NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

Index to consolidated financial statements

Report of Independent Auditors

To the Board of Directors of Navig8 Chemical Tankers Inc

We have audited the accompanying consolidated financial statements of Navig8 Chemical Tankers Inc and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navig8 Chemical Tankers Inc and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers AS

Oslo, Norway

June 25, 2020

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands of US$)	Dec 31, 2019	Dec 31, 2018
Assets		
Current assets		
Cash and cash equivalents	38,792	16,816
Trade receivables	50	140
Related party trade receivables	17,330	15,834
Prepaid expenses and other assets	8,855	5,857
Related party prepaid expenses and other assets	10,034	11,040
Inventories	2,796	3,034
Total current assets	77,857	52,721
Non-current assets		
Restricted cash	15,200	16,200
Vessels, net	1,085,076	1,128,527
Total non-current assets	1,100,276	1,144,727
Total assets	1,178,133	1,197,448
Liabilities and shareholders' equity		
Current liabilities		
Deferred revenue	2,162	-
Current portion of loans	55,843	55,978
Accounts payables and accrued expenses	13,244	6,363
Related party payables and accrued expenses	623	639
Total current liabilities	71,872	62,980
Non-current liabilities		
Long-term loans, net of unamortised debt issuance cost	710,557	730,662
Accrued interest expenses	5,279	3,411
Total non-current liabilities	715,836	734,073
Total liabilities	787,708	797,053
Commitments and contingent liabilities (Note 7)	-	-
Shareholders' equity		
Common stock, $0.01 par value per share; authorized 500 million shares (2018: 500 million shares); 38,489,108 shares issued and outstanding as of Dec 31, 2019 (Dec 31, 2018: 38,489,108 shares)	385	385
Paid-in capital	403,641	403,641
Retained earnings (Accumulated deficit)	(13,601)	(3,631)
Total shareholders' equity	390,425	400,395
Total liabilities and shareholders' equity	1,178,133	1,197,448

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of US$, except per share data)	2019	2018
Operating revenue		
Pool revenue (related party)	163,310	153,941
Time charter revenue	10,667	4,699
Total operating revenue	173,977	158,640
Other operating income	1,871	140
Operating expenses		
Vessel operating expenses (includes related party expenses of $2,520; 2018: $2,520)	(70,705)	(70,159)
Voyage expenses (includes related party expenses of $2,705; 2018: $2,929)	(4,178)	(4,522)
Depreciation	(50,215)	(50,240)
General and administrative expenses (includes related party expenses of $3,936; 2018: $5,001)	(4,990)	(6,277)
Total operating expenses	(130,088)	(131,198)
Net operating income	45,760	27,582
Financial items		
Interest income	449	48
Interest expense and finance costs	(56,073)	(52,678)
Other financial items	(103)	(120)
Net financial items	(55,727)	(52,750)
Net income (loss) before income tax	(9,967)	(25,168)
Income tax expense	(3)	-
Net income (loss)	(9,970)	(25,168)
Earnings (loss) per common share:		
Basic	$ (0.26)	$ (0.65)
Diluted	$ (0.26)	$ (0.65)

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of US$, except number of shares)	Number of shares outstanding	Common stock	Paid-in capital	Retained Earnings (Accumulated Deficit)	Total
Balance as of Dec. 31, 2017	38,489,108	385	403,641	21,537	425,563
Net income (loss)	-	-	-	(25,168)	(25,168)
Balance as of Dec. 31, 2018	38,489,108	385	403,641	(3,631)	400,395
Balance as of Dec. 31, 2018	38,489,108	385	403,641	(3,631)	400,395
Net income (loss)	-	-	-	(9,970)	(9,970)
Balance as of Dec. 31, 2019	38,489,108	385	403,641	(13,601)	390,425

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of US$)	2019	2018
Operating activities		
Net income (loss)	(9,970)	(25,168)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of vessels	50,215	50,240
Amortisation of debt issuance cost	2,960	2,103
Debt extinguishment costs	266	-
Provision for doubtful account	-	(8)
Changes in operating assets and liabilities:		
Trade receivables	90	499
Related party trade receivables	(1,496)	2,596
Prepaid expenses and other assets	(2,998)	(2,367)
Related party prepaid expenses and other assets	1,006	(323)
Inventories	238	37
Deferred revenue	2,162	-
Accounts payables and accrued expenses	5,973	2,047
Related party accounts payables and accrued expenses	(16)	(68)
Net cash provided by operating activities	**48,430**	**29,588**
Investing activities		
Payments for vessels *	(3,899)	(611)
Net cash used in investing activities	**(3,899)**	**(611)**
Financing activities		
Proceeds from loans, net of debt issuance cost *	91,451	50,369
Repayment of loans	(114,740)	(86,528)
Debt extinguishment costs	(266)	-
Net cash provided by (used in) financing activities	**(23,555)**	**(36,159)**
Net change in cash, cash equivalents and restricted cash	20,976	(7,182)
Cash, cash equivalents and restricted cash, beginning of year	33,016	40,198
Cash, cash equivalents and restricted cash, end of year	**53,992**	**33,016**
Supplemental disclosure of cash flow information:		
Interest paid, net of interest capitalised	50,809	49,293

***** Please refer to note 4 for non-cash items

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant accounting policies

Company

Navig8 Chemical Tankers Inc and its subsidiaries (together "we", "us" or the "Company") is a company formed for the purpose of acquiring and operating chemical tankers with fuel-efficient specifications and carrying capacities of equivalent to or greater than 25,000 dwt in the international shipping markets. The Company was incorporated in the Republic of the Marshall Islands on August 15, 2013, and since August 11, 2014, the Company's shares are traded on the over-the-counter market in Oslo, Norway ("NOTC-List").

As of December 31, 2019, the Company has taken delivery of 32 vessels (2018: 32 vessels), of which 23 (2018: 19) are under sale and leaseback arrangements which are treated as financing transactions. All the vessels have entered into commercial pools (Navig8 Alta8 Pool, Navig8 Chronos8 Pool and Navig8 Stainless8 Pool), set up within Navig8 Chemicals Pool Inc, upon delivery from the shipyards. In December 2018, one of the chemical tankers has been re-delivered from a Time Charter Party with a third party charterer and the Company has entered the vessel into the commercial pool, Navig8 Stainless8 Pool. During 2019, four of the chemical tankers have been re-delivered from Navig8 Stainless8 Pool and the Company has entered into Time Charter Parties with a third party charterer for these vessels.

The full fleet comprises 18 (37,295 dwt) Interline-9001 coated chemical tankers, 8 (25,000 dwt) stainless steel chemical tankers, 4 (49,000 dwt) IMO II Interline-9001 coated chemical tankers and 2 (49,080 dwt) epoxy-coated chemical tankers.

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we fully consolidate the entity.

A variable interest entity is defined by the accounting standard as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either i) the power to direct the activities of the entity that most significantly impact its economic success, ii) the obligation to absorb the expected losses of the entity, or iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The accounting standard requires a variable interest entity to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity.

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant accounting policies (Continued)

Significant Accounting Policies

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting year. Actual results could differ from those estimates.

In addition to the estimates noted above, significant estimates include vessel valuations, residual value of vessels, useful life of vessels and bargain purchase options included within sale and leaseback arrangements.

Cash, cash equivalents and restricted cash

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. Restricted cash consists mainly of bank deposits in the Debt Service Reserve Account, which must be maintained in accordance with the contractual arrangement under the CA- KEXIM, DVB and Credit Suisse bank loan facility agreements. Restricted cash also consists of bank deposits in the Cash Deposit Account for CMBFL, SBI and ICBC sale and leaseback arrangements (see Note 8 for details).

Trade Receivables

Trade Receivables include amounts due from pools and other recoverable expenses due to the Company. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. No provision was recorded as at December 31, 2019 (2018: nil).

Prepayments

Prepayments consist of payments in advance for insurance or other ad hoc prepaid purchases.

Other Assets

Other assets consist primarily of advances and deposits which primarily include amounts advanced to third-party technical managers for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. As of December 31, 2019, no provision was recorded (2018: nil), and there was a reversal in 2018 of $8,000 for the provision made in 2017.

Inventories

Inventories consist of lubricating oils and other consumables on board the Company's vessels. Inventories are valued at the lower of cost and market value on a first-in-first-out basis. Cost is based on the normal levels of cost and comprises the cost of purchase, being the suppliers' invoice price with the addition of charges such as freight or duty where appropriate.

1. General information and significant accounting policies (Continued)

Vessels

Vessels are recorded at their cost less accumulated depreciation. Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of the vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The market price of scrap per tonne is calculated based on the historical ten year average. Residual values are reviewed annually. The Company capitalises and depreciates the costs of significant replacements, renewals and upgrades to its vessels over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalised is based on management's judgement as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalised are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

Drydock Expenditure

Part of the purchase price of a new built vessel corresponding to the normal expected dry-docking expense is recognised as a separate component of the asset (dry-docking part of vessel) and is amortised over the expected useful life of five years. Actual dry-docking expenditures are capitalised when incurred and these expenditures are amortised from the completion of a dry-docking to the estimated completion of the next dry-docking, generally between two and a half to five years. When significant dry-docking expenditures occur prior to the expiration of the estimated amortisation period, the remaining unamortised balance of the previous dry-docking cost is expensed in the month of the subsequent dry-docking. Expenses for routine maintenance and repairs, incurred during dry-docking, are expensed as incurred.

Coating Upgrade

Application of a new and different coating is considered to represent an upgrade of the capabilities of a vessel, and will be capitalised on the respective vessel and depreciated over the remaining useful life. The remaining carrying value of the existing coating will be expensed net of any reimbursements.

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant accounting policies (Continued)

Vessel Impairment

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels are tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to operate the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydocking, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

Financing arrangements

Navig8 Chemical Tankers Inc. may enter into transactions accounted for as sale and leasebacks, in which vessels are sold to a third party and then leased for use by Navig8 Chemical Tankers Inc. Under certain circumstances, the necessary criteria to recognise a sale of these assets may not occur and the transaction is reflected as a financing arrangement, with proceeds received from the transaction reflected as a borrowing (see Note 8). When the necessary criteria have been met to recognise a sale, gains or losses on the sale of the assets are generally deferred and amortised over the term of the transaction, except in certain limited instances when a portion of the gain or loss may be recognised upon inception.

Distributions to shareholders

Distributions to the shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the additional paid in capital account.

Financial Instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

1. General information and significant accounting policies (Continued)

Deferred finance charges

Deferred financing charges include fees, commissions and legal expenses associated with securing financing facilities. Deferred financing charges are presented on the balance sheet as a contra-liability, against the debt liability. These costs are amortised, over the term of the debt, to interest expense and finance costs in the consolidated statement of operations using the straight line method as the results obtained are not materially different from those that would result from use of the use of the interest method.

Deferred initial up-front commitment fees paid to lenders for revolving credit facilities and lines of credit represent the benefit of being able to access capital over the contractual term, and therefore, meet the definition of an asset. These are presented as an other asset and subsequently amortised ratably over the term of the commitment period for the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

Contingencies

Navig8 Chemical Tankers Inc provides for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for material contingent liabilities that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred at the balance sheet date.

Equity issuance costs

Incremental costs incurred that are directly attributable to an actual offering of equity securities are deferred and deducted from the related proceeds of the offering, and the net amount is recorded as contributed shareholders' equity in the period when such shares are issued. Other costs incurred that are not directly attributable, but are related, to an actual offering are expensed as incurred.

Earnings per share

Basic earnings per share is calculated by dividing the net income (loss) attributable to equity holders of the common shares by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by adjusting the net income (loss) attributable to equity holders of the common shares and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

1. General information and significant accounting policies (Continued)

Taxes

Navig8 Chemical Tankers Inc and all of its subsidiaries, except one, are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. The Company is generally not subject to state and local income taxation. Pursuant to various tax treaties, the Company's shipping operations are not subject to foreign income taxes. However, the Company does not qualify for the exemption pursuant to Section 883 of the U.S. federal income taxation Code and therefore is subject to U.S. federal tax on its shipping income derived from the United States.

One of the Company's subsidiaries is incorporated in Denmark and is subject to income tax under local jurisdictions. The tax paid by subsidiary of the Company that are subject to income tax is not material. The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes.

Foreign currencies

The individual financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is U.S. dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in U.S. dollars.

In preparing the financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries, transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is recognized in the consolidated statement of operations. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statement of operations.

Revenue Recognition

Operating revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value added taxes.

Operating revenue comprises pool revenue and time charter revenue.

a) Pool revenue for each vessel is determined in accordance with the profit sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on the following allocation key:
   - the pool scores (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
   - the number of days the vessel participated in the pool in the period.

Pool revenue is accounted for as variable lease consideration, and are recognized on a monthly basis when the vessel has participated in a pool during the period, and the amount of pool revenue for the month can be estimated reliably.

b) Time charter revenue is recognized on a straight-line basis over the term of the respective time charter agreements.

1. General information and significant accounting policies (Continued)

Other Operating Income

Other operating income consists of loss of hire income recovered from insurance claims.

Vessel Operating Expenses

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and technical management fees, are expensed as incurred.

Voyage Expenses

Voyage expenses, which include pool administration fees, vessel commission and transportation tax, are expensed as incurred.

Interest expense

Interest costs are expensed as incurred.

2. Newly issued accounting standards

Accounting Standards Updates, not yet adopted

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. Under the amendments in this Update, a private company (reporting entity) may elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. Effectively, the amendments in this Update expand the private company alternative provided by Accounting Standards Update No. 2014-07, Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements, not to apply the VIE guidance to qualifying common control leasing arrangements. Because the private company accounting alternative in this Update applies to all common control arrangements that meet specific criteria and not just leasing arrangements, the amendments in Update 2014-07 are superseded by the amendments in this Update. Indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For example, if a decision maker or service provider owns a 20 percent interest in a related party and that related party owns a 40 percent interest in the legal entity being evaluated, the decision maker’s or service provider’s indirect interest in the VIE held through the related party under common control should be considered the equivalent of an 8 percent direct interest for determining whether its fees are variable interests. As a non-public company, these updates are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect that adopting this standard will have on its financial statements and related disclosures.

Accounting Standards Updates, recently adopted

On January 1, 2019, the Company adopted ASC 842 Leases which revises the accounting for leases. Under the new lease standard, lessees are required to recognize a right-of-use asset and a lease liability for leases with lease terms of more than twelve months. The new lease standard requires lessees and lessors to classify most leases as either financing or operating using principles similar to previous lease accounting. The income statement recognition is similar to previous lease accounting and is based on lease classification. The accounting applied by a lessor under the new guidance is substantially equivalent to previous lease accounting guidance.

The adoption of the new accounting standard did not have any material impact for the accounting of the Company’s financing arrangements.

For arrangements where the Company are the lessor, the adoption of the new lease standard did not have a material impact on the consolidated financial statements as all leases are operating leases. The Company have elected the practical expedient to not separate non-lease components from the associated lease component and, instead, to account for these components as a single component.

3. Segment Information

The Company and the chief operating decision maker (“CODM”) measure performance based on the Company’s overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and the Company has only one reportable segment.

The Company’s vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful. The Company operates in one market, the chemical carrier market as an international provider of seaborne transportation of chemicals.

4. Cash Flow Information

Non-cash investing activities not included in the consolidated statement of cash flows of:

		2019 (‘000)		2018 (‘000)
Amounts unpaid for vessels	$	2,865	$	-

Non-cash financing activities not included in the consolidated statement of cash flows of:

		2019 (‘000)		2018 (‘000)
Amounts unpaid for debt financing costs	$	-	$	69

5. Cash, cash equivalents and restricted cash

The cash, cash equivalents and restricted cash as of December 31, 2019 and 2018 are denominated in United States Dollars. As of December 31, 2019 and 2018, the cash and cash equivalents balance relates solely to cash deposited with the banks, and the Company had bank deposits amounting to $15.2 million (2018: $16.2 million) in the Debt Service Reserve Accounts or designated deposit accounts, which must be maintained in accordance with the contractual arrangements per the credit facilities and sale and leaseback agreements to meet the minimum liquidity requirement for each delivered vessel.

As of December 31, 2019 and 2018, the following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of such amounts shown in the consolidated statements of cash flows.

		2019 (‘000)		2018 (‘000)
Cash and cash equivalents	$	38,792	$	16,816
Non-current restricted cash	$	15,200	$	16,200
Total cash, cash equivalents and restricted cash	$	53,992	$	33,016

6. Vessels

(in thousands of $)	**Vessels**[(1)]
Cost at December 31, 2017	**1,275,749***
Additions	611
Cost at December 31, 2018	**1,276,360***
Additions	6,764
Cost at December 31, 2019	**1,283,124***
Accumulated Depreciation at December 31, 2017	**(97,593)***
Depreciation	(50,240)
Accumulated Depreciation at December 31, 2018	**(147,833)***
Depreciation	(50,215)
Accumulated Depreciation at December 31, 2019	**(198,048)***
Net Balance at December 31, 2017	**1,178,156**
Net Balance at December 31, 2018	**1,128,527**
Net Balance at December 31, 2019	**1,085,076**

* Includes $921.9 million (2018: $768.2 million) of cost and $137.9 million (2018: $80.6 million) of depreciation, for the 23 vessels (2018: 19 vessels) sold as part of the Sale and Leaseback agreements (see Note 8). These sale and leaseback agreements have been treated as financing arrangements.

(1) As of December 31, 2019, the balance includes a component of net capitalised drydock cost of $7.4 million (2018: $8.5million), comprising of cost of $24.2 million (2018: $20.9 million) and accumulated depreciation of $16.8 million (2018: 12.4 million).

6. Vessels (Continued)

Navig8 Chemical Tankers Inc.'s fleet as of December 31, 2019 comprises of the following:

No.	**Vessel Name**	**DWT**	**Yard**	**Built**
1(1)	Navig8 Victoria	49,080	Hyundai Vinashin	January 2015
2(6)	Navig8 Almandine	37,295	Hyundai MIPO	February 2015
3(6)	Navig8 Amber	37,295	Hyundai MIPO	February 2015
4(1)	Navig8 Amethyst	37,295	Hyundai MIPO	March 2015
5(1)	Navig8 Violette	49,080	Hyundai Vinashin	March 2015
6(1)	Navig8 Ametrine	37,295	Hyundai MIPO	April 2015
7(5)	Navig8 Aventurine	37,295	Hyundai MIPO	April 2015
8(5)	Navig8 Andesine	37,295	Hyundai MIPO	May 2015
9(6)	Navig8 Amazonite	37,295	Hyundai MIPO	May 2015
10(3)	Navig8 Aronaldo	37,295	Hyundai MIPO	June 2015
11(3)	Navig8 Aquamarine	37,295	Hyundai MIPO	June 2015
12(2)	Navig8 Axinite	37,295	Hyundai MIPO	July 2015
13(3)	Navig8 Amessi	37,295	Hyundai MIPO	July 2015
14(2)	Navig8 Ammolite	37,295	Hyundai MIPO	August 2015
15(2)	Navig8 Azurite	37,295	Hyundai MIPO	August 2015
16(3)	Navig8 Azotic	37,295	Hyundai MIPO	September 2015
17(6)	Navig8 Adamite	37,295	Hyundai MIPO	September 2015
18(1)	Navig8 Aragonite	37,295	Hyundai MIPO	October 2015
19(1)	Navig8 Alabaster	37,295	Hyundai MIPO	November 2015
20(1)	Navig8 Achroite	37,295	Hyundai MIPO	January 2016
21(3)	Navig8 Turquoise	49,080	STX	April 2016
22(3)	Navig8 Topaz	49,080	STX	July 2016
23(1)	Navig8 Sirius	25,000	Kitanihon	June 2016
24(1)	Navig8 Sky	25,000	Kitanihon	August 2016
25(4)	Navig8 Spark	25,000	Kitanihon	October 2016
26(4)	Navig8 Stellar	25,000	Kitanihon	October 2016
27(3)	Navig8 Tourmaline	49,080	STX	October 2016
28(3)	Navig8 Tanzanite	49,080	STX	November 2016
29(2)	Navig8 Saiph	25,000	Kitanihon	January 2017
30(2)	Navig8 Sceptrum	25,000	Kitanihon	May 2017
31(4)	Navig8 Spica	25,000	Fukuoka	May 2017
32(4)	Navig8 Sol	25,000	Fukuoka	August 2017

(1) Company's owned vessels.

(2) Vessels subject to the CMB financing arrangement (see Note 8).

(3) Vessels subject to the Ocean Yield financing arrangement (see Note 8).

(4) Vessels subject to the SBI financing arrangement (see Note 8).

(5) Vessels subject to the AVIC financing arrangement (see Note 8).

(6) Vessels subject to the ICBC financing arrangement (see Note 8).

7. Commitments and Contingencies

As of December 31, 2019, the Company has taken delivery of its entire Chemical fleet and no new shipbuilding contract was signed during the financial year. There are no outstanding commitments to shipyards.

There are no contingencies outstanding which are expected to have a material impact on the financial position, results of operations or cash flow either individually or in the aggregate.

8. Debt

As at December 31, 2019 the Company had three bank loan facilities (2018: three) and five sale and leaseback financing arrangements (2018: four), which it has used to finance vessels. The Company's applicable ship-owning subsidiaries have granted first priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the bank loan facilities and the Company also acts as guarantor of the bank loan facilities and the sale and leaseback financings. These mortgages and guarantees can be called upon following a payment default or other event of default or termination event.

The outstanding principal balance on each debt facility at the balance sheet date is as follows:

	2019 (000)	2018 (000)
Senior Secured CA-KEXIM Credit Facility		
-Kexim Global Notes	$ 17,492	$ 49,708
-ECA Tranche	28,662	42,827
-Commercial Tranche	24,078	47,712
Senior Secured DVB Credit Facility	39,420	42,670
Senior Secured Credit Suisse Credit Facility	42,708	46,308
Ocean Yield Sale and Leaseback	241,872	251,572
CMBFL Sale and Leaseback	124,468	134,895
SBI Sale and Leaseback	121,390	131,287
AVIC Sale and Leaseback	48,306	51,581
ICBC Sale and Leaseback	90,134	-
Total debt	778,530	798,560
Less: unamortised debt issuance cost	(12,130)	(11,920)
Net debt	766,400	786,640
Less: current portion	(55,843)	(55,978)
	$ 710,557	**$ 730,662**

8. Debt (Continued)

Future minimum scheduled repayments under the Company's bank loan facilities and sale and leaseback financing arrangements as of December 31, 2019 are as follows:

$'000	2020	2021	2022	2023	2024	Thereafter
Aggregate Bank Loan Facilities	15,649	15,649	15,649	28,711	50,464	26,238
Aggregate Sale and Leaseback Financing Arrangements(1) (2) (3)	99,739	70,135	68,615	155,779	124,138	330,126
Total	115,388	85,784	84,264	184,490	174,602	356,364

(1) Amount includes Purchase Options for 8 Ocean Yield Sale and Leaseback vessels totaling $108.5 million; Purchase Obligations for 5 CMB Sale and Leaseback vessels totaling $83.4 million; Purchase Options for 4 SBI Sale and Leaseback vessels totaling $89.9 million; Purchase Obligations for 2 AVIC Sale and Leaseback vessels totaling $19.7 million; Purchase Obligations for 4 ICBC Sale and Leaseback vessels totaling $52.0 million.

(2) Excluding interest amount of $222.4 million, the net financing arrangements liability is $626.2 million.

(3) Amount assume execution of bargain purchase options for 7 Ocean Yield Sale and Leaseback vessels after year 15, and 4 SBI Sale and Leaseback vessels after year 7. On December 25, 2019, the Company has declared the purchase option after year 5 on 1 Ocean Yield Sale and Leaseback vessel. The effective purchase date is June 25, 2020 with a price of $26.5 million.

Senior Secured CA-KEXIM Credit Facility

As of December 31, 2019, following a number of amendments and sale and leaseback refinancings (including one mentioned below), the Senior Secured CA-KEXIM Credit Facility provides financing to 5 vessels (2018: 9 vessels) delivered by Hyundai MIPO between February 2015 and January 2016. This facility is provided by a combination of commercial banks and The Export-Import Bank of Korea ("KEXIM"). As of December 31, 2019, the facility is comprised of a commercial debt tranche of $24.1 million, a KEXIM-guaranteed Global Note tranche totaling $17.5 million, and a KEXIM-funded debt tranche of $28.7 million. Navig8 Chemical Tankers (A-Ships) Inc., our indirect wholly-owned subsidiary, is the borrower under the Senior Secured CA-KEXIM Credit Facility.

On December 7, 2018, the AVIC Sale and Leaseback Arrangement (see further below) was completed and as part of the arrangement the senior debt outstanding on two vessels of $31.7 million (under the commercial debt and global notes tranches) was repaid in full on December 7, 2018.

On March 15, 2019, the ICBC Sale and Leaseback Arrangement (see further below) was completed and as part of the arrangement the senior debt outstanding on four vessels of $61.2 million was repaid in full on March 15, 2019. The debt repaid on three vessels was related to the commercial debt and Global Note tranches and debt repaid on one vessel was related to the commercial and ECA debt tranches.

The commercial and ECA debt tranches under the facility bear interest at LIBOR plus a margin of 3.25%. Interest on the guaranteed note tranche is at a fixed rate of 2.90%. The weighted average interest rate on outstanding borrowings under our Senior Secured CA-KEXIM Credit Facility as of December 31, 2019 was 4.98% (2018: 4.95%) including the KEXIM guarantee premium for the KEXIM-guaranteed Global Note tranche. Principal repayments on the facility are made on a quarterly basis. The facility fully matures in March 2027. As at December 31, 2019, 5 vessels (2018: 9 vessels) are financed under this facility.

8. Debt (Continued)

Senior Secured DVB Credit Facility

As of December 31, 2019, we have fully drawn down on the $52.0 million Senior Secured DVB Credit Facility, to finance two vessels that were delivered by Hyundai Vinashin between January 2015 and March 2015, and no further amounts are available for borrowing. Debt under the facility bears interest at LIBOR plus a margin of 2.5%. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in March 2024.

Senior Secured Credit Suisse Credit Facility

As of December 31, 2019, we have fully drawn down on the $55.0 million Senior Secured Credit Suisse Facility, to finance two vessels that were delivered by Kitanihon Shipyard between June 2016 and August 2016, and no further amounts are available for borrowing. Debt under the facility bears interest at LIBOR plus a margin of 2.60% per annum. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in June 2024.

Ocean Yield Sale and Leaseback Arrangement

On April 1, 2015, the Company entered into a sale and leaseback arrangement with Ocean Yield ASA ("OCY"), in respect of four vessels (Navig8 Amessi, Navig8 Aquamarine, Navig8 Aronaldo and Navig8 Azotic) that were delivered by Hyundai MIPO between June 2015 and September 2015, and four vessels (Navig8 Turquoise, Navig8 Tanzanite, Navig8 Topaz, and Navig8 Tourmaline) that were delivered by STX between April 2016 and November 2016. This transaction was treated as a financing transaction. The net proceeds from the financing (after a 10% sellers credit and before taking into account liquidated damages) was $276.6 million. As of December 31, 2019, we have fully drawn down on the financing and no further amounts are available for borrowing.

Under the arrangement, eight vessels were delivered to OCY upon delivery from the relevant shipyard and thereafter the Company entered into 15 year bareboat charters for each vessel, each commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the fifth anniversary from the delivery date of the subject vessel. Post-delivery charterhire under the arrangement comprise of a fixed per day rate, paid monthly in advance. The fixed charterhire rate is subject to annual adjustment based on the prevailing rate of LIBOR.

On December 25, 2019, the Company has declared the option to purchase one of the Hyundai MIPO built chemical tanker vessels, Navig8 Aquamarine, from Ocean Yield. The effective purchase date is June 25, 2020 with a price of $26.5 million.

8. Debt (Continued)

CMBFL Sale and Leaseback Arrangement - HMD

On June 14, 2016, the Company entered into sale and leaseback agreements with CMB Financial Leasing Co. Ltd ("CMBFL") for three Hyundai MIPO built chemical tanker vessels. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $91.2 million. As of December 31, 2019, we have fully drawn down on the financing.

The Company has entered into 7 year bareboat charters for the three vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.88%.

CMBFL Sale and Leaseback Arrangement - Kitanihon

On May 31, 2017, the Company entered into additional sale and leaseback agreements with CMBFL for two Kitanihon built chemical tanker vessels (Navig8 Saiph and Navig8 Sceptrum). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $65.2 million. Under this arrangement, the two vessels were delivered by the Company to CMBFL. As of December 31, 2019, we have fully drawn down on the financing.

The Company has entered into 7 year bareboat charters for the two vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.70%.

SBI Sale and Leaseback - Kitanihon

On September 15, 2016, the Company entered into sale and leaseback agreements with SBI Holdings Inc ("SBI") for two vessels under construction at the yard of Kitanihon Shipbuilding Co., Ltd ("Kitanihon"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.4 million. As of December 31, 2019, we have fully drawn down on the financing, in line with both vessel deliveries in October 2016.

Under the arrangement, both vessels were delivered to SBI upon delivery from shipyard and thereafter entered into 11 year bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, on the fifth and seventh anniversary from the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

8. Debt (Continued)

SBI Sale and Leaseback - Fukuoka

On May 19, 2017, the Company entered into additional sale and leaseback agreements with SBI for two vessels under construction at the yard of Fukuoka Shipbuilding Co. Ltd ("Fukuoka"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.0 million. As of December 31, 2019, we have fully drawn down on the financing, in line with vessel deliveries in May and August 2017.

Under the arrangement, both vessels were delivered to SBI upon delivery from Fukuoka and thereafter entered into 11 year and 6 month bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, at approximately the end of the fifth and seventh year after the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

AVIC Sale and Leaseback Arrangement

On December 7, 2018, the Company entered into sale and leaseback agreements with AVIC International Leasing Co., Ltd ("AVIC") for two Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $52.4 million. Under this arrangement, the loan tranches relevant to the two vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the two vessels were discharged and the two vessels were delivered by the Company to AVIC. As of December 31, 2019, we have fully drawn down on the financing.

The Company has entered into 10 year bareboat charters for the two vessels, commencing upon their respective deliveries to AVIC. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the second anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.80%.

ICBC Sale and Leaseback Arrangement

On March 15, 2019, the Company entered into sale and leaseback agreements with ICBC Financial Leasing Co., Ltd ("ICBC") for four Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $94.7 million. Under this arrangement, the loan tranches relevant to the four vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the four vessels were discharged and the four vessels were delivered by the Company to ICBC. As of December 31, 2019, we have fully drawn down on the financing.

8. Debt (Continued)

ICBC Sale and Leaseback Arrangement (Continued)

The Company has entered into seven year bareboat charters for the four vessels, commencing upon their respective deliveries to ICBC. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the second anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.30%.

Financial Covenants

The above financings have, where indicated the following financial covenants that require us to maintain (based on terms defined in the credit/sale and leaseback agreements):

- for each financing arrangement in the table above, minimum liquidity of $0.5 million ($1.0 million for the case of OCY Sale and Leaseback Arrangement) per delivered vessel. As at December 31, 2019, the total liquidity in aggregate is $61.7 million (2018: $41.8 million);
- for each bank financing, an amount between $0.5 million – $1.3 million, depending on the bank financing facility, per delivered vessel under the subject financing facility to be held in debt service reserve accounts. For CMBFL Sale and Leaseback, there is a deposit account requirement of $0.3 million per delivered vessel. For SBI Sale and Leaseback (for Fukuoka vessels only), there is a deposit account requirement of $0.3 million at delivery, built up to $0.5 million. For ICBC Sale and Leaseback, there is a deposit account requirement of US$1.0 million per delivered vessel. These are amounts set as restricted in the balance sheet of $15.2 million;
- for each financing arrangement in the table above (other than CMBFL Sale and Leaseback and AVIC Sale and Leaseback), a ratio of total net debt (all obligations in respect of borrowings less aggregate of cash and cash equivalents) to total net assets (total market value of assets less aggregate of cash and cash equivalents) of no more than 75%. For CMBFL Sale and Leaseback and AVIC Sale and Leaseback, the calculation is total net debt to total assets of no more than 75%;
- Maintain a minimum fair value of the collateral for each bank finance facility, SBI Sale and Leaseback Arrangements, CMBFL Sale and Leaseback Arrangements, AVIC Sale and Leaseback Arrangements and ICBC Sale and Leaseback Arrangements. For the bank finance facilities, the minimum required aggregate fair value of the vessels collateralizing the credit facility ranges between 130% -140% of the outstanding debt amount (net of DSRA) under such facility. In the case of the CMBFL Sale and Leaseback Arrangements and the AVIC Sale and Leaseback Arrangements, the minimum fair value required is 115% of the aggregate principal amount outstanding for each vessel. The SBI financings require each vessel to maintain at least a minimum fair value of 110% for the Kitanihon vessels (and 120% for the Fukuoka vessels) of the outstanding senior debt amount with the first test at the anniversary date of the delivery of each vessel followed by semi-annual testing. In the case of the ICBC Sale and Leaseback Arrangements, the minimum fair value required is 115% of the aggregate principal amount outstanding for each vessel until the third anniversary of the delivery date of each vessel and 125% thereafter; and
- Under the OCY Sale and Leaseback Arrangements, minimum value adjusted equity of $250.0 million.

8. Debt (Continued)

Financial Covenants (Continued)

Each of our financings discussed above have, unless indicated otherwise below and among other things, the following restrictive covenants which would restrict our ability to:

- incur additional indebtedness;
- (under the bank financing facilities) sell the collateral vessel;
- make additional investments or acquisitions;
- pay dividends, in the event of a default, or if an event of default would occur as a result of the payment of dividends and in the case of the all of the bank financings, our ability to pay dividends is restricted if the debt service reserve accounts are not fully funded and in the case of certain of the bank financings our ability to pay dividends is restricted if satisfactory cash flow forecasts are not provided and in the case of the OCY Sale and Leaseback Arrangement, we can pay dividends only if our consolidated total net debt to total net assets ratio does not exceed 72.5% both before and after the relevant dividend payment; in addition, we can make investments over $7.5 million only if the consolidated total net debt to total net assets ratio does not exceed 70% at the time the commitment is made in relation to the relevant investment;
- other than under the CMBFL Sale and Leaseback, to undergo a change of control of our shareholding structure; and
- to change the type of business concerned, its name, type of organisation and its jurisdiction of incorporation (this is only applicable to the SBI Sale and Leaseback and the ICBC Sale and Leaseback, except that the latter does not restrict our ability to change our jurisdiction of incorporation).

Our obligations under the sale and leaseback arrangements are secured by, among other things, assignments of earnings and insurances, stock pledges and account charges in respect of the subject vessels and are unconditionally and irrecoverably guaranteed by us. In addition, each of our financing arrangements contain customary events of default (for the bank financings) or termination events (for the sale and leaseback arrangements), including cross-default provisions.

As of December 31, 2019, we are in compliance with the financial covenants of each of our financing arrangements.

Assets Pledged

As of December 31, 2019, 32 vessels (2018: 32 vessels) with an aggregate carrying value of $1,085 million (2018: $1,129 million) were pledged as security for the Company’s debt.

9. Common Shares

As of December 31, 2018, we have:

- 38,489,108 shares (2018: 38,489,108) of common stock issued and paid; the $0.01 par value of which is recorded as common stock of $384,891 (2018: $384,891).
- Paid-in capital of $403.6 million (2018: $403.6 million) represents the excess of net proceeds from common stock issuances over the par value, net of any direct issue costs amounting to $2.4 million (2018: $2.4 million).

10. Earnings (loss) per Share

The computation of basic earnings per share is based on net income (loss) and the weighted average number of shares outstanding during the year.

The components of the numerator for the calculation of basic and diluted EPS for Net income (loss), are as follows:

	2019 (‘000)	2018 (‘000)
Net income (loss)	$ (9,970)	$ (25,168)

The components of the denominator for the calculation of basic and diluted EPS are as follows:

	2019 (‘000)	2018 (‘000)
Weighted average number of shares outstanding – basic	38,489	38,489
Weighted average number of shares outstanding – diluted	38,489	38,489

There were no potentially dilutive securities outstanding for any of the periods presented.

11. Operating Revenue

	2019 ('000)	2018 ('000)
Pool revenue	$ 163,310	$ 153,941
Time charter revenue	10,667	4,699
	$ 173,977	$ 158,640

During 2019, the Company recognised $163.3 million (2018: $153.9 million) of pool revenue from Navig8 Chemicals Pool Inc. of which $92.7 million (2018: $63.7 million) and $0 million (2018: $21.5 million) was relating to the eighteen Hyundai MIPO vessels participating in the Alta8 Pool and Delta8 Pool respectively, $34.6 million (2018: $30.8 million) relating to the two Vinashin and the four STX vessels participating in the Chronos8 Pool and $36.0 million (2018: $37.9 million) relating to the six Kitanihon and two Fukuoka vessels participating in the Stainless8 Pool.

In December 2017, the Company entered into a Time Charter Party with a third party charterer for one stainless steel vessel. In December 2018, the Company terminated the Time Charter Party with the third party charterer, and the stainless steel vessel was delivered back to Navig8 Stainless8 Pool. During 2019, the Company entered into Time Charter Parties with a third party charterer for four stainless steel vessels and recognized $10.7 million in time charter revenue (2018: $4.7 million).

12. Other Operating Income

	2019 ('000)	2018 ('000)
Other operating income	$ 1,871	$ 140

During 2019, the Company recovered loss of hire income of $1.9 million (2018: $0.1 million) from insurance claims.

13. Vessel Operating Expenses

	2019 ('000)	2018 ('000)
Vessel Operating Expenses	$ 70,705	$ 70,159

During 2019 and 2018, vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and technical management fees, were incurred on the 32 vessels in the fleet.

14. Voyage Expenses

	2019 ('000)	2018 ('000)
Voyage Expenses	$ 4,178	$ 4,522

During 2019 and 2018, voyage expenses, which include pool administration fees, vessel commission and transportation tax, were incurred on the 32 vessels in the fleet.

15. General and administrative expenses

	2019 ('000)	2018 ('000)
Corporate Administration Fees (related party – see Note 18)	$ 2,570	$ 2,570
Management Services Fees (related party – see Note 18)	1,511	2,431
Other expenses	909	1,276
	$ 4,990	$ 6,277

16. Interest expense and finance costs

	2019 ('000)	2018 ('000)
Interest Incurred[(1)]	$ 52,847	$ 50,575
Cancellation fees due to refinancing	266	-
Amortisation of debt issuance cost[(2)]	2,960	2,103
	$ 56,073	$ 52,678

[(1)] Included within the interest incurred is variable interest expense of $2.9 million (2018: $2.6 million) incurred on the sale and leaseback financing arrangement with Ocean Yield, $1.3 million (2018: $1.2 million) incurred on the sale and leaseback financing arrangement with SBI, and $2.0 million (2018: $1.8 million) incurred on the sale and leaseback financing arrangement with CMB. Also included within the interest incurred is variable interest income of $0.2 million (2018: Nil) incurred on the sale and leaseback financing arrangement with AVIC, and $0.1 million (2018: Nil) incurred on the sale and leaseback financing arrangement with ICBC.

[(2)] In 2019, amortization of debt issuance cost includes the write-off of unamortized debt issuance cost ($0.7 million) due to refinancing to ICBC sale and leaseback financing arrangement for four vessels. In 2018, amortization of debt issuance cost includes the write-off of unamortized debt issuance cost ($0.3 million) due to refinancing to AVIC sale and leaseback financing arrangement for two vessels.

17. Financial Instruments

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for speculative trading purposes. As at December 31, 2019 and 2018, the Company is not party to any interest rate swaps to hedge interest rate exposure.

Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that the currency fluctuations will have a negative effect of the value of the Company's cash flows.

17. Financial Instruments (continued)

Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2019 and 2018 are as follows:

(in thousands of $)	2019 Fair Value	2019 Carrying Value	2018 Fair Value	2018 Carrying Value
Cash and cash equivalents	38,792	38,792	16,816	16,816
Restricted cash	15,200	15,200	16,200	16,200
Trade receivables	17,380	17,380	15,974	15,974
Fixed rate financing	15,574	17,492	43,273	49,708
Floating rate financing	761,038	761,038	748,852	748,852

The fair values of cash and cash equivalents, restricted cash and trade receivables have been determined using level 1 inputs and are assumed to be their carrying values.

The fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. The fixed rate financing has been determined using level 2 inputs.

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Citibank N.A. and Hong Kong Shanghai Banking Corporation.

As of December 31, 2019, Navig8 Chemicals Pool Inc., a related party of the Company (see Note 18), represented substantially all of the Company's accounts receivable balance. This related credit risk is deemed remote as Navig8 Chemicals Pool Inc. is an established and reputable entity with no prior history of default.

18. Related party transactions

As at December 31, 2019, the Company has 28 vessels (2018: 32 vessels) operating in the Alta8 Pool, Chronos8 Pool and Stainless8 Pool which are part of Navig8 Chemicals Pool Inc. The company pays working capital of $0.3 million for every vessel that enters the Alta8 Pool, $0.3 million for every vessel that enters the Chronos8 Pool and $0.3 million for every vessel that enters the Stainless8 Pool. The working capital is refundable when the vessel exits the respective pools.

On May 31, 2019, the Company entered into time charter agreements with MOL Chemical Tankers Pte. Ltd. ("MOL") for four vessels (Navig8 Sirius, Navig8 Saiph, Navig8 Sceptrum and Navig8 Sol) which were previously operating in the Stainless8 Pool and time-chartered out by the Stainless8 Pool to MOL. Each of the vessels was redelivered by MOL to the Stainless8 Pool and by the Stainless8 Pool to the Company and immediately delivered by the Company to MOL on the anniversary of the delivery date of the respective vessel by the Stainless8 Pool to MOL.

Our technical manager, commercial manager and administrative manager (collectively known as our "Related Managers") are affiliates of Navig8 Group, which is majority owned and controlled (directly or indirectly) by senior employees of Navig8 Group. In addition, our Commercial Manager is majority owned by a Navig8 Group entity and minority owned by an affiliate of Oaktree. Under the agreements with our Related Managers for the management of our vessels, we (i) effectively pay our pro rata share of the fees the Pool Company is obligated to pay our Commercial Manager, amounting to 2% of all gross pool revenue plus an administration fee of $250 per vessel per day, (ii) pay our Commercial Manager a commission fee of 2% of gross time charter revenue (only applicable to gross time charter revenue earned in 2018), (iii) pay our Navig8 Technical Manager a fee of approximately $500 per vessel per day for each vessel it technically manages, and (iv) pay our Administrative Manager a fee of $220 per vessel per day that has been accruing since the date of the building contract for each vessel.

In 2019, the Company entered into consultancy agreements with Northlander Shipping ApS, SAN Consult, Baker Consulting and Otto Danielsen A/S, which provide management services to the Company.

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2019 and 2018 are as follows:-

	2019 ('000)	2018 ('000)
Navig8 Chemicals Pool Inc	$ 163,310	$ 153,941
Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd)	(2,520)	(2,520)
Navig8 Chemicals Asia Pte Ltd	(2,705)	(2,929)
Navig8 Asia Pte Ltd	(2,570)	(2,570)
Navig8 Chemicals Europe Ltd	-	(428)
Navig8 Europe Ltd	(485)	(1,809)
Navig8 America LLC	(121)	(104)
Navig8 Chems America LLC – Houston	(112)	(90)
Northlander Shipping ApS	(284)	-
SAN Consult	(127)	-
Baker Consulting	(157)	-
Otto Danielsen A/S	(79)	-

18. Related party transactions (Continued)

Net amounts earned from related party comprises pool distributable income, and net amounts paid to related parties comprise technical management fees, commercial management administration fees, corporate administration fees, commercial commission fees, management services fees and administrative expenses.

A summary of short term balances due from / (due to) related parties as at December 31, 2019 and 2018 is as follows: -

Current Receivables, prepayments and other assets	2019 ('000)	2018 ('000)
Navig8 Chemicals Pool Inc	$ 25,080	$ 24,584
Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd)	2,284	2,290
	$ 27,364	$ 26,874

Payables and accrued expenses	2019 ('000)	2018 ('000)
Navig8 Chemicals Asia Pte Ltd	(197)	(244)
Navig8 Asia Pte Ltd	(218)	(218)
Navig8 Chemicals Europe Ltd	-	(14)
Navig8 Europe Ltd	-	(110)
Navig8 America LLC	-	(29)
Navig8 Chems America LLC - Houston	-	(24)
Northlander Shipping ApS	(108)	-
SAN Consult	(44)	-
Baker Consulting	(40)	-
Otto Danielsen A/S	(16)	-
	$ (623)	$ (639)

Short term balances due from related parties comprise pool revenue receivables, pool working capital, and net advances from ship manager. Short term balances due to related parties comprise unpaid management services fees, corporate administration fees, commercial management administration fees and administrative expenses.

On December 21, 2018, Mr. Alan Carr resigned from his position as a director on the board. On January 3, 2019, Mr. Jens Gronning was appointed as a director of the Company, and he shall receive a director's remuneration of $75,000 per year. The director's remuneration ceased on December 1, 2019. As at December 31, 2019, the Company has paid a total of $68,459 (2018: $75,000) on director's fee.

Navig8 Chemicals Pool Inc, Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd), Navig8 Chemicals Asia Pte Ltd, Navig8 Asia Pte Ltd, Navig8 Chemicals Europe Ltd, Navig8 Europe Ltd, Navig8 Americas LLC, and Navig8 Chems America LLC - Houston are related companies to our shareholder, Navig8 Chemical Tanker Holdings Inc, and its parent company, Navig8 Limited.

19. Variable Interest Entities ("VIEs")

As of December 31, 2019, the Company participates in commercial pool arrangements with the commercial pools (Alta8 Pool, Chronos8 Pool and Stainless8 Pool) set up within Navig8 Chemicals Pool Inc. Commercial pools operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Participants in the commercial pools contribute one or more vessels and generally provide an initial contribution towards the working capital of the pool at the time they enter their vessels. The pools finance their operations primarily through the earnings that they generate.

The Company enters into the pool arrangement to take advantage of commercial opportunities. In the pool, the Company has the same relative rights and obligations and financial risks and rewards as other pool participants. The Company has determined that the participation in the pools of Navig8 Chemicals Pool Inc. (the legal entity) met the criteria of a VIE and, therefore, the Company reviewed its participation in the VIE to determine if it was the primary beneficiary of it. The Company reviewed the legal documents that govern the creation and management of the VIE described above and also analyzed its involvement to determine if the Company was a primary beneficiary. A VIE for which the Company is determined to be the primary beneficiary is required to be consolidated in its financial statements.

The pool agreements state that the commercial manager of each pool has decision making power over their significant decisions. The pool participants are members of a pool committee, however, the pool committee's power is limited to approving the pool total costs for each vessel, which is how pool revenue is allocated to its participants, and approve any additional working capital financing from its pool participants. Since the Commercial Manager of the pool holds the power to make all significant economic decisions that affect the pools and the Company does not control a majority of either the board or pool committee, the Company is not considered a primary beneficiary of the VIE, Navig8 Chemicals Pool Inc.

As of December 31, 2019, the Company has $5.0 million (2018: $5.0 million) in the balance sheet related to working capital contributions to the Alta8 Pool, $1.8 million (2018: $1.8 million) in the balance sheet related to the working capital contributions to the Chronos8 Pool and $1.0 million (2018: $2.0 million) in the balance sheet related to the working capital contributions to the Stainless8 Pool. This is expected to be returned to the company once the vessel leaves the pool. The company also has $11.8 million (2018: $8.6 million), $4.0 million (2018: $4.1 million) and $1.5 million (2018: $3.1 million) in the balance sheet related to the pool distribution to be received from the Alta8, Chronos8 and Stainless8 Pools respectively. The sum of these amounts represents the Company's maximum exposure to the VIE. The company has no liquidity arrangements, guarantees or other third party commitments that may affect the fair value or risk of the reporting entity's variable interest in the VIE.

20. Subsequent events

We have evaluated subsequent events through June 25, 2020, which is the date the consolidated financial statements were available to be issued.

On January 21, 2020, the Company has declared the option to purchase one of the Hyundai MIPO built chemical tanker vessels, Navig8 Amessi, from Ocean Yield. The effective purchase date is July 22, 2020 with a price of $26.5 million.

On June 8, 2020, the Company entered into sale and leaseback agreements ("SLB") with SPDB Financial Leasing Co., Ltd ("SPDBFL") for four Hyundai MIPO built chemical tanker vessels of which two vessels previously were financed under the Senior Secured CA-KEXIM Credit Facility and two with Ocean Yield, including the beforementioned Navig8 Amessi. This transaction was treated as a financing transaction. The net proceeds from the SLB will be $88.2 million. Under this arrangement, the outstanding debt relevant to the two vessels under the Senior Secured CA-KEXIM Credit Facility and the outstanding debt relevant to the Ocean Yield financed vessels will be repaid. The existing mortgages over the four vessels will be discharged and the four vessels will be delivered by the Company to SPDBFL during June and July of 2020. On June 11, the Company has drawn down on the financing for one vessel, the Navig8 Aquamarine. The Company has entered into 10-year bareboat charter parties for the four vessels, commencing upon their respective deliveries to SPDBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period. Post-delivery charter hire under the arrangement is payable quarterly and comprise of a fixed charter hire and a variable charter hire at a rate of LIBOR plus a margin of 3.40%.

During the months of November and December 2019, two of the Company's vessels Navig8 Amber and Navig8 Violette entered into dry dock at shipyards in China to perform their first special survey. This is a requirement from the classification society whereby vessels must have passed their first special survey before the 5-year anniversary of the vessel. While the vessels were at the shipyard coating repair and upgrade work was made on both vessels. The Company has presented insurance claims to its underwriters for some damages to the cargo tanks, and at December 31, 2019, the Company expect to receive about USD 1.7 million from its Hull and Machinery insurance. As of June 12, 2020, the Company had received USD 1.3 million as Payment on Account from the insurance companies related to the same two incidents.

The Company has experienced a positive start to the year, but the outbreak of the COVID-19 virus may going forward have a negative impact on the Company's main markets and add uncertainty to earnings in the rest of 2020.