

NORDIC AMERICAN TANKERS Ltd
Form 20-F/A
April 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F/A

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: Not applicable

Commission file number 001-13944

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

(Translation of Registrant's name into English)

BERMUDA
(Jurisdiction of incorporation or organization)

LOM Building
27 Reid Street
Hamilton HM 11
Bermuda
(Address of principal executive offices)

Herbjörn Hansson, Chairman, President, and Chief Executive Officer,
Tel No. 1 (441) 292-7202,
LOM Building, 27 Reid Street, Hamilton HM 11, Bermuda
(Name, Telephone, E-mail and/or Facsimile number and
Address of Company Contact Person)

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

Common Stock, \$0.01 par value
Series A Participating Preferred Stock
Title of class

New York Stock Exchange
Name of exchange on which registered

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

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

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

As of December 31, 2013, there were 75,382,001 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual report or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during this preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the "Amendment") amends Nordic American Tankers Limited's Annual Report on Form 20-F for the fiscal year ended December 31, 2013 (the "Form 20-F"), as filed with the Securities and Exchange Commission on April 4, 2014, and is being filed solely to amend the Report of Independent Registered Public Accounting Firm (the "Audit Report") contained in Item 18 of the Form 20-F to correct a typographical error in the date of the Audit Report from April 4, 2013 to April 4, 2014.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Item 18 of the Form 20-F in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 20-F.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Form 20-F or reflect any events that have occurred after the filing of the original Form 20-F.

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Item 18. Financial Statements

Exhibits
Filed Herewith

12.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.

12.2 Rule 13a-14(a) /15d-14(a) Certification of the Chief Financial Officer.

13.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

15.1 Consent of Independent Registered Public Accounting Firm.

NORDIC AMERICAN TANKERS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nordic American Tankers Limited
Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Nordic American Tankers Limited and its subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, 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 financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits 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 the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting 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. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nordic American Tankers Limited and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte AS

Oslo, Norway
April 4, 2014

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Nordic American Tankers Limited

Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000, except share and per share amount

	Year Ended December 31,		
	2013	2012	2011
Voyage Revenues	243,657	130,682	94,787
Voyage Expenses	(173,410)	(38,670)	(14,921)
Vessel Operating Expenses – excluding depreciation expense presented below	(64,924)	(63,965)	(54,859)
General and Administrative Expenses	(19,555)	(14,700)	(15,394)
Depreciation Expenses	(74,375)	(69,219)	(64,626)
Impairment Loss on Vessel	-	(12,030)	-
Loss on Contract	(5,000)	-	(16,200)
Net Operating Loss	(93,608)	(67,902)	(71,213)
Interest Income	146	357	1,187
Interest Expenses	(11,518)	(5,854)	(2,130)
Equity Income	40	-	-
Other Financial Income (Expenses)	(391)	207	(142)
Total Other Expenses	(11,723)	(5,290)	(1,085)
Net Loss before income taxes	(105,331)	(73,192)	(72,298)
Income Tax Expense	(86)	-	-
Net Loss	(105,417)	(73,192)	(72,298)
Basic (Loss) Earnings per Share	(1.64)	(1.39)	(1.53)
Diluted (Loss) Earnings per Share	(1.64)	(1.39)	(1.53)
Basic Weighted Average Number of Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Diluted Weighted Average Number of Common Shares Outstanding	64,101,923	52,547,623	47,159,402
Cash Dividends per share	0.64	1.20	1.15

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

Consolidated Statements of Comprehensive Income (Loss) for The Years Ended December 31, 2013, 2012 and 2011
All figures in USD '000, except share and per share amount

	Year Ended December 31,		
	2013	2012	2011
Net (Loss) Income	(105,417)	(73,192)	(72,298)
Other Comprehensive (Loss) Income Current period			
Unrealized gain (losses) on available-for-sale securities		128	(212)
Translation differences	(160)	-	-
Reclassification adjustments			
Reclassification of realized gains (losses) to net loss for available-for-sale securities	84	-	-
Other Comprehensive (loss) income	(76)	128	(212)
Total Comprehensive (Loss) Income	(105,493)	(73,064)	(72,510)

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited
Consolidated Balance Sheets as of December 31, 2013 and 2012
All figures in USD '000, except share and per share amount

	As of December 31,	
	2013	2012
Assets		
Current Assets		
Cash and Cash Equivalents	65,675	55,511
Marketable securities	-	549
Accounts receivable, net	18,801	54
Accounts receivable, net related party	-	12,862
Prepaid expenses	5,436	4,365
Inventory	24,281	4,048
Voyages in Progress	14,953	-
Other Current Assets	2,251	1,184
Total Current Assets	131,396	78,573
Non-Current Assets		
Vessels, Net	911,429	964,855
Goodwill	18,979	-
Investment in Nordic American Offshore Ltd	64,128	-
Related party receivables	-	36,987
Other Non-current Assets	10,504	5,209
Total Non-current Assets	1,005,041	1,007,051
Total Assets	1,136,437	1,085,624
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	6,447	3,095
Accounts Payable, related party	-	1,536
Accrued Voyage Expenses	6,249	-
Accrued Liabilities	6,567	10,343
Total Current Liabilities	19,263	14,974
Long-term Debt	250,000	250,000
Deferred tax liability	37	-
Deferred Compensation Liability	12,154	11,267
Total Liabilities	281,453	276,241
Commitments and Contingencies		
Shareholders' Equity		
Common Stock, par value \$0.01 per Share; 90,000,000 and 90,000,000 shares authorized, 75,382,001 and 52,915,639 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	754	529
Additional Paid-in Capital	208,240	15,615

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Contributed Surplus	751,567	866,515
Accumulated Other Comprehensive Loss	(160)	(84)
Accumulated Deficit	(105,417)	(73,192)
Total Shareholders' Equity	854,984	809,383
Total Liabilities and Shareholders' Equity	1,136,437	1,085,624

The footnotes are an integral part of these financial statements.

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Nordic American Tankers Limited

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000, except number of shares

	Number of Shares	Treasury shares	Common Stock	Additional Paid-in Capital	Contributed Surplus	Accumulated other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2010	46,898,782		469	11,480	981,815	–	(809)	992,955
Accumulated coverage of loss as of December 31, 2010	–		–	–	(809)	–	809	–
Net (Loss) Income	–		–	–	–	–	(72,298)	(72,298)
Common Shares Issued, 2011								
Equity Incentive Plan	400,000		4	–	–	–	–	4
Other Comprehensive (Loss) Income	–		–	–	–	(212)	–	(212)
Compensation – Restricted Shares	4,612		–	67	–	–	–	67
Share-based Compensation	–		–	1,320	–	–	–	1,320
Return of Capital	–		–	–	(54,273)	–	–	(54,273)
Balance at December 31, 2011	47,303,394		473	12,867	926,733	(212)	(72,298)	867,563
Accumulated coverage of loss as of December 31, 2011	–		–	–	(72,298)	–	72,298	–
Net (Loss) Income	–		–	–	–	–	(73,192)	(73,192)
Common Shares Issued, net of \$2.0 million issuance costs	5,500,000		55	75,527	–	–	–	75,582
Reduction of share premium	–		–	(75,577)	75,577	–	–	–
Other Comprehensive (Loss) Income	–		–	–	–	128	–	128
Compensation – Restricted Shares	112,245		1	1,540	–	–	–	1,541
Common Shares repurchased, 2011	-8,500	8,500	–	–	–	–	–	–

Equity Incentive Plan								
Share-based								
Compensation	–	–	1,258	–	–	–	–	1,258
Return of Capital	–	–	–	(63,497)	–	–	–	(63,497)
Balance at								
December 31, 2012	52,907,139	8,500	529	15,615	866,515	(84)	(73,192)	809,383
Accumulated coverage of loss as of December 31, 2012								
	–	–	–	–	(73,192)	–	73,192	–
Net (Loss) Income	–	–	–	–	–	–	(105,417)	(105,417)
Common Shares Issued, net of \$0.7 million issuance cost								
	20,556,250		206	172,405	–	–	–	172,611
Other Comprehensive (Loss) Income								
	–	–	–	–	–	(76)	–	(76)
Common shares issued in connection with the Scandic acquisition								
	1,910,112		19	18,127	–	–	–	18,1461
Common Shares repurchased, 2011								
Equity Incentive Plan	-14,500	14,500	–	–	–	–	–	–
Share-based								
Compensation	–	–	2,093	–	–	–	–	2,093
Return of Capital	–	–	–	(41,756)	–	–	–	(41,756)
Balance at								
December 31, 2013	75,359,001	23,000	754	208,240	751,567	(160)	(105,417)	854,984

The footnotes are an integral part of these financial statements.

Nordic American Tankers Limited

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

All figures in USD '000

	Year Ended December 31,		
	2013	2012	2011
Cash Flows from Operating Activities			
Net (Loss) Income	(105,417)	(73,192)	(72,298)
Reconciliation of Net (Loss) Income to Net Cash Provided by Operating Activities			
Depreciation Expense	74,375	69,219	64,626
Impairment Loss on Vessel	-	12,030	-
Loss on Contract	5,000	-	16,200
Dry-dock Expenditures	(17,928)	(16,538)	(11,577)
Amortization of Deferred Finance Costs	1,228	1,365	653
Deferred Compensation Liability	832	1,391	1,741
Compensation- Restricted Shares	-	1,540	67
Share-based Compensation	2,093	1,258	1,320
Other, net	(5)	(170)	-
Changes in Operating Assets and Liabilities:			
Accounts Receivables	(11,435)	17,532	(9,682)
Accounts Receivables Related party	-	(11,291)	1,571
Inventory	3,528	3,538	(3,982)
Prepaid and Other Current Assets	(130)	7,799	(4,167)
Accounts Payable and Accrued Liabilities	(3,796)	(7,609)	13,983
Accounts Payable Related party	-	610	926
Voyages in Progress	4,390	5,233	(5,233)
Non-current Related party Receivables	-	(13,282)	(18,941)
Other Non-current Assets	-	-	12,630
Net Cash Provided by (Used in) Operating Activities	(47,265)	(567)	(12,163)
Cash Flows from Investing Activities			
Proceeds from Sale (Investment in) Marketable Securities	600	-	(795)
Investment in Vessels	(6,983)	(2,745)	(91,536)
Investment in Other Fixed Assets	(1,864)	-	--
Deposit and Loan repayment from seller	5,475	9,000	10,609
Acquisition of Nordic American Offshore Ltd	(65,004)	-	-
Acquisition of Orion Tankers Ltd	(271)	-	--
Cash arising from obtaining control of Orion Tankers Ltd	6,544	-	-
Acquisition of Scandic American Shipping Ltd, net of cash acquired	(7,641)	-	-
Acquisition of Scandic, Assets Held for Sale	(5,467)	-	-
Proceeds from Sale of Scandic Assets Held for Sale	5,467	-	-
Change in Restricted Cash	(5,000)	-	-
Other, net	889	(129)	(61)
Net Cash Provided by (Used in) Investing Activities	(73,255)	6,126	(81,783)
Cash Flows from Financing Activities			
Proceeds from Issuance of Common Stock	172,611	75,582	4
Proceeds from Use of Credit Facility	40,000	270,000	155,000

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Repayments on Credit Facility	(40,000)	(250,000)	–
Credit Facility Costs	-	(6,139)	–
Dividends Paid	(41,756)	(63,497)	(54,273)
Net Cash Provided by Financing Activities	130,855	25,946	100,731
Net Increase (Decrease) in Cash and Cash Equivalents	10,335	31,505	6,785
Cash and Cash Equivalents at the Beginning of Year	55,511	24,006	17,221
Effect of exchange rate changes on Cash and Cash Equivalents	(171)	-	-
Cash and Cash Equivalents at the End of Year	65,675	55,511	24,006
Cash Paid for Interest	7,158	2,928	1,902
Cash Paid for Taxes	214	-	-

The footnotes are an integral part of these financial statements.

NORDIC AMERICAN TANKERS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in USD '000 except where noted)

1. NATURE OF BUSINESS

Nordic American Tankers Limited ("NAT") was formed on June 12, 1995 under the laws of the Islands of Bermuda. The Company's shares trade under the symbol "NAT" on the New York Stock Exchange. The Company was formed for the purpose of acquiring and chartering double-hull tankers.

In January 2013 NAT acquired Scandic American Shipping Ltd. ("Scandic" or the "Manager") and Orion Tankers Ltd ("Orion"). Accordingly, these financial statements are presented on a consolidated basis for NAT and its subsidiaries ("the Company" or "the Group"). For the year ended December 31 2013, Scandic had the daily administrative, commercial and operational responsibility and Orion has provided services as the pool manager. The Group provided assistance in the formation of Nordic American Offshore. Otherwise no services were provided by the subsidiaries for parties outside the Group. For further details on the acquisition of the subsidiaries please see Note 3 and Note 10.

The Company is an international tanker company that currently owns 20 Suezmax tankers, an increase from three vessels owned in the autumn of 2004. The Company expects that the expansion process will continue over time and that more vessels will be added to its fleet. The 20 vessels the Company currently operates average approximately 156,000 dwt each.

In 2013 and 2012, the Company chartered all of its operating vessels into a spot market arrangement with Orion. The Orion Tankers Pool was established in November 2011. In 2011, the Company chartered all of its operating vessels in the spot market pursuant to a cooperative arrangement with Gemini Tankers LLC, until November 24, 2011, at which time the Company entered into a spot market arrangement with Orion.

Tanker markets are typically stronger in the fall and winter months (the fourth and first quarters of the calendar year) in anticipation of increased oil consumption in the northern hemisphere during the winter months. Seasonal variations in tanker demand normally result in seasonal fluctuations in spot market charter rates.

The Company's Fleet

The Company's current fleet consists of 20 Suezmax crude oil tankers, and all of its vessels are employed in the spot market.

	Yard	Delivered to NAT
Nordic Harrier	Samsung 1997	151,459 August 1997
Nordic Hawk	Samsung 1997	151,475 October 1997
Nordic Hunter	Samsung 1997	151,401 December 1997
Nordic Voyager	Dalian 1997 New	149,591 November 2004
	Hyundai 1998	153,328

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Nordic			March
Fighter			2005
Nordic	Daewoo	2005	159,331 March
Freedom			2005
Nordic	Hyundai	1998	153,328 August
Discovery			2005
Nordic	Daewoo	1998	157,331 November
Saturn			2005
Nordic	Daewoo	1998	157,411 April
Jupiter			2006
Nordic	Samsung	2002	160,305 November
Moon			2006
Nordic	Samsung	2003	159,998 November
Apollo			2006
Nordic	Samsung	2003	159,999 December
Cosmos			2006
Nordic	Samsung	1999	147,188 February
Sprite			2009
Nordic	Hyundai	2002	149,921 July 2009
Grace			
Nordic	Hyundai	2002	164,236 November
Mistral			2009
Nordic	Hyundai	2002	164,274 March
Passat			2010
Nordic	Bohai	2010	163,940 December
Vega			2010
Nordic	Samsung	2011	158,597 August
Breeze			2011
Nordic	Samsung	1999	147,262 September
Aurora			2011
Nordic	Samsung	2011	158,645 November
Zenith			2011

Comparative Information

In 2013 the Company acquired 100 % of Scandic American Shipping Ltd and the remaining 50 % of Orion. As a consequence the accounts as of December 31, 2013 are presented on a fully consolidated basis. The comparative information as of December 31, 2012 and 2011 have not been adjusted and is presented on a non-consolidated basis. As a result the Statement of Financial position and the Statement of Operations as of December 31, 2013 are not fully comparable with the December 31, 2012 and 2011 comparative information. The most noticeable effects are:

In the statements of operations General and administrative expenses for the year ended December 31, 2013 include \$2.2 million as a result of the consolidation.

In the statement of financial position as of December 31, 2012 and 2011, the Company presents two asset line items representing net receivables from the Orion Tankers Pool. These line items were "Accounts Receivable, net related party" in the current asset section and "Related party receivable" in the non-current asset section. In 2013 these line items are not shown as the Orion Tankers Pool is fully consolidated. Consequently, the Company present "Accounts receivable, net", "Inventory", "Voyages in Progress" and "Accrued Voyage expenses" in the statement of financial position as of December 31, 2013.

There are no other noticeable effects following the consolidation of subsidiaries.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates: Preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The effects of changes in accounting estimates are accounted for in the same period in which the estimates are changed.

Foreign Currency Translation: The functional currency of NAT is the United States ("U.S.") dollar as all revenues are received in U.S. dollars and the majority of the expenditures are incurred and paid in U.S. dollars. NAT's reporting currency is also the U.S. dollar. 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. The subsidiary of Orion Tankers Ltd, Orion Tankers AS, and the European branch of Scandic American Shipping Ltd, both have Norwegian Kroners as their functional currency. The financial statements of these entities are translated as part of the consolidation of the Group.

Revenue and Expense Recognition: Revenues and expenses are recognized on the accruals basis. Revenues are generated from spot charters and cooperative arrangements.

Voyage revenues and expenses are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Probable losses on voyages are provided for in full at the time such losses can be estimated. Based on the terms of the customer agreement, a voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo. However, the Company does not recognize revenue if a charter has not been contractually committed to by a customer and the Company, even if the vessel has discharged its cargo and is sailing to the

anticipated load port on its next voyage.

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Spot Charters: Revenues and voyage expenses of the vessels operating on spot charters are tankers typically chartered for a single voyage which may last up to several weeks. Revenue is generated from freight billing, as the Company is responsible for paying voyage expenses and the charterer is responsible for any delay at the loading or discharging ports. When the Company's tankers are operating on spot charters the vessels are traded fully at the risk and reward of the Company. For vessels operating in the spot market other than through the pool (described below under "Cooperative arrangement"), the vessels will be operated by the pool manager. Under this type of employment, the vessel's revenues are not included in the profit sharing of the participating vessels in the pool. The Company considers it appropriate to present the gross amount earned revenue from the spot charter, showing voyage expenses related to the voyage separately in the statements of operations.

Cooperative Arrangement: Revenues and voyage expenses of the vessels operating in pool arrangements, through cooperative arrangements, are combined and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to pool participants according to an agreed formula. Formulas used to allocate net revenues vary among different cooperative arrangements, but generally, revenues are allocated to participants on the basis of the number of days a vessel operates with weighting adjustments made to reflect each vessels' differing capacities and performance capabilities. The same revenue and expense principles stated above are applied in determining the pool's net pool revenues. The manager of the cooperative agreements is responsible for collecting voyage revenue, paying voyage expenses and distributing net pool revenues to the owners of the participating vessels.

Until November 5, 2012 the Company's net voyage revenues were generated from cooperative agreements with other vessels that are not owned by the Company. The Company considers it appropriate to record the net voyage revenues, in which the Company is not regarded as the principal of its vessels' activities based on the net method. The Company accounts for the net revenues allocated by these cooperative agreements as "Voyage Revenue" in its statements of operations.

Orion was established as equally owned by the Company and Frontline Ltd. ("Frontline"). On November 5, 2012, Frontline completed the withdrawal of its nine Suezmax tankers from the cooperative agreements, following which the Orion Tankers pool consists of 20 Suezmax vessels, all owned by the Company. The Company considers it appropriate to present the gross amount earned revenue from the cooperative agreements from November 5, 2012, showing voyage expenses related to the voyage separately in the statements of operations.

When in the cooperative arrangements described above a vessel which did not temporarily comply with the pool requirements, the vessel will continue to be operated in the spot market by the pool manager, as described above under "Spot Charters."

Vessel Operating Expenses: Vessel operating expenses include crewing, repair and maintenance, insurance, stores, lubricants, management fee, communication expenses and tonnage tax. These expenses are recognized when incurred.

Consolidation: Entities in which NAT has controlling financial interest are consolidated in accordance with Accounting Standard Codification ("ASC") Topic 810, "Consolidation". Subsidiaries are consolidated from the date on which control is obtained. The subsidiaries' accounting policies are in conformity with U.S. GAAP. The consolidated subsidiaries did not generate external revenues for the Group, and the expenses from the subsidiaries are included in the statement of operations as from January 1, 2013.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments such as time deposits with original maturities of three months or less.

Marketable Securities: Marketable equity securities held by the Company are considered to be available-for-sale securities and as such are carried at fair value. Any resulting unrealized gains and losses, are recorded as a separate component of other comprehensive income in equity unless the securities are considered to be other than temporarily impaired, in which case unrealized losses are recorded in the statement of operations.

Accounts Receivable: Accounts and other receivables are presented net of allowances for doubtful balances. If amounts become uncollectable, they are charged against income when that determination is made.

Inventories: Inventories, which are comprised of bunker fuel and lubrication oil, are stated at the lower of cost or market. Cost is determined on a first-in, first-out ("FIFO") basis.

Vessels, Net: Vessels are stated at their historical cost, which consists of the contracted purchase price and any direct expenses incurred upon acquisition (including improvements, on site supervision expenses incurred during the construction period, commissions paid, delivery expenses and other expenditures to prepare the vessel for its initial voyage) less accumulated depreciation. Financing costs incurred during the construction period of the vessels are also capitalized and included in vessels' cost based on the weighted-average method. Certain subsequent expenditures for conversions and major improvements are also capitalized if it is determined that they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessel. Depreciation is calculated based on cost less estimated residual value, and is provided over the estimated useful life of the related assets using the straight-line method. The estimated useful life of a vessel is 25 years from the date the vessel is delivered from the shipyard. Repairs and maintenance are expensed as incurred.

Impairment of Vessels:

The Company reviews for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on an asset by asset basis. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and fair value (calculated based on estimated discounted operating cashflow). In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The estimated net operating cash flows are determined by considering an estimated daily time charter equivalent for the remaining operating days. The Company estimates the daily time charter equivalent for the remaining operating days based on the most recent fifteen year historical average for similar vessels and utilizing available market data for spot market rates over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking expenditures). The salvage value used in the impairment test is estimated to be \$9.7 million per vessel. If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair value if the fair value is lower than the vessel's carrying value. Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. In 2012, the Company recognized impairment charges on one vessel using an individual approach. There was no impairment on vessels in 2013 and 2011.

Drydocking: The Company's vessels are required to be drydocked approximately every 30 to 60 months. The Company capitalizes a substantial portion of the costs incurred during drydocking and amortizes those costs on a straight-line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. Consistent with prior periods, drydocking costs include a variety of costs incurred while vessels are placed within drydock, including expenses related to the dock preparation and port expenses at the drydock shipyard, general shipyard expenses, expenses related to hull, external surfaces and decks, expenses related to machinery and engines of the vessel, as well as expenses related to the testing and correction of findings related to safety equipment on board. The Company includes in capitalized drydocking those costs incurred as part of the drydock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during drydocking, and for annual class survey costs. Ballast tank improvements are capitalized and amortized on a straight-line basis over a period of eight years. The capitalized and unamortized drydocking costs are included in the book value of the vessels. Amortization expense of the drydocking costs is included in depreciation expense.

Investments in Equity Method Investees: Investments in other entities where the Company has a "significant influence" in accordance with U.S. GAAP are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is stated at initial cost and is adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its investment in equity method investees for impairment when events or circumstances indicate that the carrying value of the investment may have experienced an other than temporary decline in value below its carrying value. If the estimated fair value is less than the carrying value and is considered an other than temporary decline, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in net income (loss).

Business combinations: The Company uses the acquisition method of accounting, which requires an acquirer in a business combination to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values at the acquisition date. The costs of the acquisition and any related restructuring costs are to be recognized separately in the Consolidated Statements of Operations. The acquired company's operating results are included in the Company's consolidated financial statements starting on the date of acquisition.

The purchase price is equivalent to the fair value of the consideration transferred and liabilities incurred. Tangible and identifiable intangible assets acquired and liabilities assumed as of the date of acquisition are recorded at the acquisition date fair value. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed.

Goodwill: Goodwill is not amortized, but reviewed for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When goodwill is reviewed for impairment, the Company may elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this step and use a fair value approach to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a discounted cash flow model to determine the fair value of the reporting unit, unless there is a readily determinable fair market value.

Deferred Compensation Liability: The Company has two individual deferred compensation agreements with the Company's CEO and CFO & EVP. The deferred compensation liabilities are denominated in Norwegian currency. The liabilities are accounted for on an accrual basis using actuarial calculations. Any currency translation adjustments as well as actuarial gains and losses are recognized in general and administration expenses as incurred.

Defined Benefit Plan:

The employees of the subsidiaries have defined benefit pension plans. The Company accrues the costs and related obligations associated with its defined benefit pension plans based on actuarial computations using the projected benefits obligation method and management's best estimates of expected plan investment performance, salary escalation, and other relevant factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The overfunded or underfunded status of the defined benefit pension plans are recognized as assets or liabilities in the consolidated balance sheet. The Company recognizes as a component of other comprehensive loss, the gains or losses that arise during a period but that are not recognized as part of net periodic benefit costs

Other Comprehensive Income (Loss): The Company follows the guidance in ASC Topic 220, "Comprehensive Income" which requires separate presentation of certain transactions that are recorded directly as components of shareholders' equity.

Segment Information: The Company has identified only one operating segment under ASC Topic 280, "Segment Reporting." The Company has only one type of vessel – Suezmax crude oil tankers.

Geographical Segment: The Company does not provide a geographical analysis because the Company's business is global in nature and the location of its vessels continually changes.

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. For further information on fair value of financial instruments please see Note 18.

Deferred Financing Costs: Finance costs, including fees, commissions and legal expenses, which are recorded as "Other Current Assets" and "Other Non-current Assets" in the Balance Sheet are deferred and amortized on a straight-line basis over the term of the 2012 Credit Facility. Amortization of finance costs is included in "Interest Expense" in the Statement of Operations.

Share-Based Payments:

Share-Based Compensation: The compensation costs for all of the Company's stock-based compensation awards are based on the fair value method as defined in ASC Topic 718, "Compensation – Stock Compensation."

Restricted Shares to Employees and Non-Employees: The fair value of restricted shares is estimated based on the market price of the Company's shares. The fair value of unvested restricted shares granted to employees is measured at grant date and the Company records the compensation expense for such awards over the requisite service period. The fair value of unvested restricted shares granted to non-employees is measured at fair value at each reporting date and the Company records the compensation expense for such awards over the period the service is rendered by the non-employee.

Restricted Shares to Manager: Restricted shares issued to the Manager are non-forfeitable and vest immediately. Accordingly, the compensation expense for each of the respective issuances was measured at fair value on the date the award was issued, or the grant date, and expensed immediately as performance was deemed to be complete. The fair value was determined using the Company's stock price on the date of grant.

The agreement which gave the Manager the right to be issued restricted shares was terminated when the Manager was acquired.

Income Taxes: The Company is incorporated in Bermuda. Under current Bermuda law, the Company is not subject to corporate income taxes.

The Group includes two wholly-owned subsidiaries in Norway which are subject to income tax in their jurisdictions at 28 % of their taxable profit. The income tax incurred in Norway for the year ended December 31, 2013 was \$65,000. Income tax liability in subsidiaries before acquisition, related to the year ended December 31, 2012 was \$214,000, which was paid in 2013.

Concentrations:

Fair value: The Company operates in the shipping industry which historically has been cyclical with corresponding volatility in profitability and vessel values. Vessel values are strongly influenced by charter rates which in turn are influenced by the level and pattern of global economic growth and the world-wide supply and demand for vessels. The spot market for tankers is highly competitive and charter rates are subject to significant fluctuations. Dependence on the spot market may result in lower utilization. Each of the aforementioned factors is important considerations associated with the Company's assessment of whether the carrying amounts of its own vessels are recoverable.

Credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The fair value of the financial instrument approximates the net book value. The Company maintains its cash with financial institutions it believes are reputable. The terms of these deposits are on demand to minimize risk. The Company has not experienced any losses related to these cash deposits and believes it is not exposed to any significant credit risk. However, due to the current financial crisis the maximum credit risk the Company would be exposed to is a total loss of outstanding cash and cash equivalents and accounts receivable. See Note 4 for further information.

Accounts receivable, net, consists of uncollateralized receivables from international customers engaged in the international shipping industry. The Company routinely assesses the financial strength of its customers. Accounts receivable are presented net of allowances for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made. For the years ended December 31, 2013 and 2012, the Company did not record an allowance for doubtful accounts.

Interest risk: The Company is exposed to interest rate risk for its debt borrowed under the Credit Facility. In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has no such outstanding derivatives at December 31, 2013 and 2012, and has not entered into any such arrangements during 2013, 2012 and 2011.

Recent Accounting Pronouncements:

There are no recent pronouncements issued whose adoption would have a material impact on the Company's consolidated financial statements in the current year or are expected to have a material impact on future years.

3. RELATED PARTY TRANSACTIONS

Scandic American Shipping Ltd.:

In June 2004, the Company entered into a Management Agreement with Scandic. The Manager has been, from its inception and up to January 10, 2013, owned by a company controlled by the Chairman and Chief Executive Officer of the Company, Mr. Herbjørn Hansson and his family. In order to align the Manager's interests with those of the Company, the Company pursuant to the Management Agreement issued to the Manager restricted common shares equal to 2% of the Company's outstanding common shares, through January 1, 2013. The arrangement ended when the Company acquired the Manager, as described below.

The Manager has the daily administrative, commercial and operational responsibility for the Company's vessels and is required to manage the Company's day-to-day business subject to the Company's objectives and policies as established by the Board of Directors.

On December 15, 2012, the Company entered into an agreement to acquire 100% of the shares of the Manager. The acquisition is described in note 10.

For its services under the Management Agreement, the Manager receives a management fee of \$150,000 per annum for the total fleet and is reimbursed for all of its costs incurred in connection with its services. The management fee was reduced from \$500,000 to \$150,000 per annum effective January 10, 2013. The management fee was increased from \$350,000 to \$500,000 per annum effective December 1, 2011 up and until January 10, 2013.

The Company recognized \$3.9 million and \$3.8 million of total costs for services provided under the Management Agreement for the years ended December 31, 2012 and 2011, respectively. These costs are included in "General and Administrative Expenses" in the statements of operations. The related party balances included within accounts payable were \$1.5 million at December 31, 2012. All fees paid, and related party balances, are eliminated in the consolidated financial statements as of and for the year ended December 31, 2013.

In February 2011, the Company adopted an equity incentive plan which the Company refers to as the 2011 Equity Incentive Plan, pursuant to which a total of 400,000 restricted shares were reserved for issuance. All of 400,000 restricted shares were allocated among 23 persons employed in the management of the Company, including the Manager and the members of the Board. On January 10, 2013, the Board of Directors amended the vesting requirements for 174,000 shares allocated to the Manager lifting the vesting requirements by means of accelerated

vesting. The modification to the vesting requirements resulted in \$1.1 million being charged to General and Administrative expense during the first quarter of 2013.

As of December 31, 2013, a total number of 203,000 restricted common shares that are subject to vesting have been allocated among 17 persons employed in the management of the Company, by the Manager and the members of the Board of Directors. The holders of the restricted shares are entitled to voting rights as well as to receive dividends paid during the vesting period.

Board Member and Employees:

Mr. Jan Erik Langangen, Board Member and part-time employee of the Company, is a partner of Langangen & Helset Advokatfirma AS, a firm which provides legal services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013, 2012 and 2011, respectively, for the services provided by Langangen & Helset Advokatfirma AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There was \$5,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Mr. Rolf Amundsen, the Advisor to the Chairman, is a partner of Amundsen & Partners AS, a firm which provides consultancy services to the Company. The Company recognized \$0.1 million in costs in each of the years ended December 31, 2013 and 2012 and 2011, respectively, for the services provided by Amundsen & Partners AS. These costs are included in "General and Administrative Expenses" within the statements of operations. There was \$10,000 included within "Accounts Payable" at December 31, 2013 and no related amount at December 31, 2012.

Orion Tankers Ltd.:

Orion was established as a pool manager equally owned by the Company and Frontline. In September 2012, it was agreed that Frontline would withdraw its nine Suezmax tankers from the pool during the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012. Effective January 2, 2013 the Company acquired Frontline's shares in Orion at their nominal book value as of December 31, 2012, after which Orion became a wholly-owned subsidiary of the Company.

As of December 31, 2012, "Related party receivable" amounted to \$37.0 million. The "Related party receivable" amount represented the outstanding working capital from the Orion pool. The working capital represented the value of bunkers on board the Company's vessels on delivery to the cooperative arrangements, including payment of initial funding of \$0.2 million per vessel. As of December 31, 2012, "Accounts Receivable, net related party" amounted to \$12.9 million. The "Accounts Receivable, net related party" amount represented the outstanding voyage revenue from Orion pool.

As of December 31, 2013, Orion is a subsidiary and all intercompany balances and transactions have been eliminated in the consolidated financial statements.

Nordic American Offshore Ltd.:

Nordic American Offshore Ltd. ("NAO") was established on November 27, 2013 with a private equity placement of \$250 million, and operates Platform Supply Vessels ("PSV") in the offshore sector. NAT participated with \$65 million in the equity placement, which gives an ownership of 26 %. NAO is accounted for using the equity method of accounting.

In addition to participating in the equity placement the Company also assisted with the coordination of the establishment of NAO. As compensation for its services the Company received 833,333 warrants with an exercise price of \$15.00 per common share. The warrants vest in 20 % increments at each 10% increase in the volume weighted average price, or VWAP, of NAO's common shares between increases of 25% to 65%. The VWAP must be above an exercise level for a minimum of 10 business days, with a minimum trading volume of \$2 million above exercise levels. The warrants mature on December 31, 2015.

Scandic will perform supportive functions for NAO from January 1, 2014 which will generate external revenues for the Group. In addition, general and administrative costs incurred by Scandic, which in prior periods have been fully reimbursed by NAT, will be allocated for reimbursed between NAO and NAT from January 1, 2014.

For further information and details on the investment in NAO please see Note 10.

4. REVENUE

In 2013 and 2012, the Company chartered all of its operating vessels into a spot market arrangement with Orion. The Orion Tankers Pool was established in November 2011, and was equally owned by the Company and Frontline until the Company acquired the remaining shares in January 2013.

From January until November 2011, the Company placed all of its vessels in a spot market cooperative arrangement with Gemini Tankers LLC, where Frontline and Teekay Corporation (NYSE: TK), together with the Company were the main owners of the participating vessels.

During 2012, the Company temporarily operated six vessels in the spot market, other than through cooperative arrangements as spot charters. During 2011, the Company temporarily operated six vessels in the spot market, other than through cooperative arrangements as spot charters.

The table below provides the breakdown of revenues recorded as per the net method and the gross method.

Voyage Revenues

All figures in USD '000	2013	2012	2011
Net pool spot market earnings, cooperative arrangements	-	77,287	76,618
Gross pool spot market earnings, Orion Tankers pool	-	36,339	-
Gross spot market earnings, through spot charters	243,657	17,056	18,169
Total Voyage Revenues	243,657	130,682	94,787

In November 2011, the Orion Tankers pool was established with Orion as pool manager and was owned equally by the Company and Frontline Ltd. In mid-November 2011, the Company's vessels were transferred from the Gemini Tankers LLC arrangement to the Orion Tankers pool upon completion of previously fixed charters within Gemini Tankers LLC. In September 2012, it was announced that the Company will acquire Frontline's remaining interest in Orion and that Frontline would withdraw its nine Suezmax vessels from the Orion Tankers pool in the fourth quarter of 2012. The withdrawal of these vessels was completed effective November 5, 2012, following which the Orion Tankers pool consists of 20 Suezmax vessels, all owned by the Company. The Orion Tankers' pool arrangement is managed and will continue to be operated by Orion. Orion was owned equally by the Company and Frontline Ltd. until January 1, 2013. Effective January 2, 2013 the Company acquired Frontline's shares in Orion at its nominal book value after which time Orion became a wholly-owned subsidiary of the Company.

The Orion Tankers Pool accounted for 98% and Gemini Tankers LLC accounted for 2% of the Company's revenues for the year ended December 31, 2012. Gemini Tankers LLC accounted for 97% and the Orion Tankers Pool accounted for 3% of the Company's revenues for the year ended December 31, 2011. For the year ended December 31, 2013 two costumers accounted for 42% of the total revenues.

Accounts receivable, net, as of December 31, 2013 and 2012 were \$18.8 million and \$0.01 million, respectively. Four charterers accounted for 52 % the outstanding amount as of December 31, 2013.

Accounts receivable, net related party, as of December 31, 2013 and 2012 were \$0 and \$12.9 million, respectively. Orion Tankers pool accounted for 100% of the Company's accounts receivable, net related party for the year ended December 31, 2012.

5. GENERAL AND ADMINISTRATIVE EXPENSES

All figures in USD '000	2013	2012	2011
Management fee to related party	-	500	363
Directors and officers insurance	80	74	86
Salaries and wages	6,560	3,282	2,904
Audit, legal and consultants	5,575	1,007	1,099
Legal fees – Nordic Galaxy	-	-	2,362
Administrative services provided by related party	-	3,930	3,821
Other fees and expenses	4,213	1,718	1,631
Compensation – Restricted shares to Manager	-	1,540	67
Share-based compensation	2,093	1,258	1,320

Deferred compensation plan	1,033	1,391	1,741
Total for year ended December 31,	19,555	14,700	15,394

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General and administrative expenses for the year ended December 31, 2013 also include those of Scandic and Orion. Accordingly, the administrative services provided by related party are eliminated, and the expenses in the subsidiaries are presented under the remaining items.

Expenses for "Audit, legal and consultants" include one-time charges related to the acquisition of Scandic of \$2.5 million and legal fees related to the Gulf Navigation Holding PSJ arbitration of \$1.0 million.

Expenses for "Other fees and expenses" include one-time charges related to the acquisition of Scandic of \$1.1 million, and \$2.2 million in General and Administrative expenses incurred in the subsidiaries.

The subsidiaries employees have a deferred group benefit plan. The deferred liability for the employees as of December 31, 2013 is \$0.1 million, and recognized cost in the statement of operations for the year ended December 31, 2013 is \$0.3 million.

6. DEFERRED COMPENSATION LIABILITY

In 2010, the Board of Directors approved an unfunded deferred compensation agreement for Turid M. Sørensen, the Company's Chief Financial Officer and Executive Vice President. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 20.5 years up to a maximum of 66% of the salary level at the time of retirement, age of 67. Interest is imputed at 4.00% and 3.90% as of December 31, 2013 and 2012, respectively. The rights under the agreement commenced in May 2008. As the agreement was effective in 2010, vested rights under the agreement were recognized in 2010.

In May 2007, the Board of Directors approved an unfunded deferred compensation agreement for Herbjørn Hansson, the Chairman, President and CEO. The agreement provides for unfunded deferred compensation computed as a percentage of salary, and certain benefits for dependents. The deferred compensation liabilities are denominated in Norwegian currency. Benefits vest over a period of employment of 14 years up to a maximum of 66% of the salary level at the time of retirement, age of 70. Interest is imputed at 4.00% and 3.90% as of December 31, 2013 and 2012, respectively. The rights under the agreement commenced in October 2004. The CEO has the right to require a bank guarantee for the deferred compensation liability and the CEO has served in his position since the inception of the Company in 1995.

The total expense, related to the deferred compensation agreements for the Chairman, President and CEO and for the Company's Chief Financial Officer and Executive Vice President, recognized in 2013, 2012 and 2011 were \$0.8 million, \$1.4 million and \$1.7 million, respectively.