

Annual Report 2002

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Report from the CEO

Looking back on our 2002 we can now see the results of our endeavors. We planned for the unexpected and the unexpected happened. We enjoyed growth, progress and some operational setbacks. We generally created values, but not as much as we would have liked.

Generally the markets improved due to partly the impact of consolidation and more ton-miles. The ship values increased in tandem with rates and an improved psychology. The market absorbed the demobilization of long term laid up conventional reefer tonnage. Interest rates fell and capital intensive industries such as shipping could benefit. Additionally the reefer industry reaped windfalls from the falling USD.

NYKSTAR tested new liner concepts giving impetus to more of the same in 2003. The STAR top line improved and we took out rather substantial synergy effects due to our larger size. At the same time we managed to improve our fleet portfolio without hurting our financial multiples. However, the flipside was that we had to take charges on our operations as we experienced ship arrests, groundings leading up to emergency dockings and unacceptable mechanical failures giving us one time non recurring costs of up to USD.2.7 mill for 2002. Without these charges we were on our way to the best results ever for our group of companies.

We learned that our leeway and margins are small and that we are walking a tight rope when it comes to resource management. The management team is attacking these operational issues seriously with a clear and dedicated vision for 2003. Objectives are defined and allocated to the nuts and bolts level. Cost and quality control are even more paramount and the top item on our priority list for 2003. At the same time we have together with the conventional reefer industry taken initiatives to contain the

growth in cargo claims and cargo damages. Our hope is that we through this campaign can achieve a win-win position where all beneficiaries of our services can enjoy a better cold chain and thereby quality products to our end consumers.

Consolidations have been on everybody's lips for a number of years. In tune with improved markets this trend paused the last year. Next, the order book of the mega container ships increased as the container operators still can benefit from larger economies of scale and therefore lower unit costs on the larger ships. Naturally, reefer containers form an integral part of the container operators services for the future to come. At the same time the conventional reefer loading and discharge technology is antiquated, and we generally have not been able to supply an improved and more efficient ship design. Here, we are facing a challenge that we need to address in the near future in order to reach longer term growth.

We believe that consolidation and rationalization are still important and that STAR has some way to walk to reach an adequate size improving our services and cost base. We will work for improving our operating margins, improve our fleet and service solutions towards our end users. Additionally, we are not adequately sized to be an inspiring investment opportunity in the equity markets.

Seeing into 2003 we are now experiencing the best spot market since 1997 which naturally bodes well for the 2004 season. We have a slightly lower forward book than last year and some higher yielding charters were terminated in 2002. On balance our outlook is positive for 2003.

Aage Thoen (CEO)

Key Figures

	2002	2001	Pro forma 2000 (unaudited)
Profit and Loss accounts (USD 1 000)			
Total operating revenues	154 231 *	85 450	52 175
EBITDA	25 087	24 681	23 222
Operating profit (loss)	14 060	13 181	-93 281
Net financial items, excluding exchange gain and loss	-7 977	-8 037	-14 902
Net profit (loss) before tax	6 563	4 683	-109 081
Net profit (loss) for the year	6 508	4 683	-115 176
Cash flow	17 590	16 183	-93 675
Balance sheet (USD 1 000)			
Working capital	16 610	25 622	60 253
Total assets	212 481	236 454	242 008
Total liabilities and provisions	155 164	189 511	251 953
Book equity	59 230	52 864	-9 945
Equity ratio	27.9 %	22.4 %	-4.1 %
Key figures per share			
Share price 31.12. (NOK)	NOK 55.00	NOK 60.00	N/A
Earnings per share	\$0.86	\$0.65	-\$17.60
EBITDA per share	\$3.31	\$3.45	\$3.55
Cash flow per share	\$2.32	\$2.26	-\$14.32
Book equity per share	\$7.75	\$6.98	-\$1.46
Number of shares 31.12	7 646 200	7 569 146	6 794 667
Weighted average number of shares	7 582 446	7 154 846	6 542 513
Definitions			
EBITDA	Earnings before interest, tax, depreciation and amortization		
Working capital	Total current assets - total current liabilities		
Equity ratio	Equity / total assets		
Earnings per share	Net profit / (loss) for the year / weighted average number of shares		
EBITDA per share	EBITDA / weighted average number of shares		
Book equity per share	Book equity / number of shares 31.12		

* Total operating revenues in 2002 from the NYK STAR Reefers pool are quoted gross. All revenues in prior years are quoted on a net T/C earnings basis (see note 3).

Board of Directors' Report

Description of the Business

STAR Reefers Inc. (the "Company") and its subsidiaries (the "STAR Reefers Group") is one of the leading worldwide reefer owners and operators. The Company is listed on the Oslo Stock Exchange under the ticker SRI, and controls through ownership and charters as of year-end a fleet of 39 reefer vessels with a total capacity of 20.8 million cubic feet (cbft).

Commercially the vessels are operated by the pool company NYK STAR Reefers which is jointly owned by the Company and NYK Reefers Ltd. Nine of our vessels are employed on pool terms with LauritzenCool or on regular time charters.

Three contracted ship management companies perform the technical operation of the vessels.

The registered office of the Company is in George Town, Cayman Islands. The STAR Reefers Group is represented through subsidiaries in Oslo and London.

Strategy

STAR Reefers realised the first step of its strategy in 2001 by moving from a tonnage supplier into a global reefer operator. This was part of an industry development, with higher concentration on the supply-side. STAR Reefers sees the consolidation process as an important factor in achieving improved results in the conventional reefer sector, and will continue to pursue opportunities for further consolidation within the industry.

Main Events in 2002

During 2002, which was its first full year of operation NYK STAR Reefers secured its position as one of three major players in the conventional reefer sector.

The vessels Belgian Reefer (691,000 cbft/1983) and Brazilian Reefer (691,000 cbft/1984) were sold in mid 2002 for USD 13.0 million, and taken back on a 2-year

time charter.

In October, STAR Reefers acquired five reefers built from 1992 to 1994, with a capacity of between 426,000 and 487,000 cbft for a total purchase price of USD 54 million. Two vessels were chartered back to the Seller at fixed rates.

In the 4th quarter, STAR Reefers sold its 100% owned subsidiary Reefer (Bermuda) Ltd., owner of the vessels Tundra King, Tundra Queen, Tundra Princess and Bothnian Reefer, for a gross amount of USD 51.9 million. STAR Reefers has taken the ships back on bareboat charters with purchase options.

Time charters for the four "C-Class vessels" which were taken over as part of the acquisition of Albion Reefers in 2001 were renegotiated. The duration of the charters has been extended to 2010, at reduced rates.

In December 2002, STAR Reefers completely refinanced its fleet with a USD 129.7 million long term bank facility which gives STAR Reefers more financial flexibility and extended loan period.

The Company distributed a dividend of USD 0.10 per share, in cash or in shares at shareholders' option. Shareholders representing 81% of the capital elected to receive shares in lieu of cash.

Market Conditions

The seasonal market for the first 3 months of the year was firmer than in 2001 but fell then rapidly following the arrival of Easter - a traditional turning point in the industry. During the summer months rates dropped below the levels seen in 2001, mainly due to a Russian ban on import of frozen chicken from the US. Towards the end of the year however, levels again climbed higher than in 2001 which left the year overall being a little better for owners than in 2001 - even when taking into account the higher bunkers prices experienced in 2002.

Market Indicators (Cents/cbft/ 30 days)			
	2000	2001	2002
High	78	85	95
Low	18	22	20
Average	38	42	43

Only 2 new vessels were delivered world wide during the year - both being delayed orders - whilst 18 vessels (5.5 million cbft) were scrapped as compared to 18 vessels (6.3 million cbft) in 2001. Thus, again, we saw a reduction in the overall conventional reefer capacity which, no doubt, was one of the reasons behind the higher rate levels achieved. Further, with this reduced overall capacity, we saw an improvement in the second hand market for vessels which indicates that the downward trend in the reefer market has stopped.

Basis for Presentation of the Annual Accounts and Appropriations

Based on the estimated future earnings, estimated future operating expenses and the present financing of the STAR Reefers Group, the Board confirms that the Company is a going concern, and that the financial statements are based on this assumption in accordance with section 3-3 of the Norwegian Accounting Act.

The Financial Statements are presented according to Norwegian GAAP.

The Board proposes that the net profit for the year 2002 of USD 6.5 million is carried forward in the balance sheet as retained earnings and that no dividends be declared for the full fiscal year 2002. The distribution of dividends is subject to the Company's articles of association and Cayman Islands law. As of December unrestricted equity is USD 10.4 million.

Results of the STAR Reefers Group

For the full year 2002, STAR Reefers reports a net profit of USD 6.5 million or USD 0.86 per share compared with a net profit last year of USD 4.7 million, (USD 0.65 per share). The results strengthened due to higher operating income and reduced net financial items.

Gross revenues in 2002 was USD 154.2 million as compared to USD 85.5 million in

2001. Total operating revenue on T/C basis increased 27.6% primarily due to the acquisition of Albion Reefers London, effective from 1 July 2001 and the acquisition of the 5 vessels in the 4th quarter 2002.

The increase is partially offset by sale of Ecuadorian Reefer and Canadian Reefer in November 2001, lower chartering volume in the second half of 2002 and lower rates as some vessels came of high yielding charters during the second half of 2002.

STAR Reefers had up to 4 jumbo vessels deployed in a mini pool operated by LauritzenCool during the year. For the total year 2002 the revenue in this pool was down some 12% as compared to 2001. Year over year the freight rates for the STAR Reefers Group fell from 43.1 cent in 2001 to 42.0 cent in 2002.

Ships operating expenses for the owned fleet including dry-docking amounted to USD 4,480 per day for 2002, which the Board regards as unsatisfactory high. Especially during 4th quarter we experienced a severe set back in ship operations caused by a combination of navigational errors, mal-functioning temperature controls and auxiliary engines and emergency dry-dockings. These isolated incidents arose on a limited number of our ships and had negative impact on direct costs of USD 2.7 million.

As part of the financing of the acquisition of Albion Reefers Ltd in 2001, STAR Reefers was compensated with USD 11.4 million for time charter liabilities and an onerous contract provision was established on our books for that amount. The loss making charter parties have now been renegotiated to a lower rate with a longer duration. In 2002, USD 4.0 million of the onerous contract provision was released as compared to USD 6.9 million in 2001.

Administrative expenses were USD 3.5 million compared to USD 3.5 million in 2001. Expenses associated with the refinancing of the fleet in December 2002, primarily legal and other fees, amounted to USD 0.4 million.

Depreciation and amortisation was down from USD 11.5 million in 2001 to USD

11.0 million in 2002 reflecting the sale of the shares of Reefer (Bermuda), in December 2002 and the sale of Belgian Reefer and Brazilian Reefer in the summer. The purchase of the five vessels from Chiquita in the 4th quarter increased depreciation with USD 0.3 in the 4th quarter.

The net effect of the sale of vessels and the shares of Reefer (Bermuda) was a gain of USD 1.5 million with the sale of the Belgian Reefer and the Brazilian Reefer generating a loss of USD 0.7 million and the sale of Reefer (Bermuda) generating a profit of USD 2.2 million.

Net financial items amounted to USD 7.5 million as compared to USD 8.5 million in 2001, primarily due to lower interest-bearing debt and lower interest rates.

Balance Sheet

Total assets as of 31 December 2002 decreased to USD 212.5 million as compared to USD 236.4 million a year before, as the sale of Reefer (Bermuda) Ltd, and the Belgian Reefer and Brazilian Reefer more than compensated for the acquisition of the five new vessels. Interestbearing debt at the end of December was USD 134.2 million, down from USD 158.0 million at the end of 2001. Provisions for loss making time charters amounted to USD 1.9 million at year-end after USD 4.0 million being released to income during 2002. Shareholders' equity was USD 59.2 million or USD 7.75 per share. The equity ratio was 28%. Bank deposit was USD 17.7 million, which is down from USD 29.6 at the end of December 2001, due to debt repayment, change in working capital and the use of funds to finance the acquisition of the 5 additional vessels.

Interestbearing Debt

At the beginning of January 2002 interest-bearing debt in the Company was USD 158.0 million. By 30 September 2002, the bank debt had been reduced to USD 124.1 million by debt prepayments following sale of vessels in addition to scheduled repayments.

To provide intermediate financing for the acquisition of vessels in the 4th quarter, a bridge loan of USD 53 million was

provided by DnB and repaid 23 December 2002 upon the total refinancing of the fleet.

In December 2002 the STAR Reefers Group was refinanced. The gross amount to be refinanced was USD 177.1 million. Funds generated by the sale of Reefer (Bermuda) and available cash in the Company reduced the refinancing need to USD 129.7 million. The new credit facility of USD 129.7 million was made available by a syndicate of leading European banks. The new facility provides STAR Reefers with more financial flexibility and extends the loan period compared to the old credit facility. In connection with the refinancing, the group structure was changed so that STAR Reefers Shipowning Inc., a wholly owned subsidiary, became the principal owner of the vessels in the fleet.

As part of the refinancing, Siem Industries Inc. provided a USD 4.5 million short term loan. As of December 2002 interest-bearing debt was USD 134.2 million.

Acquisition of Vessels

In the 4th quarter STAR Reefers acquired five reefer vessels, for USD 54 million. The vessels are built between 1992 and 1994, with a capacity between 426,000 cbft and 487,000 cbft. The Chiquita Joy and the Chiquita Brenda were taken back by Great White Fleet on two year time charters at some 55 cent. The vessels are deployed by the NYK STAR Reefers pool from 1 January 2003. STAR Reefers took delivery of the vessels in October and appointed Dobson Fleet Management, Cyprus, as technical managers of the vessels.

Operational Issues

Despite our focus on improvement of the ships' operating performance, we experienced a year with severe set backs in this field and the unplanned off-hire came to 2.64% in 2002 as compared to 1.20% for 2001. The increase was due to a combination of navigational errors, malfunctioning temperature controls and problems with auxiliary engines which resulted in off-hire and unscheduled dry-dockings.

We have analysed the incidents and implemented corrective actions to avoid similar situations in the future. Resources

have been allocated to follow up each element of the ship operations. We expect these internal campaigns to strengthen predictability and reduce cost during 2003. However, insurance costs are expected to increase.

Six vessels changed technical management during 2002.

Dobson Fleet Management Ltd. Cyprus was given the responsibility to provide technical management services for the five reefers acquired during the year. IUM in Norway and Fleet Management Ltd. in Hong Kong continue to serve as technical managers for the rest of the fleet.

Safety and Environmental Issues

STAR Reefers services any transportation needs of the global perishable produce industry. One of the core values of the STAR Reefers Group is a strict observance of laws, best practices and acting responsibly in the environment. As a high quality operator STAR Reefers is in compliance with environmental regulations imposed by relevant national authorities and international conventions. STAR Reefers will not compromise on safeguarding the individual life, health or safety.

There is always a risk that bunkers and oils onboard our ships may cause pollution and that collision or other incidents involving the ships may occur. We build systems with the aim to prevent incidents and to mitigate the damages should they occur.

In spite of these systems, Canterbury Star, while on charter to deliver food aid from EU to North Korea, was tragically involved in an accident in Wonsan in North Korea, where she collided with two smaller fishing vessels while docking. A North Korean pilot was in command when the accident happened. Our response plans were activated but we could not avoid human injuries and death of two people. The accident also caused an oil spill, where we were fined. We have reached amicable solutions with the North Korean Authorities and families of the deceased with strong support from our P and I Club.

We also experienced two minor environmental incidents, i.e. one incident with bilge water on deck and one with discharge of sewage. Corrective actions were taken to rectify the incidents, and they were reported to the relevant port authorities according to procedures.

Management and Organization

NYK STAR Reefers Ltd., which is jointly owned by NYK and the Company acts as manager for the Pool Company with both NYK and STAR Reefers seconding people. NYK STAR Reefers Ltd. has a total staff of 30 people, of which STAR Reefers seconds 18 people from its subsidiary Albion Reefers Ltd. STAR Reefers AS has 11 employees. In STAR Reefers AS, Oslo, the total number of days of absence due to illness was 15 days in 2002. The total number of employees in the STAR Reefers Group is 30 people. STAR Reefers offers its employees a sound working environment with challenges and possibilities for professional development. The employee numbers exclude seagoing crew who are employed directly by ship managers. There have been no serious accidents involving shore side based employees in 2002 and the absence due to illness has been low.

Shareholder Information

As of January 2003 the company had 295 shareholders, of which the 20 largest shareholders held more than 99%. The largest shareholder Siem Industries Inc. held 73.39% of the shares. Approximately 83% of the Company's shares are held by non-Norwegian shareholders

The Annual General Meeting of the Company adopted a dividend of 10 US cent per share. Shareholders were given the option to elect shares as an alternative to cash. A total number of 77,054 shares in STAR Reefers Inc were issued to the shareholders who elected shares in lieu of cash. The total number of outstanding and issued shares in the Company, after the scrip issue, is 7,646,200.

New Articles of Association were adopted in Extraordinary General Meeting (EGM) of the Company held 12 October 2002.

Shareholders representing minimum 10% of the shares of the Company were granted the right to call a General Meeting. Furthermore, the Articles were amended to allow the general meeting to give the Board the authorisation to issue new shares, warrants or convertible bonds without pre-emption rights to existing shareholders. The authorisation is limited to 2 years and to 50% of shares in issue at the time of passing this resolution. Based on the new Articles of Association, the Board was authorised to issue 3,784,573 new shares for a period up to 12 October 2004. The authorisation gives the Board flexibility to finance smaller acquisitions and other business combinations on short term notice.

Corporate Governance

As a company incorporated in the Cayman Islands, STAR Reefers Inc. is subject to Cayman Islands' laws and regulations. Cayman Islands corporate law is to a great extent based on English law. In addition, certain aspects of Norwegian Securities law apply to the Company due to the Company's listing on the Oslo Stock Exchange.

The Company endeavours to maintain high standards of corporate governance and is committed to ensuring that all shareholders' of the Company are treated equally. The Board monitors the performance of management through regular meetings and reporting. The CEO of the Company is not a member of the Board. The Company has appointed a Compensation Committee and an Audit Committee.

Siem Industries Inc. is the controlling shareholder of the Company with 73.39% of the shares. Siem Industries Inc. is represented on the board through its chairman Kristian Siem and its president Frank Capstick. Ole Martin Siem is the brother of Kristian Siem and the remaining directors are independent of Siem Industries. STAR Reefers purchases certain services from other Siem Industries Group companies within the legal areas, and will also from April 2003 share joint office facilities with other companies in the Siem Industries Group in the Cayman Islands.

All the issued shares in the Company

carry the same rights, and there are no restrictions on voting. Under the articles of association, the Board can issue shares, convertible bonds etc. at any time within the limits of the authorised capital without the consent of the general meeting, but with pre-emption rights for shareholders. The general meeting has further authorised the Board to issue new shares without pre-emption rights to all shareholders up to a limit of 50% of the Company's shares at the time the authorisation was given. The general meetings of the company will be held at the head office of the Company. Shareholders can be represented by proxy. The shares of the Company are freely tradable. Siem Industries Inc. has entered into a shareholders' agreement with Maas Capital Investment.

Subsequent Events

In March 2003 STAR Reefers entered into an agreement for the sale of the Anglian Reefer (703,000 cbft, 1988 built) and the Argentinean Reefer (703,000 cbft, 1988 built) for a total price of USD 20 million. Argentinean Reefer was delivered to new owners 26 March 2003 and the Anglian Reefer will be transferred to the new owners in the beginning of 2nd quarter 2003. The transaction will generate a gain and the proceeds will be applied to prepay debt and increase working capital.

Financial Risks and Future Prospects

The majority of the transactions, assets and liabilities of the Company are denominated in USD. Approximately 75% of the ships' operating expenses are denominated in USD. Overhead expenses are in NOK and GBP. Management continuously monitors these risks and enters into hedge contracts from time to time, to reduce the exposure. For 2003 STAR Reefers has entered into forward foreign currency contracts, sold USD and bought NOK and GBP as hedges against currency fluctuations for half our exposure relating to overhead expenses. All mortgage interest-bearing debt is pegged to floating interest rate. To balance the exposure to the floating rate the Company has entered into interest rate swaps for a total amount of USD 75 million.

In 2003, approximately 90% of our fixed business is either covered by a Bunker Adjustment Factor (BAF) or is time charter business where there is no exposure. The fixed business represents in excess of 70% of the budgeted revenue for 2003. For the remaining business, we anticipate a portion will be fixed with a BAF. However, as the market is largely T/C driven, we do not anticipate a financial exposure from our budgeted T/C levels.

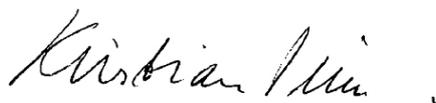
The risks relating to the prospects of the reefer industry is associated with the global economy and free trade, the competition from container vessels, foreign currency rates and crop harvests.

2003 to date, the market has exceeded expectations. Rates are higher than any time over the past 6 to 7 years. Cargo volumes have been strong all year and it has been a regular occurrence to experience shortage of tonnage in various fixing positions. NYK STAR Reefers' forward cover of revenue for 2003 is at the same level as it was at this time last year, whereas the total spot exposure for STAR Reefers is somewhat higher than at the same time in 2002.

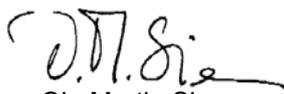
Low European harvest, weak USD, stable banana volumes are giving inputs to a positive 2003 market. This combined with normalized operating cost should produce positive results for 2003.

31 March 2003

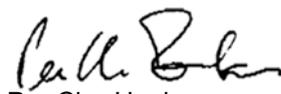
The Board of Directors of STAR Reefers Inc.



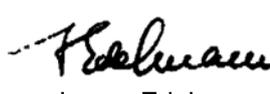
Kristian Siem
(Chairman of the Board)
(sign)



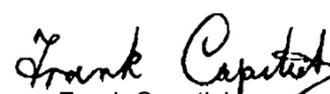
Ole Martin Siem
(sign)



Per Chr. Haukenes
(sign)



Jesper Edelmann
(sign)



Frank Capstick
(sign)



Aage Thoen (CEO)

Consolidated Profit and Loss Accounts

(USD 1000)	Note	2002	2001	Pro forma 2000 (unaudited)
Gross revenue		154 231		
Voyage expenses		-45 885		
Net revenue	3	108 346	85 450	52 175
Other operating revenue		693	21	-
Total operating revenue		109 039	85 471	52 175
Ship operating expenses	4	-40 285	-35 206	-26 500
Charter hire	5	-45 721	-29 324	-
Provision taken to income	6	4 008	7 167	-
Administrative expenses	7/8	-3 477	-3 458	-2 453
Amortisation	15	-700	-1 679	-1 679
Depreciation	10	-10 327	-9 821	-13 727
Gain (loss) on sale and write down of fixed assets	11	1 523	31	-101 097
Operating profit (loss)		14 060	13 181	-93 281
Interest income		347	1 613	5 092
Interest expenses		-7 842	-10 323	-19 667
Net exchange gain (loss)		480	-461	-898
Effect of debt remission		-	2 370	-
Other financial item		-482	-1 697	-327
Net financial items		-7 497	-8 498	-15 800
Net profit (loss) before tax		6 563	4 683	-109 081
Taxes	13	-55	-	-6 095
Net profit (loss) for the year		6 508	4 683	-115 176
Earnings per share:	14			
- Basic		0.86	0.65	-17.60
- Diluted		0.86	0.65	-17.60

Consolidated Balance Sheet

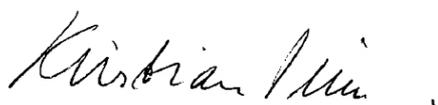
(USD 1000)	Note	2002	2001	Pro forma 2000 (unaudited)
Assets				
Intangible assets:				
Deferred tax assets	13	-	-	-
Total Intangible Assets		-	-	-
Tangible fixed assets:				
Vessels	10	168 289	186 604	167 540
Deferred drydocking	9	3 884	2 681	2 268
Other fixed assets	10	563	534	121
Total Tangible Long-term Assets		172 736	189 819	169 929
Financial fixed assets:				
Pension funds	8	640	644	669
Deferred financing fees	15	558	-	-
Capitalised charter party	15	-	700	2 379
Long-term receivables	11	4 749	-	-
Total Long-term Financial Assets		5 947	1 344	3 048
Total Non-current Assets		178 683	191 163	172 977
Inventory				
		3 410	3 884	2 022
Receivables and other current assets	16	12 692	11 845	6 230
Bank deposits	17	17 696	29 562	60 779
Total Current Assets		33 798	45 291	69 031
Total Assets		212 481	236 454	242 008

Consolidated Balance Sheet

(USD 1000)	Note	2002	2001	Pro forma 2000 (unaudited)
Equity and Liabilities				
Paid-in capital:				
Share capital	18	76	76	68
Share premium reserve	18	48 720	48 105	42 617
Total Paid-in Capital		48 796	48 181	42 685
Retained earnings	18	10 434	4 683	-52 630
Total Retained Earnings		10 434	4 683	-52 630
Total Shareholders' Equity		59 230	52 864	-9 945
Provisions	6	1 913	5 921	-
Total Provisions		1 913	5 921	-
Liabilities:				
Mortgage debt	19/20	129 650	158 000	243 175
Other long term interestbearing debt	19	4 500	-	-
Total Long-term liabilities		134 150	158 000	243 175
Short-term Liabilities	21	17 188	19 669	8 778
Total Liabilities		153 251	183 590	251 953
Total Equity and Liabilities		212 481	236 454	242 008

31 March 2003

The Board of Directors of STAR Reefers Inc.



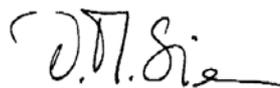
Kristian Siem
(Chairman of the Board)
(sign)



Per Chr. Haukenes
(sign)



Jesper Edelmann
(sign)



Ole Martin Siem
(sign)



Frank Capstick
(sign)



Aage Thoen (CEO)

Consolidated Cash Flow Statement

(USD 1000)	Note	2002	2001
CASH FLOW FROM OPERATIONS			
Profit / (loss) before tax		6 563	4 683
Profit / loss on sale of fixed assets		-1 523	-31
Depreciation and amortisation		12 526	12 980
Debt remission		-	-2 370
Reversal of provision time charter contracts		-4 008	-7 167
Additions deferred drydocking		-2 751	-2 216
Changes in short-term receivables and liabilities		-3 792	5 301
Changes in inventory		474	-1 862
Provision for losses on onerous time charter contracts		-	13 088
Net cash from operations		7 489	22 406
CASH FLOW FROM INVESTMENTS			
Sale of vessels		12 932	5 723
Sale of subsidiary		5 132	-
Investment in tangible fixed assets		-54 228	-34 666
Net cash from investments		-36 164	-28 943
CASH FLOW FROM FINANCE			
Share issue, net of issue costs		-	49 746
Dividends		-141	-
New mortgage debt		129 650	151 500
New other interestbearing debt		4 500	-
Refinanced/prepaid mortgage debt		-106 460	-173 676
Scheduled installments of mortgage debt		-10 740	-8 000
Net cash from financing		16 809	19 570
Net change in cash and cash equivalents		-11 866	13 033
Cash and cash equivalents 1 January		29 562	16 529
Cash and cash equivalents 31 December		17 696	29 562

Notes to the Accounts

1 Accounting principles

General

All figures are in USD thousand unless otherwise clearly stated.

The consolidated financial statements of STAR Reefers Inc. and its subsidiaries are prepared in accordance with the Norwegian Accounting Act and Norwegian GAAP.

Throughout the document reference is made to STAR Reefers Inc. (the Company), which was previously known as Swan Reefer Inc., and STAR Reefers AS, which was previously known as Swan Reefer ASA. The change of the names of the two companies took place in 2001.

Pro forma statements

STAR Reefers Inc. was founded 2 January 2001. After a compulsory and mandatory offer STAR Reefers Inc. became 100% owner of the shares of STAR Reefers AS and is the parent company of the Group. Unaudited pro forma statements for the STAR Group were prepared for 1999 and 2000. The pro forma statements were based on the consolidated annual accounts of STAR Reefer ASA and the same accounting principles were applied. The statements were prepared under the assumption that STAR Reefers Inc. was founded 1 January 1999 with an equity of USD 38,291. It was assumed that the cash received generated interests of 7% p.a. in 1999 and 8% in 2000. This interest was recorded as additional paid-in capital. Share issue costs of USD 1,566 were charged to additional paid-in capital. All subsidiaries of STAR Reefers AS have also been included in the pro forma consolidated statements of STAR Reefers Inc.

Consolidation principles

The consolidated financial statements include the parent company, STAR Reefers Inc. and its subsidiaries. All subsidiaries are 100% owned, either directly or via other subsidiaries. The Group's financial statements are prepared as if the Group was one unit. In the consolidated statements all intercompany balances and transactions have been eliminated. Shares in subsidiaries have

been eliminated according to the purchase method. Any difference between the purchase price of shares and the book equity at the transaction date has been added to/ deducted from the respective assets' cost value and has been depreciated over the remaining lifespan of the asset.

The Company owns 50% of both NYK STAR Reefers Inc. and NYK STAR Reefers Ltd and has joint control over these companies with its partner NYK Reefers Ltd. The joint ventures are consolidated using the proportional consolidation method. Under this method the revenues, expenses, assets and liabilities are included with the Group's proportional share. The NYK STAR Reefers pool is considered to be a joint venture for accounting purposes.

Reporting currency

With effect from 2000 the Group changed its reporting currency to the US dollar (USD). The Group's functional currency is the USD. The vessels, interestbearing debt and most of the operating income and expenses are denominated in USD.

When assets and liabilities were converted from Norwegian kroner (NOK) to USD historical currency rates were used for non-monetary items and the currency rate as of the balance sheet day for monetary items. The profit and loss has been translated from USD to NOK at the average rate, except for operating revenues, depreciation, write down and gain or loss on sale of fixed assets as well as interest costs, which are reported in actual USD- amounts. Translation differences have been posted to the profit and loss account.

Classification of items in the financial statements

Assets designated for long-term ownership or use, and receivables falling due later than one year after drawdown have been recorded as long-term assets. Other assets are classified as short-term assets. Receivables are stated at par value less provision for doubtful accounts. Liabilities, which fall due later than one year after the end of the accounting year, are posted as

Notes to the Accounts

long-term liabilities. Other liabilities are classified as short-term liabilities.

Revenue recognition

Income and expenses related to voyages of vessels have been accrued on the basis of the number of days the voyage lasted in the fiscal year. A voyage is defined as starting after unloading from previous voyage. Expenses in connection with freight-seeking days are expensed as incurred.

Revenues generated by vessels deployed in the NYK STAR Reefers Pool are booked on gross basis. Voyage expenses such as fuel costs, port costs and other voyage related expenses are deducted from the gross revenue, whereby we arrive at net charter earnings. Revenue from vessels deployed by LauritzenCool are booked on a net time charter basis, as these vessels are either on a straight timecharter or deployed on pool-terms where STAR Reefers does not have any access to the gross revenue or the voyage expenses. For both the NYKSTAR Reefers Pool and the LauritzenCool pools some of the tonnage is employed on time charter terms. Prior year revenue is presented on a net time charter basis since the information on a gross basis is not available.

Payroll expenses

Payroll costs relating to office personnel are included in administrative expenses. The ships' crew is employed by the managers and crew wages have been classified as ship operating expenses.

Fixed assets

Vessels are valued in the consolidated balance sheet at cost, less accumulated depreciation and write-downs. Ordinary depreciation is on a straight-line basis and determined by an estimate of the remaining useful economic life of the asset. Estimated scrap value is taken into account. If nominal cash flows are less than the recorded value, the vessels are written down, if the reduction is considerable and permanent. The vessels presently owned by the Group are considered to have an economic life of 30 years. Other fixed assets are depreciated on a straight-line basis over the

anticipated useful economic life, three to five years.

Sale of vessels

Sale of vessels is regarded as an integral part of the activities. Gains/losses are presented as operating income/expenses.

Maintenance and drydocking costs

The Company follows a program of classification and drydocking of the vessels. Costs incurred in connection with the periodic maintenance (drydocking expenses) are deferred and amortized over the period to the next scheduled drydocking. Regular maintenance is expensed as incurred.

Pension costs and funds

The net present value of the future obligations of the Group's pension plans is calculated based on insurance accounting principles. Net pension expenses are posted as salary-related expenses in the profit and loss account. The estimated funds asset of the employees is posted as a fund in the balance sheet. The effect of changes in estimates and differences between estimated and actual return are recognized over the remaining service life of the employees, only when the accumulated effect exceeds 10% of the larger of the pension fund and the pension obligation.

The STAR Reefers Group has a defined benefit plan for its employees in Norway and a defined contribution plan for its employees in the UK. Yearly contributions are expensed as incurred.

Timecharter contracts

All timecharter contracts are considered to be operating leases and the charter hire is expensed as incurred.

Operating leases

At the inception of a lease, if one or more of the following criteria are met, the lease has to be classified as a financial lease: 1) Ownership of property is transferred to the lessee at the end of the term. 2) The lease contains a bargain purchase option. 3) The lease term is 75% or more of the economic life of the asset. 4) Net present value of lease payment is 90% or more of the fair market value of the assets at the

Notes to the Accounts

inception of the lease. The Company entered into a sale lease back transaction in 2002. As the criteria are not met, the sale lease back is considered to be an operating lease.

Provisions

Provisions are made for contingent liabilities that are likely and can be quantified with a reasonable level of certainty. Provisions are made for onerous contracts based on best estimate of any loss relating to the contracts.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and is accounted for when estimates are changed. Actual results could differ from such estimates.

Taxation

Tax expense / income include current taxes and the change in deferred taxes. Deferred tax assets and liabilities are calculated in accordance with NGAAP. Deferred income tax is provided for all temporary differences between the financial statements and the tax basis of assets and liabilities, and operating losses carried forward. Deferred tax assets made probable through prospective earnings that can be utilized against the tax reducing temporary differences are recognize as intangible assets. Deferred tax and deferred tax assets are included net.

Inventory

Lubrication oil and bunkers inventories are valued at the lower of historical cost applying the FIFO (first in first out) principle and market value.

Financing costs

Financing fees relating to new loans are deferred and amortised over the loan term.

Foreign exchange

Monetary items in foreign currencies are recorded at year-end exchange rates.

Financial instruments

The Company enters into derivative instruments, primarily interest swaps, foreign currency contracts and bunker instruments to hedge the interest rates, foreign currency rates and bunker prices. The gain or loss on these financial instruments is booked over the period of the relevant contract. The financial instruments and their fair market value as of year-end are disclosed in the notes to the financial statements.

Financial contracts, which are defined as hedging contracts, are accounted for based on the underlying asset/debt of the future transactions. Further, the premium or allowance is recorded on a straight-line basis over the period of the hedge.

Costs of share issue

Costs of share issues are posted directly to additional paid-in equity.

Cash flow statement

The Group uses the indirect method when presenting the cash flow statement. Cash balances consist of both cash on hand and in banks, including restricted funds.

Earnings per share

Earnings per share is calculated by dividing the net profit / (loss) for the Group on the average number of outstanding shares weighed over the period in question. Diluted earnings per share include the effect of the assumed conversion of potentially dilutive instruments such as stock options. The impact of share equivalents is computed using the treasury stock method for share options.

Reporting by segments

The Group operates only within the reefer segment.

Subsequent events

New information concerning affairs existing at year-end regarding the financial year is included in the Profit and Loss Accounts and the Balance Sheet in accordance with regular principles. Material events arising after year-end are disclosed in notes.

Notes to the Accounts

2 Main events – restructuring and refinancing of the STAR Group

- Belgian Reefer (691,000 cbft/1983) and Brazilian Reefer (691,000 cbft/1984) were in mid 2002 sold for USD 13 million, and taken back on a 2-year time charter.
- In October STAR Reefers acquired five reefers built 1992 to 1994, with a capacity between 426,000 and 487,000 cbft from Great White Fleet for a total purchase price of USD 54 million. Two of the ships were taken back on a 2-year time charter by the Seller.
- Charters for four C-Class vessels (acquired as part of Albion Reefers in 2001) were renegotiated. The duration of the charters have been extended five years up to 2010, and the rates have been reduced.
- In the 4Q 2002 SRI sold its 100% owned subsidiary Reefer (Bermuda) Ltd. for a gross amount of USD 51.9 million. Reefer (Bermuda) is the owner of Tundra King, Tundra Queen, Tundra Princess and Bothnian Reefer and STAR Reefers took the ships on bareboat charter with purchase options to the Company.
- In December 2002 the STAR Reefers Group completely refinanced its fleet with a USD 129.7 million long term facility which gives STAR Reefers more financial flexibility and extended loan period.
- The Company distributed a dividend of USD 0.10 per share, in cash or in shares at shareholders option. Shareholders representing 81% of the capital elected shares in lieu of cash.

3 Revenue

Revenue consists of freight revenue on T/C-basis from voyage charters, time charters and pool-contracts. Commercially the vessels are operated by pool-company NYK STAR Reefers or on pool terms or regular time charters by LauritzenCool.

	2002
Gross revenue NYK STAR Reefers pool	118 410
Voyage expenses	-45 883
Net TC earnings from NYK STAR Reefers pool	72 527
Other net TC earnings	35 819
Total net TC earnings	108 346

4 Ship operating expenses

	2002	2001	Pro forma 2000
Lubois and consumables	4 738	3 811	3 505
Spare parts, maintenance and repair	11 593	9 811	4 887
Insurance	3 733	2 767	2 617
Professional fees and other general	2 095	3 617	2 711
Amortisation of drydocking (see note 8)	1 386	1 480	1 798
Crew payroll	15 901	13 720	10 982
Other operating expenses	839	-	-
Total	40 285	35 206	26 500

Notes to the Accounts

5 Charter hire

	2002	2001	Pro forma 2000
Time charter hire	45 404	29 324	-
Bareboat charter hire	317	-	-
Total charter hire	45 721	29 324	-

See note 24 for further details on time charter parties and note 11 for information on the bareboat charter party.

6 Provision taken to income

The acquisition of STAR Reefers London, effective 1 July 2001, was partly financed by the assumption of time charter liabilities of USD 11.4 million. The USD 11.4 million was booked as a liability and is recognised as income over the remaining period of the timecharters.

	C Class vessels	Polar vessels	S Class vessels	Balance provision
Provision as of 01.07.01				
- which partly financed the purchase	6 617	-	1 677	3 090
- at acquisition	-	1 704	-	-
Provision as of 01.07.01	6 617	1 704	1 677	3 090
Reversed 2001	-696	-1 704	-1 677	-3 090
Provision as of 31.12.01	5 921	-	-	-
Reversed 2002	-4 008			-4 008
Provision as of 31.12.02	1 913	-	-	-

7 Salaries, number of employees and benefits

Salaries and other benefits are included in administrative expenses as follows:

Administrative expenses	2002	2001	Pro forma 2000
Total salaries and wages	662	630	571
Social security costs	131	88	122
Pension costs (see note 8)	194	33	-87
Other employee related costs	46	69	104
Other administrative expenses	2 444	2 638	1 743
Total administrative expenses	3 477	3 458	2 453

The average number of employees in the STAR Reefers Group in year 2002 was 26 persons (2001: 18 persons). As of year-end 2002 the STAR Reefers Group had 30 employees (2001: 26).

Notes to the Accounts

Benefits	CEO	Board of Directors
Wages (including bonus)	161	61
Pension costs (see note 8)	-	-
Total salaries and related expenses	161	61

Aage Thoen was appointed CEO on 5 January 2001. The appointment and management agreement is entered into with a company owned 100% by Aage Thoen. The remuneration to the CEO was USD 161 (excl. VAT) plus communication expenses. In addition, the CEO is included in the share option program and is entitled to performance related remuneration. The notice for termination is 6 months. The Company has no pension obligation for the CEO and there is no arrangement for any further compensation.

The Company has not granted any loans to its CEO, Board members, employees or shareholders.

For further information about the employee stock option program, see note 18.

Remuneration to Auditors (excl. VAT)	2002	2001	Pro forma 2000
Audit fee	101	52	38
Other services provided by auditors	28	1	13
Total	129	53	51

8 Pensions

STAR Reefers AS, Oslo has a defined benefit pension insurance plan for its employees in Storebrand Livsforsikring AS. Under the defined benefit plan the Group's defined benefit pension expenses, pension funds and capitalised benefit obligations are treated in accordance with the Norwegian Accounting Standard for pension costs. The Group has defined benefit insurance schemes that cover a total of 13 persons (12 in 2001). The defined benefits are dependent upon the number of years of employment, and the salary level at the time of retirement.

Below is the actuarial calculation of the pension obligation:

Economic assumptions:	2002	2001	Pro forma 2000
Discount rate	5.0 %	6.5 %	6.5 %
Expected return on funds	6.0 %	7.5 %	7.5 %
Expected increase in salaries	4.0 %	3.3 %	3.3 %
Expected pension regulation	2.5 %	2.5 %	2.5 %
Expected G-regulation/inflation	3.0 %	3.3 %	3.3 %
Social security tax	14.1 %	14.1 %	14.1 %

Notes to the Accounts

Yearly pension consists of:	2002	2001	Pro forma 2000
Present value of benefits earned during the year	-110	-60	-42
Interest cost on pension liabilities	-54	-40	-38
Expected return on pension funds	88	87	84
Effect of changes in estimates	-15	-	83
Social security tax	-103	-	-
Net pension cost	-194	-13	87

Yearly pension consists of:	31/12/02	31/12/01	Pro forma 31/12/00
Estimated value of benefit obligations	-1 235	-709	-646
Expected value of pension funds	1 545	1 248	1 190
Expected (obligation) funds	310	539	544
Unamortised deviation from plan	330	25	42
Social security tax	-	80	83
Net pension funds	640	644	669

In prior years pension premiums were prepaid for tax reasons, which is the main reason why the capitalised value of the pension scheme is an asset. The overfunding of the pension scheme is carried on the balance sheet since the funds can be released to cover future premium payments.

STAR Reefers, London has a defined contribution plan for its employees. Under this contribution plan the Company contributes a fixed % of the employees' base salary. The % varies with the number of years employed and the level of position in the company. The contribution from STAR Reefers, London is expensed when incurred.

9 Deferred drydocking

	2002	2001	Pro forma 2000
Deferred drydocking 01.01	2 681	2 268	2 470
Additions	2 752	2 216	1 596
Disposals	-163	-323	-
Amortisation of deferred drydocking	-1 386	-1 480	-1 798
Deferred drydocking 31.12	3 884	2 681	2 268

The amortisation of the deferred drydocking costs is included in other ship operating expenses.

Notes to the Accounts

10 Tangible assets

	Fixture, fittings and cars	Vessels	2002	2001	Pro forma 2000
Cost 01.01	801	348 607	349 408	332 254	331 017
Additions	228	54 000	54 228	34 666	1 237
Disposals	-25	-119 702	-119 727	-17 512	-
Cost 31.12	1 004	282 905	283 909	349 408	332 254
Acc. depreciation 01.01	-266	-58 658	-57 175	-53 585	-39 858
Acc. write-down 01.01	-	-103 345	-105 095	-111 008	-9 911
Depreciation disposals	25	25 588	23 863	6 231	-
Write-down disposals	-	32 523	34 273	5 913	-
Depreciation for the year	-200	-10 127	-10 327	-9 821	-13 727
Write-down for the year	-	-597	-597	-	-101 097
Acc. depreciation 31.12	-441	-43 198	-43 640	-57 175	-53 585
Acc. write-down 31.12	-	-71 419	-71 419	-105 095	-111 008
Book value 31.12	563	168 289	168 851	187 138	167 661

Vessels presently owned by the Group are considered to have an economic life of 30 years and are depreciated on a straight-line basis. Other fixed assets are depreciated on a straight-line basis over the anticipated useful economic life, three to five years.

Acquisition of vessels in 2002:

In the 4th quarter STAR Reefers acquired five reefer vessels from Great White Fleet, a subsidiary of Chiquita International Brands, for USD 54 million. The vessels are built between 1992 and 1994, with a capacity between 426,000 cbft and 487,000 cbft. The Chiquita Joy and the Chiquita Brenda were taken back by Great White Fleet on a two year time charters at some 55 cent. The vessels are deployed by NYK STAR Reefers Inc from 1 January 2003. STAR Reefers took delivery of the vessels in October 2002 and appointed Dobson Fleet Management, Cyprus, as technical managers of the vessels.

Vessel name	Built	Capacity cbft	Acquisition price
Chiquita Brenda	1993	486 761	11 000
Chiquita Joy	1994	486 761	11 000
Napier Star (Chiquita Elke)	1994	486 761	11 000
Nelson Star (Chiquita Jean)	1993	486 761	11 000
Tauranga Star (Chiquita Frances)	1992	425 777	10 000
Total		2 372 821	54 000

At year-end 2002 the average of three shipbroker appraisal values for the total fleet is basically on par with book value. In March 2003 two vessels were sold at values 5.5% above the values quoted by the shipbrokers in December 2002, which is evidence that the brokers' assessment is on the low side. Looking at some individual vessels, impairment might exist, but based on undiscounted cash flows no write-down is required.

At year-end 2002 the STAR Reefers Group owns 23 vessels.

Notes to the Accounts

11 Gain (loss) on sale and write down of vessels

	2002
Gain on sale of subsidiary (Reefer Bermuda Ltd.)	2 234
Write-down/loss on sale of vessels	-711
Total	1 523

In December 2002 the STAR Reefers Group sold the 100% owned subsidiary Reefer (Bermuda) Ltd. for a net amount of USD 10.4 million and generated a gain of USD 2.2 million. Reefer (Bermuda) Ltd. is the owner of the vessels Tundra King, Tundra Queen, Tundra Princess and Wellington Star. All four vessels have been taken back by STAR Reefers on eight year bareboat charter with purchase options for STAR Reefers after 4 years at USD 31.0 million and after 8 years at USD 15.3 million. The aggregate daily charter rate for all four vessels is USD 16.710 the first year, USD 18.528 the following two years and USD 20.390 for the remainder of the term. The sale leaseback is accounted for as an operating lease. Of the total sales price USD 4.8 million is payable in 48 monthly instalments, the last falling due on 13 November 2006. The outstanding balance of the Sellers Credit is interest carrying with 5% p.a. and payable together with the monthly instalments. According to the Sales and Purchase agreement the Seller warrants the working capital and potential claims prior to transaction date. The Company has not made any provision for warranties.

In May 2002 the STAR Reefers Group sold Belgian Reefer and Brazilian Reefer for an aggregate amount of USD 13 million. The vessels have been taken back on time charter for two years at market rates. The sale generated a net loss of USD 0.7 million.

12 Acquisition of STAR Reefers London

With effect as of 1 July 2001 the Company acquired 100% of Albion Reefers Limited, a subsidiary of the Vestey Group, trading under the name of STAR Reefers. The transaction included six mid 80-built reefers as well as 18 ships on charter totaling a fleet of 24 vessels and the STAR marketing operation in London. The Company has representatives in South Africa and Australia. The total acquisition price was USD 34.8 million, financed by USD 19 million in bank debt, the issuance of 710,500 STAR Reefers Inc. shares at USD 7.15 per share and the assumption of time charter liabilities of USD 11.4 million. The USD 11.4 million was booked as a liability and is recorded as income over the remaining period of the time charters (see note 6).

The following vessels were acquired:

Vessel name	Built	Capacity cbft	Acquisition price
Auckland Star	1985	465 164	6 600
Canterbury Star	1986	465 164	6 600
English Star	1986	465 164	6 600
Scottish Star	1985	465 164	6 600
Trojan Star	1983	477 757	4 180
Tudor Star	1983	477 757	4 200
Total		2 816 170	34 780

According to Norwegian Stock Exchange Regulations paragraph § 5-3 pro forma figures have been prepared for the Company for 1999, 2000 and the six month period ending 30 June 2001. These pro forma financials illustrate the operating revenues, operating expenses, depreciation and net financial expenses under the assumption that Albion Reefers had the

Notes to the Accounts

same financial structure as after the acquisition by STAR Reefers Inc. at 1 July 2001 and had been included in the consolidated financial accounts of STAR Reefers Inc. (see note 1).

Unaudited pro forma profit and loss account for STAR Reefers including Albion Reefers	01.01-30.06 2001	Pro forma 2000
Operating revenues	72 200	116 675
Operating expenses	-49 800	-91 653
EBITDA	22 400	25 022
Ordinary depreciation / amortisation and write-down	-6 400	-118 803
Provision for loss on time-charter contracts	-11 400	-
Operating profit (loss)	4 600	-93 781
Financial income	3 410	5 292
Financial expenses	-8 400	-22 392
Profit (loss) before taxes	-390	-110 881
Taxes	-	-6 095
Net profit (loss)	-390	-116 976

Unaudited pro forma balance sheet for STAR Reefers including Albion Reefers	30/06/01	31/12/00
Vessels	198 380	204 640
Other fixed assets	4 500	6 137
Current assets	38 820	78 531
Total assets	241 700	289 308
Shareholders' equity	55 400	3 055
Provision time-charters	13 100	1 700
Long-term liabilities	160 000	262 175
Short-term liabilities	13 200	22 378
Total equity and liabilities	241 700	289 308

As part of the funding of the working capital of STAR Reefers, London (Albion Reefers Limited), STAR Reefers AS, Oslo granted an intercompany loan of USD 5 million to STAR Reefers, London. In connection with the restructuring and refinancing of the STAR Reefers Group the loan provided by STAR Reefers AS to Albion Reefers Limited was assigned and transferred to STAR Reefers Shipowning Inc. The due date of the intercompany loan has been extended from 14 August 2002 up to 31 December 2007, providing certain criterias are met. If STAR Reefers, London do not have sufficient liquidity to repay the intercompany loan at maturity, Siem Industries will vote in favour of a share issue in STAR Reefers Inc. that is sufficient to cover all outstanding amounts under the line of credit at maturity.

Notes to the Accounts

13 Taxes

Deferred tax income (expense)	2002	2001	Pro forma 2000
Taxes payable	-55	-	-
Changes in deferred tax	7 668	-9 009	26 486
Other	-	-	-700
Unrecorded tax asset	-7 668	9 009	-25 786
Total taxes for the year	-55	-	-
Valuation allowance	-	-	-6 095
Total tax income (expense)	-55	-	-6 095

Deferred tax assets and liabilities	31/12/02	31/12/01	Pro forma 31/12/00
Fixed assets	-1 961	9 986	-4 661
Deferred capital gains	-1 543	343	1 165
Provisions not deductible until paid	162	-141	481
Norwegian CFC taxation (NOKUS)	-	-	4 104
Temporary differences	-3 342	10 188	1 089
Loss carried forward Norwegian taxation	-24 742	-34 174	-34 084
Loss carried forward UK taxation	-3 570	-	-
Deferred tax (deferred tax asset)	-31 654	-23 986	-32 995
Valuation allowance	31 654	23 986	32 995
Recognised tax asset	-	-	-

STAR Reefers Inc. and some of its subsidiaries are incorporated in and taxable to Cayman Islands. As long as less than 50% of the shareholders of the Company are taxable to Norway, the Norwegian shareholders of the Company will not be subject to tax in Norway on their pro-rata assessed income from the Company under the so called NOKUS rules (Norwegian CFC taxation).

The STAR Reefers Group also has Norwegian registered companies within the Group which are taxable to Norway, and UK registered companies which are taxable to the UK. Some of these companies are shipowning companies or engaged in the activity of chartering ships. In addition subsidiaries based in Norway and the UK act as managers for and on behalf of Cayman Islands registered companies in accordance with authority based on decisions taken by the boards of the Cayman Islands registered companies.

At 31 December 2002 deferred tax is a tax asset of USD 31.6 million, that can be applied against future income. Tax assets can only be carried on the balance sheet if it is more likely than not, that they can be realised. The company has decided that these criteria are not met and chosen not to record the tax asset. Tax losses can be carried forward for a maximum of 10 years. Loss carry forward related to the Group will expire as follows: 20% in 2009, 16% in 2010, 19% in 2011 and 45% in 2012.

14 Earnings per share

Earnings per share (EPS) is computed based on the income (loss) available to common shareholders, which is the same for basic and diluted earnings per share and the weighted average number of shares outstanding for basic EPS. Diluted EPS include the effect of the assumed conversion of potentially dilutive instruments and is calculated based on the following:

Notes to the Accounts

	2002	2001	Pro forma 2000
Income (loss) available to common shareholders	6 508	4 683	-115 176
Weighted average number of common shares outstanding	7 582 446	7 154 846	6 542 513
Incremental shares from assumed conversions of:			
- Share options	-	-	-
Weighted average number of common shares outstanding plus impact of assumed conversions	7 582 446	7 154 846	6 542 513

15 Deferred costs

	31/12/02	31/12/01	Pro forma 31/12/00
Capitalised charterparties	-	700	2 379
Deferred financing costs	558	-	-
Total	558	700	2 379

The capitalised charterparties refer to STAR Reefers' acquisition of two vessels from Ugland International Holding Ltd. in July 1999. The vessels were acquired including an excess value in the charterparties, which was capitalised and amortised over the remaining period of the charterparties.

16 Receivables and other current assets

	31/12/02	31/12/01	Pro forma 31/12/00
Deferred income	450	2 991	3 829
Prepaid expenses	6 860	2 510	151
Other short-term receivables	5 382	6 344	2 250
Total	12 692	11 845	6 230

17 Bank deposits

Restricted cash at 31 December 2002 only consists of employee taxes withheld. Restricted cash at 31 December 2001 also included deposits consisting of a retention account for accrued interest expenses and a portion of next installment on mortgage debt as well as proceeds from the sale of two vessels in November 2001.

	31/12/02	31/12/01	Pro forma 31/12/00
NOK	105	69	329
USD	17 496	29 420	60 450
GBP	94	72	-
EUR	1	1	-
Total	17 696	29 562	60 779
Restricted deposits:			
- Bank	105	7 359	8 423

The loan agreements require an aggregate minimum cash balance of USD 6.5 million.

Notes to the Accounts

18 Equity

	# of shares	Issue price	Par value	Share capital	Additional paid-in capital	Retained earnings	Total equity
Total 1 January 2001				-	-	-	-
- Jan Placement refinancing	6 794 667	\$6.51	\$0.01	68	44 182		44 250
less issue cost					-1 565		-1 565
- Mar Share for share exchange	60 489	\$6.51	\$0.01	0.6	393		394
- May Compulsory acquisition	3 490	\$6.51	\$0.01	0	22		22
- Jul STAR London acquisition	710 500	\$7.15	\$0.01	7	5 073		5 080
- Net profit 2001						4 683	4 683
Total 31 December 2001	7 569 146			76	48 105	4 683	52 864
Extraordinary dividend Oct. 2002 US cent 10 per share:							
- scrip issue (81%)/cash (19%)	77 054	\$7.98	\$0.01	0.7	615	-757	-141
Net profit 2002						6 508	6 508
Total 31 December 2002	7 646 200			76	48 720	10 434	59 230
Pro forma equity 1 Jan. 2000	6 290 359	\$6.51	\$0.01	68	39 339	65 824	105 231
- Share issue	504 308	\$6.51	\$0.01	0	3 278	-3 278	0
- Net profit 2000						-115 176	-115 176
Pro forma equity 31 Dec. 2000	6 794 667			68	42 617	-52 630	-9 945
- Debt remission	-					52 630	52 630
- Share for share exchange	60 489	\$6.51	\$0.01	1	393		394
- Compulsory acquisition	3 490	\$6.51	\$0.01	0	22		22
- STAR London acquisition	710 500	\$7.15	\$0.01	7	5 073		5 080
- Net profit 2001						4 683	4 683
Pro forma equity 31 Dec. 2001	7 569 146			76	48 105	4 683	52 864

The Annual General Meeting of the Company in 2002 adopted a dividend of 10 US cent per share. Shareholders were given the option to elect shares as an alternative to cash. Shareholders representing 81% of the share capital elected shares in lieu of cash. A total number of 77,054 shares in STAR Reefers Inc. were issued to the shareholders who elected shares in lieu of cash. All shares in the Company carry the same rights, and there are no restrictions on voting.

Shareholders holding more that 1% of the shares	31 December 2002	
	# of shares	%
- Siem Industries Group	5 612 015	73.4 %
- Maas Capital Investment B.V.	552 505	7.2 %
- Hafslund Invest AS	478 955	6.3 %
- Vestey Group Limited	210 500	2.8 %
- DnB Markets	200 000	2.6 %
- Aage Thoen Ltd. AS (partly owned by Aage Thoen)	175 000	2.3 %
- Danske Bank A/S	77 576	1.0 %
Shareholders holding more than 1%	7 306 551	95.6 %
- Other	339 649	4.4 %
Total number of shares	7 646 200	100.0 %

Notes to the Accounts

Shares in SRI held by Board Members and CEO	Note	# of shares	%
- Kristian Siem (Chairman)	1	5 612 015	73.4 %
- Per Chr. Haukenes		-	-
- Ole Martin Siem		-	-
- Jesper Edelmann		-	-
- Frank Capstick		-	-

1) The Siem Industries Group is controlled by trusts, where members of Kristian Siem's family are potential beneficiaries.

Shares in SRI held by Management ^{*)}	Note	# of shares	%
- Aage Thoen (CEO)	1	175 000	2.29%
- Finn Eigil Haraldsen		1 000	0.01%
- Charles S. Bondi		200	0.00%
- Terje Aschim		-	-
- Kjetil Bruun-Olsen		-	-

*) includes shares owned by close family/relatives and controlled companies

1) Aage Thoen Ltd. AS is partly owned by Aage Thoen.

Employee Stock Option Program

The Company has launched a stock option program as part of the Company's long term incentive plan. Options to purchase 150,000 shares in SRI at USD 6.60 per share and options to purchase 100,000 shares in SRI at USD 7.20 per share, have been awarded. 50 % of the options vested at 28 February 2003 and the remaining 50 % vest at 28 February 2005.

Name	Position	Grant date	Share price at grant date	Strike price	Number of options
Kristian Siem	Chairman	21/05/01	\$6.60	\$6.60	20 000
Ole Martin Siem	Board Member	21/05/01	\$6.60	\$6.60	9 000
Per Chr. Haukenes	Board Member	21/05/01	\$6.60	\$6.60	9 000
Aage Thoen	CEO	21/05/01	\$6.60	\$6.60	31 000
Terje Aschim	Finance Director	21/05/01	\$6.60	\$6.60	25 000
Charles Bondi	Corporate Controller	21/05/01	\$6.60	\$6.60	31 000
Finn Haraldsen	Operation Director	21/05/01	\$6.60	\$6.60	25 000
Total at strike price USD 6,60 per share					150 000
Jesper Edelmann	Board Member	22/11/01	\$6.68	\$7.20	9 000
Kevin Harding	Director	22/11/01	\$6.68	\$7.20	26 000
Richard Dunlop	Chartering Manager	22/11/01	\$6.68	\$7.20	20 000
Kenneth Ross	Commercial Manager	22/11/01	\$6.68	\$7.20	20 000
Kjetil Bruun-Olsen	Vice Pres. Fleet Management	22/11/01	\$6.68	\$7.20	25 000
Total at strike price USD 7,20 per share					250 000

Share price at 31 December 2002 was NOK 55.00 (USD 7.89).

Notes to the Accounts

19 Mortgage debt

Debt schedule	Fortis Bank Syndicate				Gjensidige NOR Syndicate	Total interest- bearing debt
	Tranche A	Tranche B	Tranche C			
Balance 31.12.01	76 000	52 500	19 000	-	10 500	158 000
Scheduled installments	-4 000	-	-2 740		-4 000	-10 740
Prepaid in connection with						
- sale of vessels	-15 692		-976		-6 500	-23 168
- sale of subsidiary	-26 344	-14 456				-40 800
Refinanced debt	-29 964	-38 044	-15 284			-83 292
Balance 19.12.02	-	-	-	-	-	-
New loan	Fortis Bank Syndicate					
	NZ-class		Existing vessels			
	Tranche A	Tranche B	Tranche C	Tranche D		
New loan Fortis syndicate	35 200	8 100	67 875	18 475		129 650
Balance 31.12.02	35 200	8 100	67 875	18 475	-	129 650
Margins over LIBOR	1.625 %	2.250 %	1.625 %	1.625%-2.0%		

The average interest rate in 2002 was 3.54% excluding interest-rate swaps (2001: 6.08%) and 5.45% including interest-rate-swaps (2001: 6.6%).

Scheduled maturities of interestbearing debt at 31.12.02:

	Fortis Bank Syndicate				Total
	Tranche A	Tranche B	Tranche C	Tranche D	
- 2003	3 300	810	11 050	880	16 040
- 2004	3 400	810	11 050	1 316	16 576
- 2005	3 500	810	11 500	1 740	17 550
- 2006	3 600	810	11 500	1 938	17 848
- 2007	21 400	4 860	22 774	12 602	61 636
Total installments	35 200	8 100	67 874	18 476	129 650

At the beginning of January 2002 interestbearing debt in the Company was USD 158.0 million. By 30 September 2002, the bank debt had been reduced to USD 124.1 million by debt prepayments following sale of vessels in addition to scheduled repayments.

To provide intermediate financing for the acquisition of the Chiquita vessels in the 4th quarter, a loan of USD 53 million was established. The bridge loan was provided by DnB and repaid 23 December 2002 as part of the total refinancing of the fleet.

In December 2002 the STAR Reefers Group was refinanced. The gross amount to be refinanced was USD 177.1 million (bridge loan from DnB USD 53 million and Fortis Syndicate USD 124.1 million). Funds generated by the sale of Reefer (Bermuda) Ltd. and available cash in the Company reduced the refinancing need to USD 129.7 million. The new credit facility of USD 129.7 million was made available by a bank syndicate of leading European banks. This facility provides the STAR Reefers Group with more financial flexibility and extends the loan period compared to the old credit facility.

Notes to the Accounts

In connection with the refinancing the STAR Reefers Group structure was changed and STAR Reefers Shipowning Inc became the principal owner of the vessels in the fleet. As part of the refinancing, Siem Industries provided a USD 4.5 million loan, which is due 1 July 2003. As of December 2002 interest-bearing debt was USD 134.2 million.

The Fortis Bank Syndicate is secured by first and second priority mortgages in 23 vessels and by assignment of earnings and insurances. Shares in subsidiaries of the Company and bank accounts have also been pledged in favour of the banks.

The loan agreements contain restrictive covenants which limit the payment of dividends and capital expenditures and financial covenants on market value of vessels, minimum liquidity and working capital. As of today the Group is in compliance with the covenants in the loan agreements, furthermore the Group expects to be in compliance with the covenants for 2003.

No guarantees have been issued by the Company on behalf of third parties.

The book value of the pledged assets was USD 168.3 million at 31 December 2002.

20 Financial instruments

The majority of the transactions, assets and liabilities of the Company are denominated in USD and approximately 75% of the ships' operating expenses are denominated in USD. Overhead expenses are in NOK and GBP. Management continuously monitors these risks and enters into hedge contracts from time to time, to reduce the exposure. For 2003 the Company has hedged approximately 50% of our NOK and 50% of our GBP exposure by selling USD at average rate of NOK/USD = 7.55 and GBP/USD = 1.56.

The loans are based on a floating interest rate (LIBOR). Swap agreements have been entered into for a portion of the mortgage debt in order to reduce the Group's exposure to interest rate fluctuations.

At year-end the Group has the following interest rate swaps:

Swap-rate	Expiry date	Swap amount	Market value
5.335 %	23 February 2004	50 000	-2 395
4.911 %	26 July 2006	25 000	-2 035

STAR Reefers pays the fixed interest rate and receives the floating interest rate (LIBOR 3 months)

In April the Company wrote two interest caps. The premium for writing the caps was applied to reduce the fixed interest rate the Company pays under the swaps.

Cap rate	Expiry date	Cap amount	Market value
6.0 %	23 February 2004	50 000	-1
6.0 %	26 July 2006	25 000	-171

STAR Reefers is committed to pay to the counter party all interest over 6% (basis LIBOR 3 months)

Notes to the Accounts

A 1% change in the interest rate level implies a change in the Group's interest expenses of approximately USD 0.5 million.

The Board has given management authority to enter into bunker hedge contracts. As part of this authority the Company has various bunker derivatives. At time of writing the Company has two exposures totalling 10,000 mt, of which 4,165 mt have been executed with a gain of USD 122. As of today we have 835 mt outstanding at USD 0.150 per mt and 5,000 mt at USD 0.122.

NYK STAR Reefers Inc. has for 2003 entered into bunker hedging contracts covering 64,000 tons at an average price per ton of USD 122.

21 Short-term liabilities

	2002	2001	Pro forma 2000
- Accounts payable	5 536	7 487	1 998
- Social security, VAT and other	92	31	94
- Accrued interests	455	1 867	1 024
- Other short-term liabilities NYK STAR Reefers Inc.	5 777	8 180	-
- Other accruals and short-term liabilities	5 328	2 104	5 506
- Restructuring expenses	-	-	156
Total	17 188	19 669	8 778

22 Related parties

Kristian Siem is Chairman of the Board in STAR Reefers Inc. Siem Industries Inc. is the majority shareholder of the Company and is controlled by trusts where certain members of Kristian Siem's family are potential beneficiaries.

In 2002, STAR Reefers compensated Siem Industries with USD 107 (2001: USD 100) for office, travel and communication expenses including advice and assistance relating to the reorganisation of the STAR Reefers Group.

Siem Offshore AS is 100% owned by Siem Industries. STAR Reefers provides management services to Siem Offshore on arm's length basis. Fees paid to STAR Reefers in 2002 under this management contract amount to USD 41 (2001: USD 47).

At 31 December 2002 the STAR Reefers Group had a receivable of USD 1 on Siem Offshore AS.

STAR Reefers purchases certain legal services from other Siem Industries Group companies at competitive rates, and will also from April 2003 share joint office facilities with other companies in the Siem Industries Group in Cayman Islands.

Siem Industries provided a guarantee for the USD 53 million bridge loan from Den norske Bank, in connection with the purchase of the Chiquita Vessels in the 4th quarter of 2002. The Company paid a fee of USD 125 for the guarantee.

In connection with the refinancing of the STAR Reefers Group in December 2002 Siem Industries provided a USD 4.5 million loan to the Company. The interest on the loan is 7% p.a. through April 2003 and 8% p.a. thereafter until repayment.

Notes to the Accounts

23 Environmental issues

The Group places significant emphasis on reducing the negative environmental effects of its activities, within the framework and parameters of global shipping. The Group is in compliance with environmental regulations imposed by relevant national authorities and international conventions.

STAR Reefers services any transportation needs of the global perishable produce industry. One of the core values of the STAR Reefers Group is a strict observance of laws, best practices and acting responsibly in the environment. As a high quality operator STAR Reefers is in compliance with environmental regulations imposed by relevant national authorities and international conventions. STAR Reefers will not compromise on safeguarding the individual life, health or safety.

There is always a risk that bunkers and oils onboard our ships may cause pollution and that collision or other incidents involving the ships may occur. We build systems with the aim to prevent incidents and to mitigate the damages should they occur.

In spite of these systems, Canterbury Star, while on charter to deliver food aid from EU to North Korea, was tragically involved in an accident in Wonsan in North Korea, where she collided with two smaller fishing vessels while docking. A North Korean pilot was in command when the accident happened. Our response plans were activated but we could not avoid human injuries and death of two people. The accident also caused an oil spill, where we were fined. We have reached amicable solutions with the North Korean Authorities and families of the deceased with strong support from our P and I Club. We also experienced two minor environmental incidents, i.e. one incident with bilge water on deck and one with discharge of sewage. Corrective actions were taken to rectify the incidents, and they were reported to the relevant port authorities according to procedures.

24 Time charter commitments and provisions for losses on onerous contracts

Vessel	Built	Capacity cbft	2002		2003	Expiry date
			US Cent/ cbft/30 days	Annual charter hire	US Cent/ cbft/30 days	
- Carribbean Star	1997	550 000	¢ 65.0	4 350	¢ 63.0	31/12/09
- Costa Rican Star	1998	550 000	¢ 65.0	4 350	¢ 63.0	31/12/09
- Columbian Star	1998	550 000	¢ 62.8	4 202	¢ 62.8	31/12/10
- Cote d'Ivorian Star	1998	550 000	¢ 62.8	4 202	¢ 62.8	31/12/10
- Polar Argentina	1992	523 653	¢ 51.5	3 281	¢ 51.5	31/12/04
- Polar Brazil	1992	526 044	¢ 51.5	3 296	¢ 51.5	31/12/04
- Belgian Reefer	1983	690 880	¢ 20.0	847 *)	¢ 61,0/¢ 19,0	30/06/04
- Brazilian Reefer	1984	690 880	¢ 20.0	847 *)	¢ 61,0/¢ 19,0	30/06/04
- Tundra King	1991	594 675	¢ 22.4	1 621	¢ 22.4	31/12/10
- Tundra Queen	1991	596 157	¢ 22.4	1 625	¢ 22.4	31/12/10
- Tundra Princess	1991	594 675	¢ 22.4	1 617	¢ 22.4	31/12/10
- Wellington Star	1992	424 307	¢ 23.9	1 236	¢ 23.9	31/12/10
- Regal Star	1993	526 250	¢ 41.0	2 625	¢ 47.5	24/02/04
- Regent Star	1993	526 141	¢ 41.0	2 625	¢ 49.0	19/01/04
- Solent Star	2000	485 000	¢ 53.5	3 157	¢ 55.0	18/01/04
- Southampton Star	1999	485 000	¢ 54.0	3 186	¢ 55.0	07/01/04

*) The charter for Belgian Reefer and Brazilian Reefer commenced in July 2002. The charter party states different rates for the high and low season.

For provision for losses on onerous contracts see note 6.

Notes to the Accounts

25 Shares in subsidiaries and joint ventures

	Registered office	Company's share of votes/capital
Directly owned		
STAR Reefers AS	Oslo	100%
Albion Reefers Ltd.	London	100%
Albion Reefers Trading Ltd.	London	100%
NYK STAR Reefers Ltd	London	50%
NYK STAR Reefers Inc.	Cayman Islands	50%
STAR Chartering Inc.	Cayman Islands	100%
STAR Reefers Shipowning Inc.	Cayman Islands	100%
Indirectly owned		
Swan Shipholding I AS	Oslo	100%
Swan Shipholding II AS	Oslo	100%
Swan Shipholding III AS	Oslo	100%
Swan B Reefers AS	Oslo	100%
STAR Reefers I AS	Oslo	100%
Swan Reefer Management AS	Oslo	100%
STAR Reefers Ltd.	London	100%
Cost Return Ltd.	London	100%
Albion Reefers (Guernsey) Ltd.	Guernsey	100%
Swan Reefer Chartering Limited	Cayman Islands	100%

Share in Joint Ventures	50% NYK STAR Reefers Ltd	50% NYK STAR Reefers Inc *
Profit and Loss		
- Revenue	2 254	-
- Operating expenses	-1 979	-
- Net financial items	-8	-
- Taxes	-55	-
Net income	212	-
Assets and Liabilities		
- Fixed assets	147	-
- Inventory	-	2 634
- Receivables	103	6 968
- Cash and bank deposits	17	1 693
- Liabilities	-39	-11 295
Net assets and liabilities	228	-

* NYK STAR Reefers Inc. is a pool and net revenue has been distributed to the poolpartners.

As per a loan agreement dated 24 January 2001, STAR Reefers AS issued a convertible loan in favour of STAR Reefers Inc. in the amount of NOK 392,046 / USD 44,250 (exchange rate as per date of the shareholders meeting). Strike is at NOK 0.115/ 57.50 (after reverse share split) per share. In 2001 NOK 1,299 was repaid and NOK 747 was converted to shares in STAR Reefers AS. Interests of LIBOR + 4% p.a. are charged on the convertible loan.

Notes to the Accounts

Convertible loan	NOK	USD
Balance including accrued interests 31.12.01	426 424	47 319
- Interests accrued 2002 added to principal	26 112	3 749
- Repaid 2002	-271 425	-38 966
- Translation difference	-	13 898
Balance 31.12.02	181 111	26 000

Repayment of the remaining balance will be at the latest 6 years after drawdown. Default interest has been set at 18% p.a. In addition, ordinary lending provisions apply, including a.o. cross default with other loans. The loan is fully subordinated to the rights the Banks have for the 19 December 2002 loan. The loan is subject to Norwegian law and arbitration clauses.

Auditor's Report



PricewaterhouseCoopers DA
N-0245 Oslo
Telephone 23 16 00 00
Telefax 23 16 10 00

To the Annual Shareholders Meeting of
Star Reefers Inc

Auditor's report for 2002

We have audited the annual consolidated financial statements of Star Reefers Inc as of 31 December 2002, showing a profit of USD 6.508.000. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices 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 audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway.

Oslo, 31 March, 2003

PricewaterhouseCoopers DA

A handwritten signature in cursive script that reads "Rita Granlund".

Rita Granlund

State Authorised Public Accountant (Norway)

Carriage of Bananas

The carriage of perishable fruits between producers and consumers subjects cargoes to considerable stresses which, they are fully expected to withstand despite the often considerable distances involved. The journeys can be as simple as one short trip from farm to market, to complex moves involving lorries, storage warehouses, refrigerated containers and break bulk ships ending with delivery to the receivers at a far flung location inland.

The safe ocean carriage of refrigerated cargoes depends on maintaining suitable storage conditions during transportation. This holds true for all types of transport and cargoes, although the longer the journey time and the more delicate the cargo the more critical this becomes.

Clear and accurate carriage instructions as issued by shippers are vital in ensuring the successful transportation of any refrigerated cargo. If such instructions are misleading, ambiguous, contradictory, or plainly wrong then serious outturn problems can be anticipated. The total loss of the cargo faces the shipper and the carrier risks a serious cargo claim for damaged goods. Should a shipmaster have any reservations about the carriage instructions this must be immediately clarified with the shipper and revised instructions requested if necessary to avoid cargo damage during transit.

Carriage temperature for refrigerated goods must therefore be specified as the air delivery temperature as delivered onboard by the vessel into her cargo holds during the sea voyage. The vessels report daily the various temperatures in each hold monitoring cargo status to avoid potential damage. Of all the refrigerated cargoes carried by conventional reefer ships the most ubiquitous is the banana.

The banana which takes its name from the

Arabic word for finger is a herb plant growing up to 30 feet tall and bearing fruit year round. On harvesting a bunch of bananas, the entire stem is cut down and new banana plants grow from the root ball.

Banana plants are today grown in just about every tropical place in the world. with their production constituting the 4th largest fruit crop of the world. The plant needs 9 - 14 months of frost-free conditions to produce a flower stalk. Majority of varieties will cease growing when the temperature falls below 60F - with the exception of certain extremely hardy varieties. Also extreme heat reduces the growth of the plant (usually when the temperature is over 80- 85F) with growth halting completely when temperatures exceed 100+F. High temperatures and strong sunlight can mark leaves and fruit, although bananas grow best in direct sunlight, whilst freezing temperatures will destroy the foliage. In most areas bananas require wind protection for maximum yield, although the likelihood of hurricane damage in many tropical growing regions can setback production output for significant periods of time.

The conventional reefer is an integral part of the cold chain commencing at harvesting point until the arrival in the grocery store. The cold chain is an established routine of verification and check points guaranteeing that the banana pulp and storage temperature never have been below certain minimum levels. This ensures a fruit quality and colour of the bananas that preserves the taste and the appearance of the fruit consumerate with the requirements of very discriminating consumers.

STAR is proud to serve this industry and to enable consumers to consume high quality fruits as part of a growing need among consumers to focus on healthy diets and food in the years to come.

Banana Facts . . .

- The banana is not a tree ! It is a herb, the largest known of all plants without a woody stem or solid trunk!
- A cluster of bananas sold in stores is actually called “hands”, not “bunches” !
- The banana cannot reproduce itself.
- Bananas are a happy fruit ! They contain chemicals which are believed to alleviate mental depression !



- Putting bananas in the refrigerator will permanently stop their ripening. The skin turns brown but the fruit inside does not ripen !!
- A banana peel can be used to polish shoes !
- A man in India holds the record for eating maximum number of bananas - 81 bananas in 30 minutes !
- The country of Tonga once issued a stamp shaped like a banana !

NEW ZEALAND

In 2002, the New Zealand deciduous industry was deregulated. This meant that the New Zealand growers were free to export their cargo independently, rather than through the ENZA organisation. As a result, NYK STAR Reefers started a liner service and successfully berthed 10 vessels loading fruit to UK and Europe. The service proved to be well supported and, as a result of excellent support and co-operation from our clients, was a success. In 2003, this service has been expanded to 15 sailings and will also offer discharge

to the US East Coast on some of these vessels.

The service loads at Napier and Nelson and discharges at Wilmington (USA), Sheerness (UK) and Antwerp (Belgium). The service starts in March and will conclude at the end of the season in July. Transit times are a rapid 21 days from Napier to Wilmington and 28 days from Napier to Sheerness. The service also offers on-deck reefer capacity and controlled atmosphere capacity - both on and under deck.

Fleet 2003

Deployment Owned Vessels

Vessel	Built	Capacity		Employment	Pool / time charter (T/C)
		Built	cbft.		
Swan Chacabuco	1990	677	143	NYKSTAR Pool	Pool
Chaiten	1988	673	748	NYKSTAR Pool	Pool
Swan Bay	1979	467	315	NYKSTAR Pool	Pool
Swan River	1978	466	322	NYKSTAR Pool	Pool
Swan Lagoon	1980	474	998	NYKSTAR Pool	Pool
Swan Ocean	1980	474	998	NYKSTAR Pool	Pool
Swan Stream	1979	474	998	NYKSTAR Pool	Pool
Harvester	1990	378	055	NYKSTAR Pool	Pool
Auckland Star	1986	465	164	NYKSTAR Pool	Pool
Canterbury Star	1986	465	164	NYKSTAR Pool	Pool
English Star	1986	465	164	NYKSTAR Pool	Pool
Scottish Star	1986	465	164	NYKSTAR Pool	Pool
Trojan Star	1984	477	757	NYKSTAR Pool	Pool
Tudor Star	1983	477	757	NYKSTAR Pool	Pool
Tundra Consumer	1990	576	064	LauritzenCool	T/C
Tundra Trader	1990	576	064	LauritzenCool	T/C
Tauranga Star	1992	439	027	NYKSTAR Pool	Pool
Chiquita Brenda	1993	486	761	NYKSTAR Pool	Pool
Chiquita Joy	1994	486	761	NYKSTAR Pool	Pool
Nelson Star	1993	486	761	NYKSTAR Pool	Pool
Napier Star	1994	486	761	NYKSTAR Pool	Pool
Anglian Reefer	1988	703	263	LauritzenCool	Pool
Argentinean Reefer	1988	703	263	LauritzenCool	Pool
Total owned fleet		11	848 472		

Deployment Vessels Taken in on Time Charters

Vessel	Built	Capacity		Employment	Pool / time charter (T/C)
		Built	cbft.		
Caribbean Star	1997	550	600	NYKSTAR Pool	Pool
Costa Rican Star	1998	550	600	NYKSTAR Pool	Pool
Columbian Star	1998	550	600	NYKSTAR Pool	Pool
Cote d'Ivorian Star	1998	550	600	NYKSTAR Pool	Pool
Polar Argentina	1993	526	044	NYKSTAR Pool	Pool
Polar Brazil	1992	526	044	NYKSTAR Pool	Pool
Regal Star	1993	520	000	NYKSTAR Pool	Pool
Regent Star	1993	520	000	NYKSTAR Pool	Pool
Solent Star	2000	485	000	NYKSTAR Pool	Pool
Southampton Star	1999	485	000	NYKSTAR Pool	Pool
Belgian Reefer	1983	690	880	LauritzenCool	T/C/Pool
Brazilian Reefer	1984	690	880	LauritzenCool	T/C/Pool
Total vessels chartered in		6	646 248		

Deployment Vessels Taken in on Bareboat Charters

Vessel	Built	Capacity		Employment	Pool / time charter (T/C)
		Built	cbft.		
Tundra King	1991	596	160	LauritzenCool	T/C
Tundra Princess	1991	596	160	LauritzenCool	T/C
Tundra Queen	1991	596	157	LauritzenCool	T/C
Wellington Star	1992	424	307	NYKSTAR Pool	T/C/Pool
Total vessels chartered in		2	2 212 784		
Total fleet		20	707 504		

Fleet Capacity 2003 & Sensitivities

Capacity of the Fleet by Quarter 2003

(in used cbft)	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>2003</u>
Owned Ships	34 966 578	31 633 711	31 176 130	31 761 963	129 538 382
Chartered Ships	26 721 327	27 231 996	27 531 248	27 192 010	108 676 581
Total fleet	<u>61 687 905</u>	<u>58 865 707</u>	<u>58 707 378</u>	<u>58 953 973</u>	<u>238 214 963</u>

Explanatory note

Time charter (T/C): The ship owner hires out the vessel with crew for a specific amount per time unit. In the reefer industry the rate is quoted as USCent/per cubic feet (cbft) per 30 days or cents.

The table above can be used to simulate net revenue on T/C bases by applying different rates in cents. As an example the net revenue generated by owned ships in the 1 Quarter of 2003 can be calculated as follows

Used cbft	Cents	Net revenue
34 966 578	x \$ 0.53	\$ 18 532 286

Sensitivities

<u>IF:</u>	Profit & Loss USD millions	EPS Earnings per Shares USD	Book value per Share USD
Freight rates +/- 1 cent	\$ 2.4	\$ 0.31	
Interest rates +/- 1%	\$ 0.5	\$ 0.07	
Ships operating expenses +/- 5%	\$ 2.1	\$ 0.27	
Ship values +/- 5%			\$ 1.09

Offices & Agents

OFFICES:

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