial Vessels to subsidiaries of OSG for initial terms of five to six and one-half years at basic hire amounts which are essentially fixed. In addition, the time charter arrangements include a profit sharing component that gives the Company the opportunity to earn additional hire when the Initial Vessel earnings exceed the basic hire amounts set forth in the charters. From October 18, 2005 to December 31, 2008, the seven Initial Vessels operated in the Tankers International Pool and the Aframax International Pool (except the Overseas Ania which left the Aframax International Pool in July 2008). The Company expects the potential to earn additional hire will benefit from the utilization rates realized by these pools. In a pooling arrangement, the net revenues generated by all of the vessels in a pool are aggregated and distributed to pool members pursuant to a pre-arranged weighting system that recognizes each vessel’s earnings capacity based on its cargo capacity, speed and fuel consumption, and actual on-hire performance. Effective July 1, 2008, the Overseas Ania left the Aframax International Pool and is chartered by OSG to its wholly-owned subsidiary, OSG Lightering, at \$29,000 per day until October 2010. The rate of \$29,000 per day serves as the basis for the vessel’s profit sharing under its charter.

Each time charter for the Initial Vessels may be renewed by OSG on one or more successive occasions for periods of one, two or three years, up to an aggregate of five, six or eight years, depending on the Initial Vessel. If a time charter is renewed, the charter terms providing for profit sharing will remain in effect and the charterer, at the time of exercise, will have the option to select a basic charter rate that is equal to (i) 5% above the published one-, two- or three-year time charter rate (corresponding to the length of the additional period chosen) for the Initial Vessel's class, as decided by a shipbrokers panel, or (ii) the basic hire rate set forth in the applicable charter. The shipbrokers panel will be The Association of Shipbrokers and Agents Tanker Broker Panel or another panel of brokers mutually acceptable to us and OSG.

On November 26, 2008, we entered into an agreement with OSG whereby OSG exercised part of the extension options for the Initial Vessels upon expiry of the vessels' initial charter periods. For the *Overseas Ania* and *Overseas Rebecca*, OSG extended for a period of 18 months after the initial charter periods expire in October 2010 at the basic charter rate set forth in the applicable charter. For the *Overseas Cathy*, *Overseas Sophie*, *Overseas Ann*, *Overseas Chris* and *Overseas Regal*, OSG extended for a period of 12 months following the expiry of the initial charter periods between April 2011 and April 2012. The basic charter hire rate for the extension periods for these five vessels will be either the basic charter rate stipulated in the applicable charter or, if the one-year time charter rate is lower, a base rate which is no more than \$5,000 per day below the basic charter rate stipulated in the charters. The profit sharing arrangement, whereby DHT earns an additional amount equal to 40% of the excess of vessels' actual net daily earnings calculated on a four quarter rolling basis, will remain in place for all vessels.

Effective October 18, 2005, the Company also entered into ship management agreements with Tanker Management, a wholly-owned subsidiary of OSG. The ship management agreements provided for the technical management of the Initial Vessels in exchange for a fee that was fixed for the first two years of each agreement, with OSG only permitted to terminate each agreement upon 90 days' prior written notice to the Company following October 18, 2007. On May 11, 2007, the Company and OSG reached an agreement whereby OSG deferred its right to terminate each agreement upon 90 days' prior written notice until after October 18, 2008. The basic hire rate for each of the Initial Vessels and the technical management fee was payable monthly in advance. Recently, the Company entered into new ship management agreements with Tanker Management for the Vessels under time charter with effect from January 16, 2009. The new ship management agreements are described in Note J.

Effective December 4, 2007, the Company bareboat chartered the *Overseas Newcastle* to OSG for a term of seven years. The basic bareboat charter rate is \$26,343 per day for the first three years of the charter term, and is reduced to \$25,343 per day for the last four years of the charter term. In addition to the bareboat charter rate, the Company will, through the profit sharing element of the charter agreement, earn 33% of the vessel's earnings above the time charter equivalent rate of \$35,000 per day for the first three years of the charter term and above \$34,000 per day for the last four years of the charter term, calculated on a four quarter rolling average. At the end of the seven year bareboat charter term, OSG has the right to acquire the vessel for \$77 million. Effective January 28, 2008, the Company bareboat chartered the *Overseas London* to OSG for a term of ten years. The basic bareboat charter rate is \$26,630 per day throughout the period. OSG has the right to acquire the vessel at the end of the eighth, ninth and tenth years of the charter term at a price of \$71 million, \$67 million and \$60 million, respectively. If OSG elects to exercise its purchase option, the Company will, in addition to the purchase option price, receive an amount equal to 40% of the difference between the market price of the vessel at the time the purchase option is exercised and the purchase option price.

On April 29, 2008, the Company issued 8 million shares of common stock, in a public offering and on May 9, 2008, the underwriters exercised their overallotment option for an additional 1.2 million shares. The total net proceeds to the Company as a result of the issue of the 9.2 million shares were approximately \$91.4 million.

Following the approval of the shareholders at the Company's Annual General Meeting on June 18, 2008, the Company changed its name from Double Hull Tankers, Inc. to DHT Maritime, Inc.

Note A—Summary of significant accounting policies:

Basis of presentation and accounting

The DHT Maritime, Inc. consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The consolidated financial statements include the assets and liabilities of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation or combination.

Cash and cash equivalents

Interest-bearing deposits that are highly liquid investments and have a maturity of three months or less when purchased are included in cash and cash equivalents. Cash and cash equivalents of \$59.0 million as of December 31, 2008 are pledged as described in Note D and are held at a single financial institution. The carrying value of cash and cash equivalents approximates its fair value.

Vessels

At October 18, 2005, the Company recorded the Initial Vessels at their historical cost to OSG. The Initial Vessels are being depreciated over periods ranging from 14 to 23 years, which represent the Initial Vessels' remaining life at the date of acquisition from OSG. The *Overseas Newcastle* and the *Overseas London* are being depreciated over a period of 18 years. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate per ton. Accumulated depreciation was \$173.8 million and \$147.9 million at December 31, 2008 and 2007, respectively. Vessel deposit at December 31, 2007 were applied to payment for the *Overseas London* in 2008.

At October 18, 2005, the Company recorded the Initial Vessels at their historical cost to OSG. The Initial Vessels are being depreciated over periods ranging from 14 to 23 years, which represent the Initial Vessels' remaining life at the date of acquisition from OSG. The *Overseas Newcastle* and the *Overseas London* are being depreciated over a period of 18 years. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate per ton. Accumulated depreciation was \$173,829,825 and \$147,881,505 at December 31, 2008 and 2007, respectively.

Deferred drydock expenditures

On October 18, 2005, the Company entered into ship management agreements with Tanker Management, a subsidiary of OSG, for the technical management of its Initial Vessels in exchange for a fixed fee for each vessel. As part of the ship management agreement, OSG was responsible for drydocking costs. These agreements were terminated effective January 16, 2009.

Impairment of long-lived assets

The carrying amounts of long-lived assets held and used are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the asset's carrying amount. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. The amount of an impairment charge, if any, would be determined using discounted cash flows.

Deferred finance charges

Finance charges incurred in the arrangement of debt are deferred and amortized to interest expense over the life of the related debt. Amortization of deferred finance charges amounted to \$189,227 in 2008, \$164,868 in 2007 and \$159,996 in 2006.

Revenue and expense recognition

Revenues from time charters and bareboat charters are accounted for as operating leases and are thus recognized ratably over the rental periods of such charters.

For time and bareboat charters, time charter equivalent revenues represent shipping revenues less brokerage commissions, if applicable, which are included in voyage expenses.

The Initial Vessels operated in either the Tankers International Pool (VLCCs) or the Aframax International Pool (Aframaxes) during the three years ended December 31, 2008, except the *Overseas Ania* which left the Aframax International pool as of July 1, 2008 and is chartered by OSG to its wholly-owned subsidiary, OSG Lightering. For vessels operating in such pools, revenues and voyage expenses are pooled and allocated to each pool's participants on a time charter equivalent basis in accordance with an agreed-upon formula.

Vessel expenses include crew costs, vessel stores and supplies, lubricating oils, maintenance and repairs, insurance and communication costs.

As part of all of the time charters and one of the bareboat charters that the Company has entered into with subsidiaries of OSG with respect to its Vessels, the Company has the opportunity to earn additional hire when vessel earnings exceed the basic hire amounts set forth in the charters. Additional hire, if any, is calculated and paid quarterly in arrears and recognized as revenue in the quarter in which it was earned.

On October 18, 2005, and as subsequently amended, the Company entered into ship management agreements with Tanker Management, a subsidiary of OSG, for the technical management of its seven Initial Vessels in exchange for a fixed fee. As part of the ship management agreements, OSG was responsible for drydocking costs.

The Company entered into new ship management agreements with Tanker Management for the Initial Vessels with effect from January 16, 2009. The new ship management agreements are described in Note J.

Derivatives

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Investments and Hedging Activities" ("FAS 133") requires the Company to recognize all derivatives on the balance sheet at fair value. If the derivative is an effective hedge, a change in the fair value is either offset against the change in fair value of the hedged item or recognized in other comprehensive income until the hedged item is recognized in income. The ineffective portion of effective hedges is immediately recognized in income. Derivatives that are not effective hedges are fully adjusted through income.

The Company uses interest rate swaps to convert interest-bearing debt from floating to fixed rate. The swaps are designated and qualify as cash flow hedges. The Company assumes no ineffectiveness since the interest rate swaps meet the conditions required under FAS 133 to apply the critical terms method for prepayable debt.

Fair Value Measurement

SFAS 157 defines three levels of inputs that may be used to measure fair value and requires that the assets or liabilities carried at fair value be disclosed by the input level under which they were valued. The input levels defined under SFAS 157 are as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than defined in Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are not corroborated by observable market data.

The following table summarizes assets and liabilities that are measured at fair value on a recurring basis at December 31, 2008 (in millions):

(Dollars in thousands)	December 31, 2008	
	Fair Value Asset (Liability)	
	Level 2	Total
Derivatives		
Liabilities	\$ (26,400)	(26,400)

Derivative liabilities relate to interest rate swaps.

Comprehensive Income

Accumulated other comprehensive income consists entirely of unrealized gains and losses on derivative instruments.

Foreign currency

The functional currency of the Company and each of the Vessel Subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in other currencies are translated at the year end exchange rates. Foreign currency revenues and expenses are translated at transaction date exchange rates. Exchange gains and losses are included in the determination of net income.

Concentration of risk

All of the Company's vessels are chartered to OSG. All of the Company's debt and counterparty for its interest rate swaps are the same financial institution.

Adoption of new accounting standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Effective January 1, 2008, the Company adopted the provisions of SFAS 157 related to financial assets and liabilities, as well as other assets and liabilities carried at fair value on a recurring basis. These provisions, which have been applied prospectively, did not have a material impact on the Company's consolidated financial statements. Certain other provisions of SFAS 157 related to other nonfinancial assets and liabilities will be effective for the Company on January 1, 2009, and will be applied prospectively. The Company is currently evaluating the impact the provisions of SFAS 157 related to other nonfinancial assets and liabilities will have on the consolidated financial position, results of operations or cash flows of the Company.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of Statement of Financial Accounting Standards No. 133" ("FAS 161"). FAS 161 requires qualitative disclosures about an entity's objectives and strategies for using derivatives and quantitative disclosures about how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. FAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with early application allowed. FAS 161 allows, but does not require comparative disclosures for earlier periods at initial adoption.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note B—Earnings per common share:

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the exercise of all dilutive stock options and restricted shares using the treasury stock method. The components of the calculation of basic earnings per share and diluted earnings per share are as follows:

(Dollars in thousands) for the years ended December 31,	2008	2007	2006
Net income	\$ 42,148	\$ 27,463	\$ 35,750
Common shares outstanding, basic:			
Weighted average shares outstanding, basic	36,055,422	30,024,407	30,007,000
Common shares outstanding, diluted:			
Weighted average shares outstanding, basic	36,055,422	30,024,407	30,007,000
Dilutive equity awards			
	—	12,116	9,352
Weighted average shares outstanding, diluted	36,055,422	30,036,523	30,016,352

The anti-dilutive effects of equity awards that were excluded from the calculation of diluted earnings per share were not material for each of the three years in the period ended December 31, 2008.

Note C—Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2008	2007
Interest	\$ 3,883,000	\$ 3,137,000
Insurance	171,000	268,000
Accounts payable	126,000	55,000
Other	2,220,000	949,000
	<u>\$ 6,400,000</u>	<u>\$ 4,409,000</u>

Note D—Debt:

On October 18, 2005, the Company entered into a \$401 million secured credit facility with The Royal Bank of Scotland (“RBS”) for a term of ten years, with no principal amortization for the first five years. The Company is the borrower under the credit facility and each of the Vessel Subsidiaries has guaranteed its performance thereunder. The facility is secured by, among other things, first priority mortgages on the Vessels, assignments of earnings and insurances and the Company’s rights under the charters for the Vessels and the ship management agreements, and a pledge of the balances in the Company’s bank accounts. The credit facility provides that the Company may not pay dividends if the charter-free market value of the Company’s vessels that secure the credit facility is less than 135% of the Company’s borrowings under the facility plus the actual or notional cost of terminating any interest rate swaps that the Company enters, if there is a continuing default under the credit facility or if the payment of the dividend would result in a default or breach of a loan covenant. Interest is payable quarterly in arrears.

A term loan of \$236 million was borrowed on October 18, 2005 to fund a portion of the purchase price for the Initial Vessels that we acquired from OSG. On November 29, 2007, the secured credit facility was amended to increase the total commitment thereunder to \$420 million, which included a \$184 million vessel acquisition facility, which was used to fund the entire purchase price of two new Suezmaxes, the *Overseas Newcastle* and the *Overseas London*. Following the amendment, the credit facility was repayable with one installment of \$75 million due in 2008 and, commencing on January 18, 2011, with 27 quarterly installments of \$9,075,000 until its final maturity in 2017, when a final payment of approximately \$109 million will be due. The first installment of \$75 million was paid in October 2008.

Borrowings under the initial \$236 million term loan bear interest at an annual rate of the London interbank offered rate ("LIBOR") plus a margin of 0.70%. Borrowings under the vessel acquisition facility bear interest at an annual rate of LIBOR plus a margin of 0.85%. To reduce our exposure to fluctuations in interest rates, we entered into an interest rate swap on October 18, 2005, pursuant to which we fixed the interest rate for five years on the full amount of our \$236 million term loan at 5.60%. On October 16, 2007, we entered into a floating-to-fixed interest rate swap with a notional amount of \$100,000,000 pursuant to which the Company pays a fixed rate of 5.95% and receives a floating rate based on LIBOR. The swap expires on January 18, 2013. This swap was entered into to fix the interest on the borrowings to fund the acquisition of the *Overseas Newcastle* and the *Overseas London* (see Note F).

We were required to pay a \$1.5 million fee in connection with the arrangement of our credit facility in October 2005, and a commitment fee of 0.3% per annum, payable quarterly in arrears, on the undrawn portion of the facility. We were required to pay an arrangement fee of \$95,000 in October 2007 in connection with the increase in our credit facility from \$401 million to \$420 million.

The effective interest rate for debt outstanding at December 31, 2008 and 2007, was 5.69% and 5.7%, respectively as a result of related interest rate swaps (Note E).

As of December 31, 2008 and 2007, all of the net book amount of the Company's Vessels, is pledged as collateral under the debt agreement.

The carrying amounts of the loans approximate their fair value.

Note E—Derivatives:

As of December 31, 2008, the Company is party to two floating-to-fixed interest rate swaps that are being accounted for as cash flow hedges with notional amounts of \$236,000,000 and \$100,000,000, respectively, pursuant to which the Company pays a fixed rate of 5.6% and 5.95%, respectively and receives a floating rate based on LIBOR. The swaps expire on October 18, 2010 and January 18, 2013, respectively. As of December 31, 2008, the Company has recorded a liability of \$26,418,060 relating to the fair value of the swaps. This unrealized loss has been recorded to accumulated other comprehensive income/(loss). The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the agreement at the reporting date.

Note F—Accumulated other comprehensive income/(loss):

All of other comprehensive income / (loss) for the years relates to changes in the fair value of interest rate swaps. At December 31, 2008 and 2007, accumulated comprehensive income consisted of the unrealized gains and losses on interest rate swaps.

Note G—Taxes:

No income taxes have been provided herein because the Company is a foreign corporation that is not subject to United States federal income taxes. Further, the Company is not subject to income taxes imposed by the Marshall Islands, the country in which it is incorporated.

Note H—Stock Compensation:

In October 2005, the Company awarded a total of 6,250 shares of restricted common stock to its officers. These shares are non-transferable until they vest, which occurs ratably over a four-year period. The aggregate fair market value of the shares on the grant date, \$75,000, is being amortized to compensation expense over the vesting period of four years, using the straight-line method. In addition, also in October 2005, the Company awarded its officers stock options to purchase a total of 69,446 shares of common stock at an exercise price of \$12.00 per share. These stock options vest ratably over a three-year period and expire ten years from the date of grant. The Company follows Financial Accounting Standards Board Statement No. 123 (R), “Share-Based Payment” and related Interpretations in accounting for its stock-based compensation. The fair value of the options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.69%, dividend yield of 10.42%, expected stock price volatility of 0.31 and expected life of 6 years. The aggregate fair market value of the stock options on the grant date, \$75,000, was amortized to compensation expense over the vesting period of three years, using the straight-line method.

On February 19, 2007, the officers exercised 23,150 options in a “cash-less” exercise and 4,704 shares were issued. On October 23, 2007, the officers exercised 23,148 options in a “cash-less” exercise and 4,380 shares were issued. There are 23,148 options remaining which have not been exercised.

The Company awarded a total of 3,000 shares of restricted common stock to its directors on May 10, 2006. These restricted shares vested on October 18, 2006. At the date of the award, the fair market value of the Company’s common stock was \$12.79 per share. The aggregate fair market value of the shares on the grant date was amortized to expense over five months, using the straight-line method.

The Company awarded a total of 24,397 shares of restricted common stock to its officers on November 8, 2006, of which 6,250 shares vest in three equal amounts in May 2007, May 2008 and May 2009, subject to continued employment and 18,147 shares vest in three equal amounts in May 2007, May 2008 and May 2009, subject to continued employment and certain market conditions. At the date of the award, the fair market value of the Company’s common stock was \$13.785 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from November 2006 to May 2009.

The Company awarded a total of 10,842 shares of restricted common stock to its directors on November 8, 2006, of which 3,000 shares vest in three equal amounts in May 2007, May 2008 and May 2009, subject to continued office and 7,842 shares vest in three equal amounts in May 2007, May 2008 and May 2009, subject to continued office and certain market conditions. At the date of the award, the fair market value of the Company’s common stock was \$13.785 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from November 2006 to May 2009.

The Company awarded a total of 30,407 shares of restricted common stock to its officers on May 9, 2007, of which 8,989 shares vest in three equal amounts in May 2008, May 2009 and May 2010, subject to continued employment and 21,418 shares vest in three equal amounts in May 2008, May 2009 and May 2010, subject to continued employment and certain market conditions. At the date of the award, the fair market value of the Company’s common stock was \$16.10 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from May 2007 to May 2010.

The Company awarded a total of 9,861 shares of restricted common stock to its directors on May 9, 2007, of which 3,000 shares vest in three equal amounts in May 2008, May 2009 and May 2010, subject to continued office and 6,861 shares vest in three equal amounts in May 2008, May 2009 and May 2010, subject to continued office and certain market conditions. At the date of the award, the fair market value of the Company’s common stock was \$16.10 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from May 2007 to May 2010.

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The Company awarded a total of 53,490 shares of restricted common stock to its officers on May 9, 2008, of which 17,830 shares vest in three equal amounts in May 2009, May 2010 and May 2011, subject to continued employment and 35,660 shares vest in three equal amounts in May 2009, May 2010 and May 2011, subject to continued employment and certain market conditions. At the date of the award, the fair market value of the Company's common stock was \$10.60 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from May 2008 to May 2011.

The Company awarded a total of 13,194 shares of restricted common stock to its directors on May 9, 2008, of which 4,398 shares vest in three equal amounts in May 2009, May 2010 and May 2011, subject to continued office and 8,796 shares vest in three equal amounts in May 2009, May 2010 and May 2011, subject to continued office and certain market conditions. At the date of the award, the fair market value of the Company's common stock was \$10.60 per share. The aggregate fair market value of the shares on the grant date is being amortized to expense from May 2008 to May 2011.

Activity with respect to restricted common stock is summarized as follows:

Nonvested Shares Outstanding at December 31, 2005	6,250
Granted	38,239
Vested	(4,564)
Forfeited	—
Nonvested Shares Outstanding at December 31, 2006	39,925
Granted	40,268
Vested	(13,308)
Forfeited	—
Nonvested Shares Outstanding at December 31, 2007	66,885
Granted	66,684
Vested	(8,644)
Forfeited	—
Nonvested Shares Outstanding at December 31, 2008 ⁽¹⁾	124,925

(1) 96,641 shares relate to the officers of the Company and 28,284 shares relate to the board of directors.

Activity with respect to stock options is summarized as follows:

Options Outstanding at December 31, 2005	69,446
Granted	—
Exercised	—
Forfeited	—
Options Outstanding at December 31, 2006	69,446
Granted	—
Exercised	(46,298)
Forfeited	—
Options Outstanding at December 31, 2007	23,148
Granted	—
Exercised	—
Forfeited	—
Vested and Exercisable Options Outstanding at December 31, 2008	23,148

Total stock-based compensation expense was \$475,541 in 2008, \$365,536 in 2007 and \$122,561 in 2006.

Note I—Charters-out:

The future minimum revenues expected to be received from the time charters and bareboat charters for the Company's nine Vessels and the related revenue days (which represent calendar days, less estimated days that the time chartered vessels are not available for employment due to repairs or drydock) are as follows:

	<u>Amount</u>	<u>Revenue Days</u>
2009	89,417,180	3,167
2010	92,184,580	3,257
2011	91,293,680	3,197
2012	64,318,752	2,197
2013	23,459,780	851
Thereafter	48,217,666	1,827
Net minimum charter payments	<u>\$ 408,891,638</u>	<u>14,496</u>

Future minimum revenues do not include any additional hire from the profit sharing component of the charter agreements. Revenues from a time charter are not received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future.

Note J—Subsequent events:

Tanker Management, a wholly owned subsidiary of OSG, exercised its right to cancel the technical management agreements for the Initial Vessels, which had been in place since October 18, 2005. The Company entered into new technical management agreements with Tanker Management effective January 16, 2009. Under the Initial Vessels' old technical agreements with Tanker Management, the Company paid a fixed cost for the technical management of the vessels. However, under the Initial Vessels' new technical management agreements, the Company will pay the actual cost associated with the technical management of the vessels plus a management fee.

On February 10, 2009, the Company declared a dividend of \$11,780,224, or \$0.30 per share payable on March 5, 2009 to stockholders of record as of February 26, 2009.