Ocean Wilsons Holdings Limited

Annual Report 2016

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Ocean Wilsons Holdings Limited

Highlights

- Profit for the year increased US$51.4 million to US$80.7 million (2015: US$29.3 million) benefiting from strong exchange gains.
- Operating margins* were a healthy 21.2%, in line with prior year (2015: 21.5%).
- The Brazilian Real appreciated 17% in the period against the US Dollar at year end from R$3.90 at 1 January 2016 to R$3.26 at the year end.
- Earnings per share for the year up by 191% to 127.4 cents (2015: 43.7 cents).
- Dividend unchanged at 63 cents per share (2015: 63 cents per share).
- Investment portfolio decreased US$5.5 million US$238.9 million (2015: US$244.4 million).

About Ocean Wilsons Holdings Limited

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Company") is a Bermuda based investment holding company which, through its subsidiaries, operates a maritime services company in Brazil and holds a portfolio of international investments. The Company is listed on both the Bermuda Stock Exchange and the London Stock Exchange. It has two principal subsidiaries: Wilson Sons Limited and Ocean Wilsons (Investments) Limited (together with the Company and their subsidiaries, the "Group").

Wilson Sons Limited ("Wilson Sons") is a Bermuda company listed on the São Paulo Stock Exchange (BOVESPA) and Luxembourg Stock Exchange. Ocean Wilsons holds a 58.25% interest in Wilson Sons which is fully consolidated in the Group accounts with a 41.75% non-controlling interest. Wilson Sons is one of the largest providers of maritime services in Brazil. Wilson Sons' activities include harbour and ocean towage, container terminal operation, offshore oil and gas support services, small vessel construction, logistics and ship agency. Wilson Sons has over four thousand employees. Ocean Wilsons (Investments) Limited is a wholly owned Bermuda investment company. The company holds a portfolio of international investments.

Objective

Ocean Wilsons Holdings Limited is run with a long-term outlook. This applies to both the investment portfolio and our investment in Wilson Sons. The long-term view taken by the Board enables Wilson Sons to grow and develop its businesses without pressure to produce short-term results at the expense of long-term value creation. The same long-term view allows our Investment Managers to make investment decisions that create long-term capital growth.

* Operating margins are defined as operating profit divided by revenue.

Chairman's Statement

Introduction

The Group produced another strong operating performance and solid financial results despite the challenging economic environment in Brazil. The Brazilian economy shrank 3.6% in 2016 as Brazil continues to suffer its worst recession on record. In the face of this difficult environment our Brazilian businesses continued to prove their resilience with solid performances in key operational indicators at our container terminal, towage and offshore businesses. The solid performance underlined the fundamental strength of our core Brazilian businesses in this testing economic environment.

Operating volumes	2016	2015	% Change
Container Terminals (container movements in TEU '000)	**1,029.8**	1,035.2	(0.5%)
Towage (number of harbour manoeuvres performed)	**58,376**	58,620	(0.4%)
Offshore Vessels (operating days own vessels)	**6,428**	6,585	(2.4%)

The combined movement at Tecon Rio Grande and Tecon Salvador was over one million "TEUs" (twenty-foot equivalent units) for the second consecutive year. Container volumes at Tecon Salvador grew 6% to 310,300 TEUs driven principally by higher export and cabotage movements. Cabotage (the transport of goods between two places in the same country) is a growing option for domestic cargo transportation in Brazil and in 2016 accounted for 10% of all containers moved at our two terminals. In November 2016, we were pleased to announce that the Group signed an amendment with the Brazilian Ministry of Transport, Ports and Civil Aviation to the Tecon Salvador concession agreement extending the term of the concession until 13 March 2050. Under the terms of the extension the Group is required to complete minimum expansion and maintenance capital expenditure. The extension of the concession period and expansion of the terminal is an important element in the Wilson Sons strategy to further develop and improve this asset.

Our core towage business continued to perform well with firm demand for harbour towage services throughout the year. Following a strong performance in 2015, special towage operations revenue weakened, impacted by the downturn in the Brazilian offshore oil and gas industry and an absence of firefighting support revenue. The Group remains the leading towage operator in Brazil consistently performing nearly 50% of all harbour manoeuvres with a fleet of seventy-five tugboats operating in over 25 ports throughout the country. During the year, our fleet was further enhanced by receiving five tugboats built at the Wilson Sons shipyards in Guarujá, São Paulo state. In addition to the tugboats delivered to Wilson Sons, our shipyards successfully delivered to third parties an Oil Spill Recovery Vessel (OSRV) and two new platform supply vessels (PSVs) to our offshore joint venture, Wilson Sons Ultratug Offshore. The two new PSVs (Pinguim and Larus) received from our shipyard during the year are both operating under long-term contracts to Petrobras (six-year contracts). The Wilson Sons Ultratug Offshore strategy of operating many of our vessels under long-term contract has proven successful in protecting the joint venture from the worst effects of a depressed market and contributed to a positive result in the current year. At the year end the joint venture operated a fleet of twenty-three PSVs of which nineteen were under long-term contract to Petrobras with the remainder available in the Brazilian spot market or laid up until market conditions improve. Vessel operating days in 2016 were lower than prior year as some PSV charters were concluded in the year and not renewed.

As at 31 December 2016, the investment portfolio including cash under management was valued at US$238.9 million, representing US$6.76 per share (2015: US$244.4 million and US$6.91 per share).

Group Results

Profit for the year increased US$51.4 million to US$80.7 million compared to US$29.3 million in 2015, principally due to a US$12.8 million exchange gain on foreign currency borrowings, an US$18.1 million movement in foreign exchange gains on monetary items and a US$3.2 million increase in the share of results of joint ventures. These gains were partially offset by a US$12.7 million decrease in operating profit and negative returns from the investment portfolio of US$4.1 million. Operating profit for the period was lower than the comparative period in 2015 reflecting the fall in revenue as operating margins for the year were steady at 21.2% compared with 21.5% in 2015. Group revenue for the year was 10% lower at US$457.2 million (2015: US$509.3 million), principally due to lower shipyard activity and a higher average USD/BRL exchange rate in the year which adversely impacts BRL denominated revenue when converted into our USD reporting currency. The exchange gain on foreign currency borrowings and positive movement in foreign exchange gains on monetary items were caused by the 17% appreciation of the BRL against the USD from R$3.90 at 1 January 2016 to R$3.26 at the year end. These exchange rate driven items boosted earnings per share for the year to 127.4 cents per share compared with 43.7 cents in 2015.

Investment portfolio performance

The investment portfolio fell US$5.5 million to US$238.9 million at year end (2015: US$244.4 million) after paying dividends of US$4.25 million to Ocean Wilsons Holdings Limited and deducting management and other fees of US$2.6 million. The portfolio returned a muted 0.3% in the year despite global equity markets rising 7.9% and emerging markets (to which the portfolio has an over-weight bias) rising 11.2% in the year. Portfolio performance was impacted as some of the portfolio's largest long/short equity holdings produced negative returns in the year as their investment strategies were punished by the markets. Despite the recent performance of these equity holdings the long-term track record of these funds continues to be excellent and all were significant contributors to portfolio performance in the past. Returns from private equity in the year were muted.

Global equities remain the largest weighting in the investment portfolio, accounting for 55% of the portfolio valuation (US$131.2 million), and private assets accounting for 35% (US$84.2 million), 3% higher than 2015. Private assets grew US$6.1 million to US$84.2 million at year end (2015: US$78.1 million) because of new capital drawdowns of US$10.7 million, less distributions received of US$6.9 million and an increase in net value of US$2.3 million. The balance of the portfolio is invested in market neutral funds, cash and bonds.

The investment portfolio retains an overweight position in emerging markets with much of the overweight sitting within the private equity element. Emerging markets account for 34% of the overall portfolio net asset value at year end but 62% of the private equity value and only 19% of the portfolio's public funds. At 31 December 2016, the top ten investments accounted for 41% of the investment portfolio valuation (US$98.9 million).

Investment Manager
Ocean Wilson (Investments) Limited ("OWIL"), a wholly owned subsidiary registered in Bermuda, holds the Group's investment portfolio. OWIL has appointed Hanseatic Asset Management LBG, a Guernsey registered and regulated investment group, as its Investment Manager.

Investment management fee
The Investment Manager receives an investment management fee based on the valuation of the funds under management and an annual performance fee of 10% of the annual performance which exceeds the benchmark, provided that the high-water mark has been exceeded. The portfolio performance is measured against a benchmark calculated by reference to US CPI plus 3% per annum over rolling three-year periods. The Investment Manager receives an annual performance fee of 10% of the net investment return that exceeds the benchmark. Payment of performance fees are subject to a high-water mark and are capped at a maximum of 2% of portfolio NAV. The Board considers a three-year measurement period appropriate due to the investment mandate's long-term horizon and an absolute return inflation-linked benchmark appropriately reflects the company's investment objectives while having a linkage to economic factors.

The investment management fee is at an annual rate of 1% of the valuation of funds under management. In 2016 the investment management fee was US$2.4 million and no performance fee was payable to the Investment Manager.

Net asset value
At the close of business on 31 December 2016, the Wilson Sons' share price was R$33.50, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.25% of Wilson Sons) totalling approximately US$425.9 million which is the equivalent of US$12.04 (£9.85) per Ocean Wilsons Holdings Limited share.

Adding the market value per share of Wilsons Sons of US$12.04 and the investment portfolio at 31 December 2016 per share of US$6.76 results in a net asset value per Ocean Wilsons Holdings Limited share of US$18.80 (£15.37) per share. The Ocean Wilsons Holdings Limited share price of £10.23 at 31 December 2016 represented an implied discount of 33% which is in line with the prior year end but higher than the historic long-term discount. We believe that the discount at year end reflects the continued political and economic uncertainty surrounding Brazil at the moment.

Dividend
The Board is recommending an unchanged dividend of 63 cents per share to be paid on 9 June 2017, to shareholders of the Company as of the close of business on 12 May 2017. At the current exchange rate this represents approximately a 15% increase in Sterling terms over the 2015 dividend. Shareholders will receive dividends in Sterling by reference to the exchange rate applicable to the USD on the dividend record date (12 May 2017) except for those shareholders who elect to receive dividends in USD. Based on the current share price and exchange rates a dividend of 63 cents per share signifies an attractive dividend yield of approximately 5%.

Dividends are set in US Dollars and paid annually. The Ocean Wilsons Holdings Limited dividend policy is to pay a percentage of the average capital employed in the investment portfolio determined annually by the Board and the Company's full dividend received from Wilson Sons in the period after deducting funding for the parent company costs.

The Board of Directors may review and amend the dividend policy from time to time in light of our future plans and other factors.

Tecon Salvador concession
On 16 November 2016, Tecon Salvador signed the second amendment to the Tecon Salvador concession agreement, with the Brazilian Ministry of Transport, Ports and Civil Aviation as approved by the National Agency for Waterway Transportation (ANTAQ) and the State of Bahia Dock Company (Companhia Docas do Estado de Bahia - CODEBA). Among other provisions, the second amendment extends the term of the concession until 13 March 2050 and the Company is required to complete minimum expansion and maintenance capital expenditure through to the end of the concession. The required minimum expansion investments are budgeted at approximately R$398.0 million using December 2013 base values (equivalent to approximately US$122.0 million at year end exchange rates). These investments will be completed in phases during the term of the concession to ensure the terminal reaches a capacity of 925,000 TEUs per year and allow the terminal to support the market trend towards larger vessels being deployed by international shipping lines. Civil works for the expansion of the terminal are expected to start by the end of 2017.

Tecon Salvador non-controlling interest
On 2 February 2016, Wilson Sons, through its subsidiaries, completed the acquisition of the 7.5% non-controlling interest in Tecon Salvador S.A for consideration of US$4.7 million from Intermaritima Terminais Ltda. The consideration included US$1.9 million in cash and the settlement of US$2.8 million in debt. The transaction also includes an additional US$0.8 million payment that is conditional upon future contractual events which were subsequently fulfilled. Following completion of the transaction the Wilson Sons group holds 100% of the shares of Tecon Salvador S.A. and Ocean Wilsons has a 58.25% effective interest.

Charitable donations
Our subsidiary Wilson Sons continues to support several local charities and causes in Brazil. Group donations for charitable purposes in the year amounted to US$136,000 (2015: US$134,000).

Health, safety and education
The Group continues to invest in the training, development and safety of our staff. We implemented the WS+ safety programme in conjunction with DuPont to promote improved safety throughout the Wilson Sons Group. Over the last five years the Wilson Sons Group has reduced the lost time injury frequency rate by 90%. In April 2016 Brasco achieved the mark of 2 million man-hours worked without an accident requiring a medical leave of absence (equivalent to four years without significant accidents). Brasco is the first operation in the Group to achieve this mark.

Chairman's Statement

Corporate governance
The Board has put in place corporate governance arrangements which it believes are appropriate for the operation of your Company. The Board has considered the principles and recommendations of the 2014 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons Holdings Limited is an investment holding company incorporated by an act of parliament in Bermuda with significant operations in Brazil. The Company complies with the Code where it is beneficial for both its shareholders and its business to do so. It has done so throughout the year and up to the date of this report but it does not fully comply with the Code. The areas where the Company does not comply with the Code, and an explanation of why we do not comply, are contained in the section on corporate governance in the Annual Report. The position is regularly reviewed and monitored by the Board.

Outlook
Brazil is currently enduring its worse economic recession on record. Although there are signs that things may start to bottom out, the outlook for 2017 remains subdued. Our container terminals business continues to perform well and the extension of the Tecon Salvador concession period and associated terminal expansion is an important element in our strategy to further develop and improve this business. We do not expect significant capital expenditure on this project before 2018. Demand for towage services remains firm although we are facing a more competitive environment than in previous years. The prospects for an improvement in the important Brazilian offshore oil and gas market remain poor with little likelihood of any significant improvement before the end of 2018. Brasco, our oil and gas support base provider continues to suffer from the malaise facing the industry however we remain optimistic regarding the long-term prospects for this business. Our offshore vessels joint venture, Wilson Sons Ultratug Offshore currently operates twenty-three PSVs of which nineteen are under long-term contract with no further contracts due to expire during 2017. Market over-capacity continues to dampen demand for both vessel hire and new buildings. The shipyard new buildings order book currently consists of two tugboats for third parties and two tugboats for our own fleet. Following on the cost cutting actions undertaken in 2016 management continues to focus on reviewing costs across the Group to improve efficiency and streamline our operations. The performance of our Brazilian businesses during the current recession demonstrates their fundamental strength and quality of the assets. We are confident of the resilience of our business and are well placed to benefit from growth in trade flows, demand for maritime oil and gas support services and any turnaround in economic growth.

Whilst the current stock market cycle is looking rather extended and global risks have undoubtedly risen, our view remains one of positive returns from equities. Improving growth and the anticipation of a Trump induced fiscal expansion in the United States are fueling upgrades in the global growth outlook. There is a corresponding increase in inflation expectations with interest rates set to rise in the US although not to the levels experienced in past cycles. The prospects for emerging equity markets also looks positive as we expect growth in 2017 to be above the rate in developed markets as the economic environment in some emerging markets improves. Valuations also compare favourably to that of developed markets with the latter well ahead of historic averages. Any rise in more protectionist policies would though be a negative for the region and we will monitor any changes here carefully. We remain positive on the long-term prospects for emerging markets and our portfolio.

Management and staff
On behalf of the Board and shareholders, I would like to thank our management and staff for their efforts and hard work during the year. The performance delivered during the current downturn is a testament to their hard work and dedication.

J F Gouvêa Vieira
Chairman
24 March 2017

The tugboat Procyon built at our shipyard in Guaruja.

Financial Review

Operating profit
Group operating margins for the year at 21.2% were in line with prior year (21.5%). Operating profit for the period was US$12.7 million lower than the comparative period in 2015 at US$96.8 million (2015: US$109.5 million) reflecting the decrease in revenue.

Raw materials and consumables used in the year were US$18.0 million lower at US$37.7 million (2015: US$55.8 million) principally due to lower third party shipyard activity. Depreciation and amortisation for the year at US$52.6 million was in line with prior year (2015: US$53.2 million). Higher depreciation at our towage business resulting from the increase in our towage fleet was offset by lower corporate and logistics business depreciation.

Employee expenses were 2% lower at US$144.3 million (2015: US$147.3 million) and other operating expenses 11% lower at US$126.5 million (2015: US$142.2 million). Other operating expenses decreased mainly due to reduced tug rental costs following the acquisition of six tugboats previously leased and reductions in costs associated with discontinued logistics operations. Employee expenses benefited from a reduction in headcount, mainly at our shipyard, logistics, Brasco and ship agency businesses.

Revenue from Maritime Services
Group revenue for the year was 10% lower at US$457.2 million (2015: US$509.3 million), principally due to lower shipyard activity and an average USD/BRL exchange rate in the year which was 4% higher than the comparative period in 2015 (3.48 v 3.34).

Third-party shipyard revenue for the year was US$27.5 million lower at US$26.4 million, (2015: US$53.9 million) due to continued weak demand for vessel construction from the Brazilian offshore oil and gas industry. The shipyard continued to provide important services for the Group invoicing US$50.5 million of intercompany sales in the year relating to vessel construction and maintenance that are not recognised in the income statement (2015: US$49.1 million).

Towage and ship agency revenue for the year fell 4% to US$219.7 million (2015: US$229.2 million) mainly due to fewer towage special operations in the year and the weak ship agency market. Towage special operations revenue was US$9.2 million lower in 2016 at US$25.1 million (2015: US$34.3 million) as the prior year was boosted by revenue from firefighting support in the port of Santos and special operations for shipyards. Higher margin special operations accounted for 12% of our towage revenue in the year compared with 16% in 2015. Towage harbour revenue at US$180.8 million was in line with prior year (2015: US$179.7 million) while ship agency revenue declined 10% to US$13.9 million (2015: US$15.4 million).

Revenue at our port terminal and logistics business declined 6% to US$211.1 million (2015: US$225.9 million) principally due to reduced logistics operations, a fall in revenue at our offshore oil and gas support base Brasco and a higher average USD/BRL exchange rate used to convert revenue into our reporting currency. Container volumes handled at our container terminals were in line with prior year 1,029,800 TEUs (2015: 1,035,200 TEUs), with higher export and cabotage volumes offsetting lower import, transshipment and empty container movements. Container terminal revenue in 2016 was 3% lower at US$148.3 million (2015: US$152.5 million) principally due to the weaker average USD/BRL exchange rate. Brasco continued to suffer from weak demand from the Brazilian offshore oil and gas industry with revenue falling 17% to US$19.4 million (2015: US$23.5 million) as the terminals performed fewer spot and long-term vessel turnarounds in 2016. Logistics revenue declined 13% to US$43.3 million (2015: US$49.9 million) as bonded warehouse revenue was adversely impacted by continuing weakness in the Brazilian economy creating a difficult import environment and the higher average USD/BRL exchange rate.

All Group revenue is derived from Wilson Sons' operations in Brazil.

Reclassification
Provisions relating to legal claims were previously reported in other operating expenses. In 2016, to improve the transparency of the financial statements, the Group decided to reclassify provisions to revenue, employee benefits expense and income tax expense according to the underlying nature of the legal claims. The impact of this reclassification on net profit is zero. Details are provided in note 2 to the accounts.

Share of results of joint ventures
The share of results of joint ventures is Wilson Sons' 50% share of net profit for the period mainly from our offshore joint venture. The Group's share of results of joint ventures grew US$3.3 million from US$4.8 million in 2015 to US$8.1 million in the current year, largely due to exchange gains on monetary items in the period. Operating profit for a 50% share in the joint venture in the year was US$3.4 million lower at US$19.3 million, principally due to fewer operating days and higher operating costs as a result of our expanded fleet. At year end our joint venture has twenty-three PSVs compared with nineteen PSVs in 2015. Total operating days for the year were 2% lower at 6,428 days against 6,585 days in 2015 as some PSVs were off-hire during the year.

Investment revenue
Investment revenue for the year at US$15.1 million was US$1.8 million lower than prior year (2015: US$16.9 million) principally due to lower interest on bank deposits of US$7.9 million (2015: US$10.7 million). Income from equity investments of US$4.8 million was US$0.6 million higher than 2015 (2015: US$4.2 million).

Investment gains and losses
Other losses of US$4.1 million arise from the Group's portfolio of trading investments (2015: US$1.4 million) and consist of profits on the disposal of trading investments of US$1.9 million (2015: US$3.0 million) and unrealised losses on trading investments of US$6.0 million (2015: US$4.4 million gain).

Finance costs
Finance costs for the year were $0.6 million compared with US$45.4 million for 2015, mainly as a result of exchange gains on foreign currency borrowings of US$12.8 million (2015: US$32.6 million loss) resulting from the appreciation of the BRL against the USD at year end. The cash flow effect of these exchange movements on foreign currency borrowings will only be realised over the life of the loans when capital repayments are made. Interest on loans of US$12.3 million was US$0.5 million higher than prior year (2015: US$11.8 million). Other interest mainly relates to interest on outstanding tax balances.

Rubber-tyred gantry ("RTG") cranes at TECON Rio Grande.

Financial Review

Exchange rates

The Group reports in USD and has revenue, costs, assets and liabilities in both BRL and USD. Therefore, movements in the USD/BRL exchange rate can influence the Group's results both positively and negatively from year to year. During 2016 the BRL appreciated 17% against the USD from R$3.90 at 1 January 2016 to R$3.26 at the year end. In contrast, in 2015 the BRL depreciated 47% against the USD from R$2.66 at 1 January 2015 to R$3.90 at the year end. The principal effects from the movement of the BRL against the USD on the income statement are set out in the table below:

	2016 US$ million	2015 US$ million
Exchange gains/(losses) on monetary items (i)	**2.3**	(15.8)
Exchange gains/(losses) on foreign currency borrowings	**12.8**	(32.6)
Deferred tax on retranslation of fixed assets (ii)	**22.4**	(27.0)
Deferred tax on exchange variance on loans (iii)	**(14.3)**	25.0
Total	**23.2**	(50.4)

(i) This arises from the translation of BRL denominated monetary items in USD functional currency entities.
(ii) The Group's fixed assets are located in Brazil and therefore future tax deductions from depreciation used in the Group's tax calculations are denominated in BRL. When the BRL depreciates against the US Dollar the future tax deduction in BRL terms remain unchanged but is reduced in US Dollar terms.
(iii) Deferred tax credit arising from the exchange losses on USD denominated borrowings in Brazil.

The appreciation of the BRL against the USD in 2016 resulted in a positive impact of US$23.2 million on the income statement in the year compared with a US$50.4 million negative impact in 2015 caused by the devaluation of the BRL against the USD.

A currency translation adjustment gain of US$32.7 million (2015: US$81.9 million loss) on the translation of operations with a functional currency other than USD is included in other comprehensive income and recognised directly in equity. The positive currency translation adjustment in 2016 is due to the appreciation of the BRL against the USD in the current year.

The average USD/BRL exchange rate during 2016 was 4% higher at 3.48 than prior year (2015: 3.34). A higher average exchange rate adversely affects BRL denominated revenues and benefits BRL denominated costs when converted into our USD reporting currency.

Foreign exchange gains/(losses) on monetary items

Foreign exchange gains on monetary items of US$2.3 million (2015: US$15.8 million loss) arise from the Group's foreign currency monetary items and principally reflect the movement of the BRL against the USD during the period. In 2015 the Brazilian Real depreciated against the US Dollar generating an overall exchange loss on monetary items.

Profit before tax

Profit before tax for the year increased US$48.8 million to US$117.5 million compared to US$68.7 million in 2015. The improvement is principally due to the US$12.8 million exchange gain on foreign currency borrowings (2015: US$32.6 million loss), the US$18.1 million movement in foreign exchange gains on monetary items and a US$3.2 million increase in the share of results of joint ventures. These gains were partially offset by a US$12.7 million decrease in operating profit and negative returns from the investment portfolio of US$4.1 million (2015: US$1.4 million).

Taxation

Income tax expense for the year at US$36.8 million was US$2.7 million higher than last year (2015: US$39.5 million). This represents an effective tax rate for the period of 31.3% (2015: 57.4%) compared with the corporate tax rate prevailing in Brazil of 34.0%. The difference in the effective tax rate is principally due to deferred tax items and expenses that are not included in determining taxable profit in Brazil and expenses or income at our Bermudian companies that are not subject to income tax. The principal impacts from these items on the tax charge in the income statement are set out in the table below:

	2016		2015	
	US$ million	**% of taxable profit**	US$ million	% of taxable profit
Deferred tax items not included in determining taxable profit (i)	**(2.9)**	**(2.5%)**	5.3	7.7%
Income/expenses not included in determining taxable profit (ii)	**(3.0)**	**(2.6%)**	11.0	16.0%
Net (income)/expenses incurred outside Brazil	**2.8**	**2.4%**	1.1	1.6%
Items deductible for Brazilian income tax not included in the income statement	**–**	**–**	(1.3)	(1.9%)
Total	**(3.1)**	**(2.7%)**	16.1	23.4%

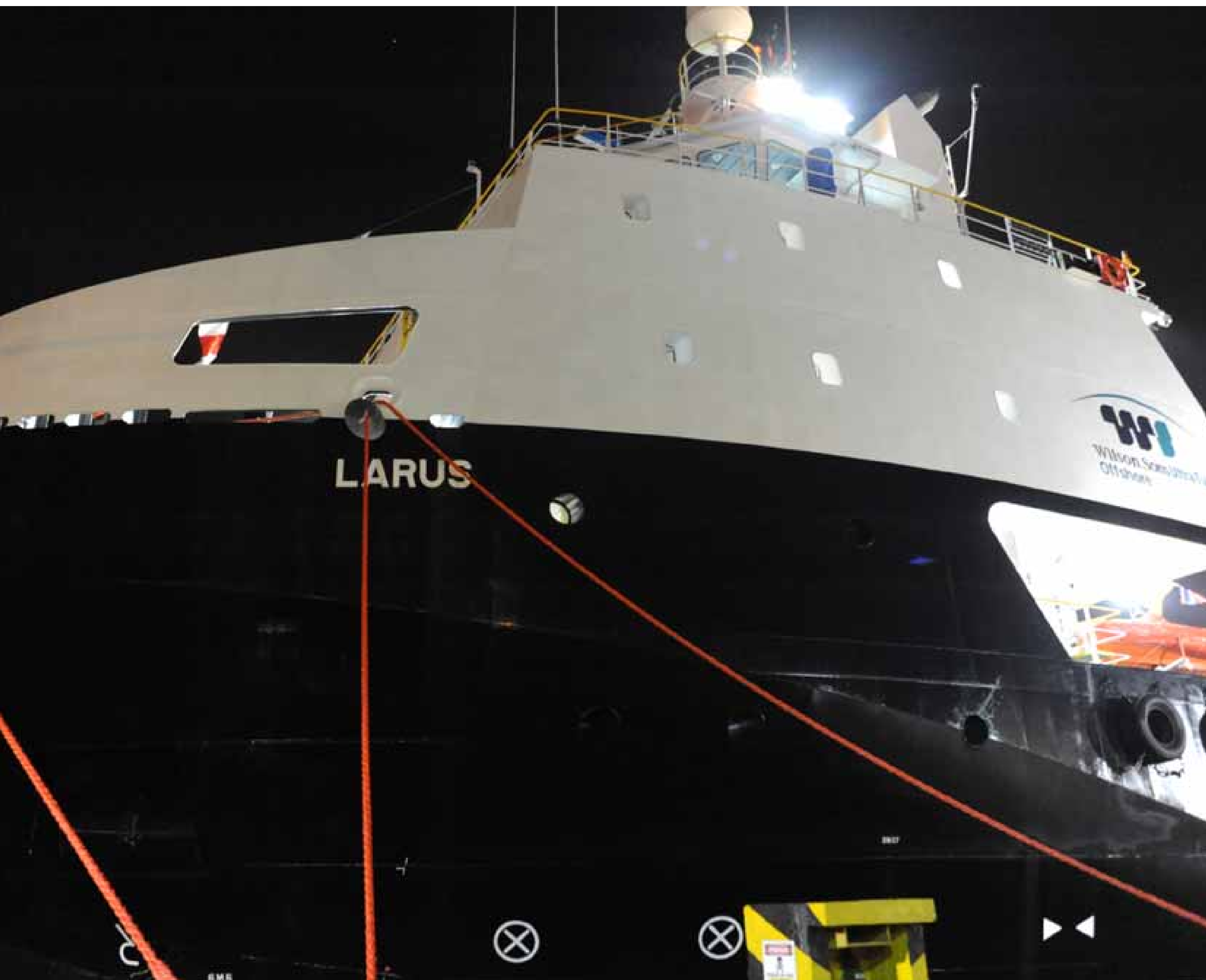
Charge/(credit) to the current period tax charge
(i) The principal deferred tax items not included in determining taxable profit are a deferred tax credit arising on the retranslation of BRL denominated fixed assets in Brazil, the deferred tax charge on the exchange losses on USD denominated borrowings and tax losses at our Brazilian subsidiaries not recognised in deferred tax.
(ii) The main items not included in determining taxable profit are the tax effect of foreign exchange gain/(loss) on monetary items and the tax effect of the share of results of joint ventures.

A more detailed breakdown is provided in note 10.

The current year effective tax rate of 31.3% is lower than prior year (57.4%), principally because of the 17% appreciation of the BRL against the USD in the year compared with a 47% depreciation in 2015 as a number of the items not included in determining taxable profit are driven by movements in the BRL/USD exchange rate.

Profit for the year

After deducting profit attributable to non-controlling interests of US$35.6 million (2015: US$13.8 million), profit attributable to equity holders of the parent was US$45.1 million (2015: US$15.5 million), an increase of US$29.6 million. Non-controlling interests at 44% are a lower percentage of the Group



The PSV Larus built at our shipyard in Guaruja in 2016 and operating under long-term contract to Petrobras.

Financial Review

profit for the year (2015: 47%) principally due to the purchase of the Tecon Salvador non-controlling interest during 2016.

Earnings per share
Earnings per share for the year were 127.4 cents compared with 43.7 cents in 2015.

Cash flow
Net cash inflow from operating activities for the year was US$51.7 million lower at US$93.8 million, compared with US$145.5 million in 2015 reflecting lower operating profit, negative working capital movements in the period and higher income tax paid. Prior year operating cash flow benefitted from a significant positive movement in working capital of US$16.7 million compared with a US$17.6 million adverse movement in 2016. Income taxes paid in the year increased to US$34.4 million (2015: US$22.7 million) mainly because less recoverable taxes were used to compensate tax liabilities due in the year.

Capital expenditure in the year of US$96.2 million was US$30.4 million higher than 2015 (US$65.8 million) principally due to the one-off acquisition of six tugboats that were previously bareboat chartered to the Group and part payment for the acquisition of three ship-to-shore and nine rubber-tyre gantry cranes to be delivered in 2017. The Group continued to invest significant capital expenditure in towage vessel construction. New loans to finance capital expenditure of US$46.6 million (2015: US$31.9 million) were raised during the year while capital repayments of US$41.0 million (2015: US$49.9 million) were made on existing loans.

Dividends of US$22.3 million were paid to shareholders in the period (2015: US$22.3 million) with a further US$14.9 million paid to non-controlling interests in our subsidiaries (2015: US$13.3 million). The appreciation of the BRL during the year was reflected in the foreign exchange rate changes in the cash flow, generating a gain of US$11.3 million (2015: US$26.9 million loss).

At 31 December 2016, the Group had US$77.3 million in cash and cash equivalents (2015: US$97.6 million) of which US$52.7 million was denominated in BRL (2015: US$83.3 million). Trading investments includes US$37.4 million (2015: US$40.0 million) in USD denominated fixed rate certificates held by Wilson Sons Limited which are not part of the Group's investment portfolio managed by Hanseatic Asset Management LBG and are intended to fund Wilson Sons Limited operations in Brazil.

Balance sheet
Equity attributable to shareholders of the parent company increased US$40.3 million to US$535.3 million at year end (2015: US$495.0 million). The growth in equity is principally due to profits for the year of US$45.1 million, plus a positive currency translation adjustment of US$19.0 million less dividends paid of US$22.3 million. The currency translation adjustment arises from exchange differences on the translation of operations with a functional currency other than USD. On a per share basis equity attributable to shareholders is the equivalent of US$15.14 per share (31 December 2015: US$14.00 per share).

Net debt and financing
All debt at the year end was held in the Wilson Sons Limited Group and has no recourse to the parent company, Ocean Wilsons Holdings Limited, or the investment portfolio held by Ocean Wilsons Investments Limited.

The Group's borrowings are used principally to finance vessel construction and the development of our terminal business. The Group's main sources of financing are the Fundo da Marinha Mercante "FMM", a Brazilian Government fund dedicated to funding vessel construction in Brazil and the International Finance Corporation. The FMM is funded by a levy on inbound freight to Brazil and the BNDES and Banco do Brasil act as lending agents for the FMM.

Borrowings are long-term with defined repayment schedules repayable over different periods up to 18 years of which 69% is fixed rate debt and 31% variable rate debt. The weighted average interest rate of our debt at year end was 3.12%. The Group's borrowings are principally USD related with 92% of borrowings USD denominated or linked to the USD. As a significant portion of the Group's pricing is denominated in USD this acts as a natural hedge to our long-term exchange rate exposure. At 31 December 2016 the Group had net debt of US$260.8 million (2015: US$226.4 million):

	2016 US$ million	2015 US$ million
Debt		
Short-term	**49.8**	41.5
Long-term	**325.8**	322.3
Total debt	**375.5**	363.8
Cash and cash equivalents*	**(114.7)**	(137.6)
Net debt	**260.8**	226.2

* Included in cash and cash equivalents are short-term investments in Wilson Sons Limited which are intended to fund Wilson Sons Limited operations in Brazil

The Group's reported borrowings do not include US$266.9 million of debt from the Company's 50% share of borrowings in our Offshore Vessel joint venture.

Keith Middleton
Finance Director

Wilson Sons Limited

The Wilson Sons 2016 Earnings Report released on 24 March 2017 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

In it Cezãr Baião, CEO of Operations in Brazil, said:

"Wilson Sons 2016 net profit of US$85.1 million benefited from efforts to improve efficiency and productivity, our diversified portfolio and strong exchange gains on balance sheet items. A solid result despite a continuing weak Brazilian macroeconomic scenario and stress throughout the oil and gas services market.

In the current competitive environment, fleet increases and efficiency gains led to a 9.4% increase in the Towage EBITDA. The highlight in container terminals is the 6% growth in Tecon Salvador operating volumes and the early renewal of the concession at that terminal for 25 years through to 2050. The offshore support vessel business was boosted by the commencement of operations of two long term contracts for the largest vessels in the fleet, although it will be difficult to find employment for the four vessels that are currently offhire until market conditions improve.

With a continued challenging trading environment we have implemented adjustments across a number of businesses and are seeking further structural improvements to our cost base and efficiency. In this challenging environment we continue our focus on improving cash flow, operational efficiencies and maximizing the use of our installed capacity across all businesses.

I would like to thank all our stakeholders but in particular, the dedication of all our employees who have helped achieve the results and the significant 55% reduction in lost time accidents during the year. The importance of safe, sustainable operations to our strength as a company should never be underestimated".

The Wilson Sons Strategy is:

To grow our existing assets while strengthening the businesses and looking for new opportunities, focusing on Brazil and Latin America. Continue to consolidate our position in all the segments in which we operate, maximising economies efficiency, quality and the range of our services we provide to customers.

Fulfilling capacity in our expanded port terminals. In order to meet demand from domestic and international trade, we have expanded our two container terminals since the inception of the concessions. By maximising utilisation of this installed capacity, we are best able to continue increases in productivity and service to our clients with economies of scale. We will diligently pursue this objective. The renewal of our Salvador Terminal through to 2050 includes investments in additional berth space and equipment to be installed in the coming years further enhancing the productivity of the terminal. We will evaluate new concessions and the development of new terminals in other Brazilian ports and analyse these potential investments in light of our existing operations, and their ability to provide a strong return on shareholders' equity.

Maximising capacity utilization of our Upstream Oil and Gas Support Terminals (Brasco). Additional to our operations at Brasco Niteroi, we also have a continuous 500 metres of berth at our Brasco Caju base to attend offshore support vessels with excellent access to the Campos and Santos oil producing basins. This expanded capacity positions Brasco as one of the largest offshore support base operators for the Brazilian Oil and Gas industry. We are continuously monitoring offshore operations along the Brazilian coast to meet the demand for such services.

Strengthening our position as the leading provider of towage services in the Brazilian market. We intend to continue to modernise and expand our fleet of tugboats in order to provide consistently high-quality service to our customers and consolidate our leading position in the Brazilian towage market. We regularly review our fleet deployment to optimise efficiency and to seek out new niches in the market where we may be able to provide additional services or increase our geographical footprint of towage services to new ports in Brazil.

Maximising potential of our shipyard facilities through a mix of in-house and third-party vessel construction, repair, maintenance and dry docking services to meet the demand of national and international vessel owners in Brazil.

Solidifying our Offshore Support Vessel services to oil and natural gas platforms. Using our knowledge and experience, we intend to continue to consolidate our activities through the delivery of contracted vessels and maintain our position amongst the leading suppliers of services to the offshore oil and gas industry in Brazil.

Exploring new opportunities and strategies to provide the best and most complete set of services to our customers. We are always looking to provide new and innovative services to our customers, and to anticipate their needs. We intend to continue our strategy with shipping companies in order to provide a complete set of local and international trade-related services across a nationwide network. We also seek to make these services more efficient and cost-effective, in order to maintain our strong customer base and strengthen our relationships with those customers.

Increasing economies of scale and productivity, realisation of potential synergies and cost savings across our business segments. We continuously seek to optimise our operations and productivity and reduce our costs through synergies and the exchange of know-how among our businesses and administrative areas. We are and will continue to be focused on integrating similar activities in order to realise savings in administrative and back-office areas, especially in our branch offices. We seek to achieve economies of scale and reduce costs wherever possible. We demand that the managers of our different divisions continually develop new strategies to improve our operations and explore new businesses.

Health, Safety and the Environment are a priority for the execution of our overall strategy of sustainable ethical business. We continue programmes to promote best practice safety throughout the Group through the training of our personnel and the promotion of a safety oriented environment and culture.

Investment Portfolio

Investment Objective
The Investment Manager will seek to achieve the investment objective through investments in publicly quoted and private (unquoted) assets across three 'silos': (i) Core regional funds which form the core of our holdings, enabling us to capture the natural beta within markets, (ii) Sector specific silo, represented by those sectors with long-term growth attributes, such as technology and biotechnology, and (iii) Diversifying silo, which are those asset classes and sectors which will add portfolio protection as the business cycle matures.

Investment Policy
The Investment Manager will seek to achieve the Investment Objective through investments in publicly quoted and private (unquoted) assets across the three silos. Cash levels will be managed to meet future commitments (e.g. to private assets) whilst maintaining an appropriate balance for opportunistic investments.

Commensurate with the long-term horizon, it is expected that the majority of investments will be concentrated in equity, across both 'public' and 'private' markets. In most cases, investments will be made either through collective funds or limited partnership vehicles, working alongside expert managers in specialised sectors or markets to access the best opportunities.

The Investment Manager maintains a global network to find the best opportunities across the three silos worldwide. The portfolio contains a high level of investments which would not normally be readily accessible to investors without similar resources. Furthermore, a large number of holdings are closed to new investors. There is currently no gearing although the Board would, under the appropriate circumstances, be open-minded to modest levels of gearing. Likewise, the Board may, from time to time, permit the Investment Manager opportunistically to use derivative instruments (such as index hedges using call and put options) to actively protect the portfolio.

Investment Process
Manager selection is central to the successful management of the investment portfolio. Potential individual investments are considered based on their risk-adjusted expected returns in the context of the portfolio as a whole. Initial meetings are usually a result of: (i) a 'top-down' led search for exposure to a certain geography or sector, (ii) referrals from the Investment Manager's global network or (iii) relationships from sell-side institutions and other introducers. The Investment Manager reviews numerous investment opportunities each year, favouring active specialist managers who can demonstrate an ability to add value over the longer-term, often combining a conviction-based approach, an unconstrained mandate and the willingness to take unconventional decisions (e.g. investing according to conviction and not fear of short-term underperformance versus an index).

Excessive size is often an impediment to continued outperformance and the bias is therefore towards managers who are prepared to restrict their assets under management to a level deemed appropriate for the underlying opportunity set. Track records are important but transparency is an equally important consideration. Alignment of interest is essential and the Investment Manager will always seek to invest on the best possible terms. Subjective factors are also important in the decision making process – these qualitative considerations would include an assessment of the integrity, skill and motivation of a fund manager.

When the Investment Manager believes there is a potential fit, thorough due diligence is performed to verify the manager's background and identify the principal risks. The due diligence process would typically include visiting the manager in their office (in whichever country it may be located), onsite visits to prospective portfolio companies, taking multiple references and seeking a legal opinion on all relevant documentation.

All investments are reviewed on a regular basis to monitor the ongoing compatibility with the portfolio, together with any 'red flags' such as signs of 'style drift', personnel changes or lack of focus. Whilst the Investment Manager is looking to cultivate long-term partnerships, every potential repeat investment with an existing manager is assessed as if it were a new relationship.

Portfolio Characteristics
The portfolio has several similarities to the 'endowment model'. These similarities include an emphasis on generating real returns, a perpetual time horizon and broad diversification, whilst avoiding asset classes with low expected returns (such as government bonds in the current environment). This diversification is designed to make the portfolio less vulnerable to permanent loss of capital through inflation, adverse interest rate fluctuations and currency devaluation and to take advantage of market and business cycles. The Investment Manager believes that outsized returns can be generated from investments in illiquid asset classes (such as private equity). In comparison to public markets, the pricing of assets in private markets is less efficient and the outperformance of superior managers is more pronounced.

Investment Manager's Report

Market Commentary

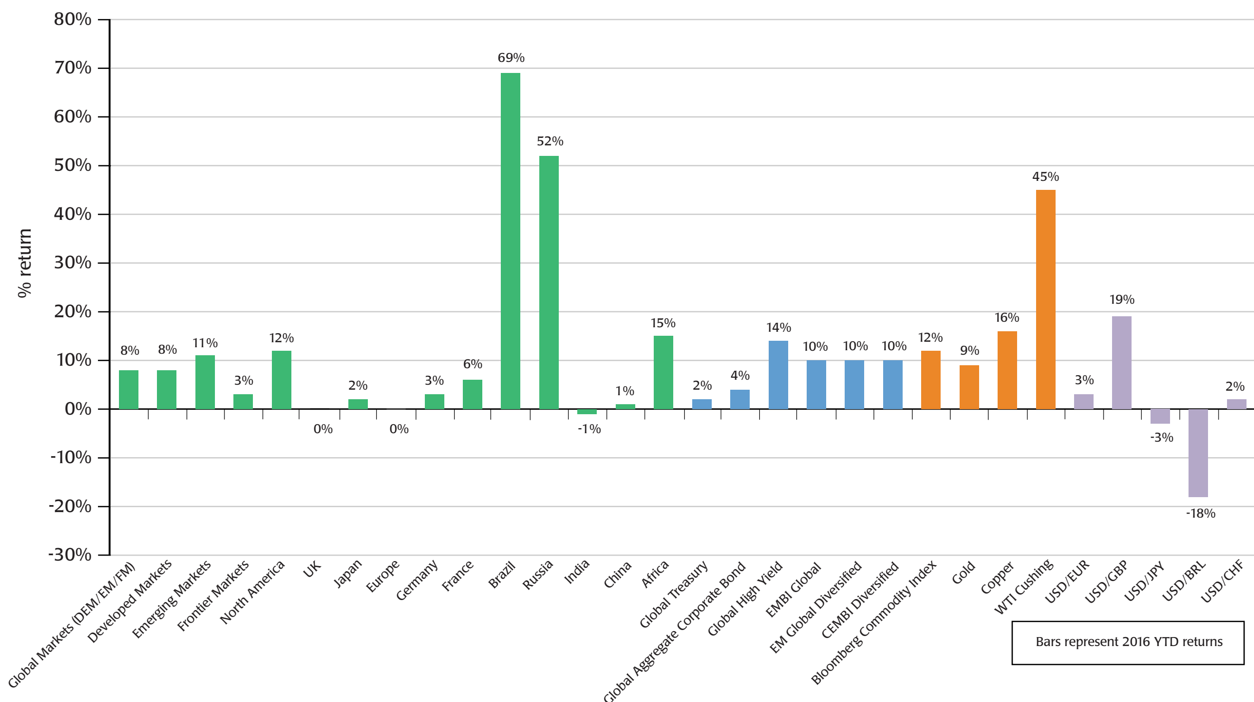
2016 proved to be full of surprises with the winds of change blowing through stock markets. The year started ominously, with world equities falling 11% by mid-February, as investors worried about the prospect of global economies slipping into recession on the back of a normalisation in the US interest rate cycle. Quite quickly, however, the status quo reasserted itself with the US Federal Reserve repealing its previous commitment to four rate rises in the year and returning to its policy of shoring up markets through low rates. During the year there were a number of important trends and many missteps made by market commentators.

Heading the list was the rise in political risk. In recent years politics has been something of a non-event from a market perspective, with little to differentiate the major political parties both within the key developed markets and indeed from one country to another. Policies were centred on the belief in free markets, globalisation and balanced budgets, creating an environment of stability and predictability. 2016 turned this on its head with the rise of the populist vote. Many voters felt that they had been left behind in recent years by policies driven by the political elite favouring the owners of assets, corporates and the emerging nations. This section of the population took their opportunities during 2016 to vote for change.

Initially this populist uprising saw the UK vote to leave the European Union. Despite economists' warnings, and the desire by the major political parties to stay within the union, UK voters chose to pursue a path of independence regardless of the potential risks of such an action. Then, further damaging the reputation of pollsters, Donald Trump won the US presidential election on a mandate of increased spending, tax cuts, protectionism and deregulation. Despite predictions ahead of both these events that markets would collapse, stock markets proceeded to rally sharply as investors took a more sanguine view of their impact.

Pulling all of this together, 2016 was a year of decent stock market performance, albeit one in which there were multiple twists and turns providing plenty of opportunity for active managers to be whip-sawed! It is interesting to note that some of the most dramatic moves came in the foreign exchange markets, with the US dollar rising by 19% versus sterling, but falling 18% against the Brazilian real.

Chart 1: Market performance 2016 (USD)



Outlook

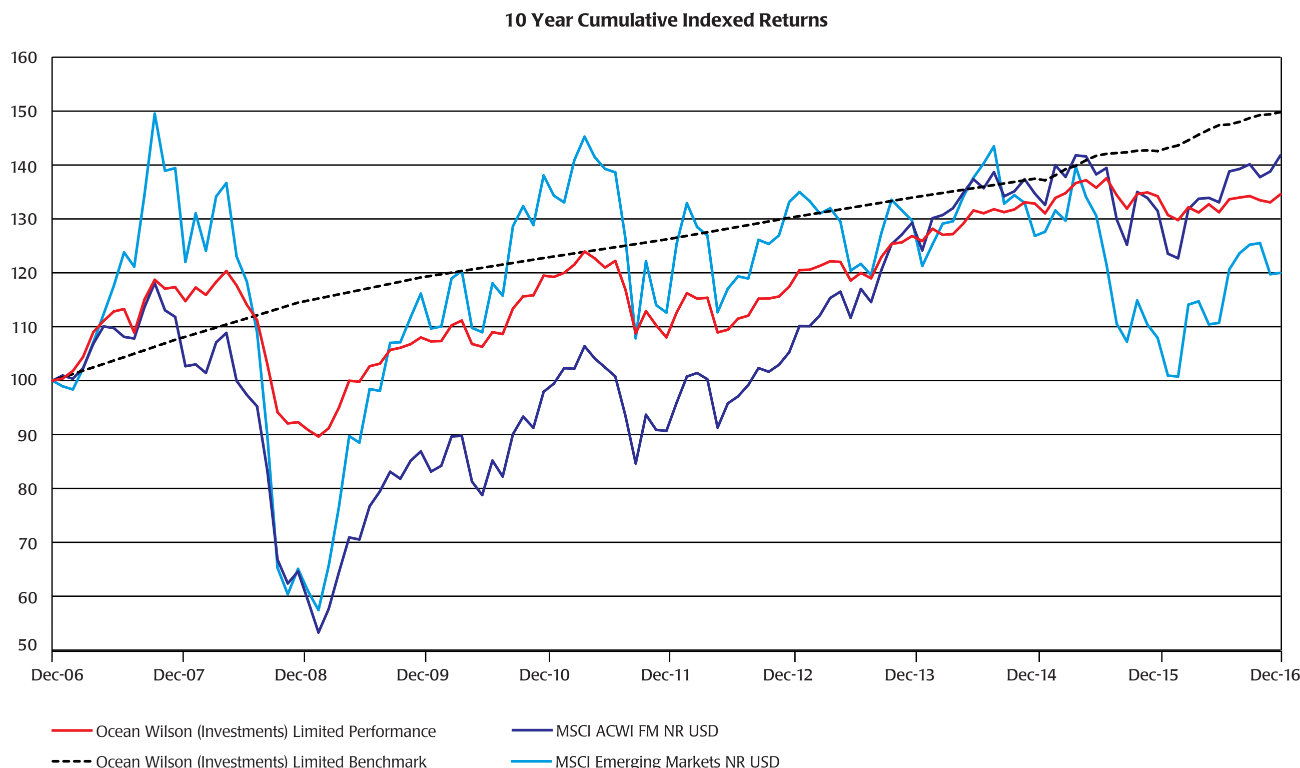
It would be comforting if 2017 represented a period of stability and transparency in stock markets. Unfortunately, this seems unlikely to be the case with the range of outcomes unusually wide and often binary in nature.

The devil will be in the detail, but our central view remains largely unchanged for 2017. That is, a period of positive but low returns in equity markets, while government bonds remain largely unattractive, especially if inflation continues to tick-up. Arguably the economic backdrop for equities has modestly improved as we enter the new year. If Trump is successful in his efforts to kick-start the US economy through a programme of tax cuts and greater fiscal spending, then equities should receive a helpful boost in the year ahead. Combined with better prospects in a number of the emerging markets, with countries such as Brazil exiting deep recessions, and China benefiting from government stimulus packages, global growth should pick-up in 2017. In contrast, bond valuations, despite the recent rise in yields, remain extremely unattractive in a historical context unless we experience a prolonged period of economic malaise, and if they continue to rise then bond investors will suffer further.

Hence we retain our bias towards equities and, despite the recent uptick in government bond yields, we see little attraction in holding bonds. Instead, we advocate buying those assets that are structured in such a way that they can generate positive returns even in falling markets. Included in this list would be absolute return bond funds, event driven funds, where the market risk has been stripped out, and macro hedge funds.

Investment Manager's Report

Performance



Portfolio Commentary

The portfolio ended the year with a 0.2% rise in the fourth quarter, leading to a return of 0.3% for the year. This result was behind the Performance Benchmark (3% in excess of the US CPI), which was up 5.1% for the year.

The top two contributors to performance over the course of the year were **Findlay Park American Fund** and **Prosperity Quest Fund** having returned 8.4% and 42.6%, respectively. The return of the Findlay Park fund was achieved whilst the portfolio manager maintained a cautious outlook, most clearly reflected in the cash balance which frequently exceeded 15%. The manager continues to focus on identifying stable businesses with excellent cashflow metrics, eschewing overly leveraged or highly cyclical businesses. Strong positive performance was generated by the portfolio's other holdings in the US, with both **Vulcan Value Equity** and **Select Equity Offshore** performing well as they took advantage of the market's continued appetite for US equities.

The Prosperity Quest Fund invests in the equities of Russian companies and benefited from a number of factors, including the rebound in the oil price and improving investor sentiment towards the Emerging Markets. Strong performance was generated by a number of the other Emerging Market related holdings, including **NT Asian Discovery**, **Dynamo Brasil VIII** and **Gramercy Distressed Opportunity Fund II** which returned 11.0%, 47.6% and 13.7% respectively. These returns follow a number of challenging years for Emerging Markets, in which investors have struggled against a de-rating of assets and declining currencies. The reversal in market sentiment has been driven by a number of factors, including a more favourable environment for commodity exporters, the perception of improved corporate and political governance, somewhat resilient growth data as well as a valuation discount to Developed Markets.

Our two holdings in Japanese funds were negative contributors to performance in 2016, with **Indus Japan Long Only Fund** and **Goodhart Partners: Hanjo Fund** declining -4.1% and -2.9% respectively, which compares unfavourably with the MSCI Japan which produced a modest positive performance of 2.0% for the year.

Among the top contributors to performance over the year were two private equity funds, **Hony Capital Fund V**, **LP** and **Silver Lake Partners IV**, , which are now held at 1.27x and 1.34x investment cost in the portfolio, respectively. The funds saw strong rises in their valuations during 2016 as a result of a combination of strong exits and uplifts in the valuations of their unrealised portfolios. Both funds remain relatively immature and further realisation activity in future years should continue to drive value generation. The strong performance from Silver Lake was largely a result of the positive performance of its investment in Broadcom (formerly Avago) which is valued at 3.4x investment cost and has already returned more than 1.5x investment cost despite the investment being less than three years old.

It was a difficult year for many funds which have been significant contributors to performance in recent years. **Adelphi European Select Equity Fund**, **Lansdowne Developed Markets Fund** and **BlackRock European Hedge Fund** were all material negative contributors as their investment strategies of buying high quality, resilient business with strong cashflow generation credentials and avoiding (or shorting) highly cyclical, frequently commodity related "value" stocks were punished by a market which underwent a substantial sector rotation. These funds do not seek to track a particular benchmark and therefore their performance has the potential to deviate materially from the indices.

Investment Portfolio at 31 December 2016

	Market value US$000	% of NAV	Primary Focus
Findlay Park American Fund	17,511	7.3	US equities – long only
BlackRock European Hedge Fund	12,150	5.1	Europe equities – hedge
Adelphi European Select Equity Fund	11,835	5.0	Europe equities – long-only
Egerton Long - Short Fund Limited	11,643	4.9	Europe / US equities – hedge
NTAsian Discovery Fund	9,785	4.1	Asia ex-Japan equities – long only
Lansdowne Developed Markets Fund	9,647	4.0	Europe / US equities – hedge
Goodhart Partners: Hanjo Fund	7,059	3.0	Japan equities – long only
Helios Investors II, LP	6,519	2.7	Private Assets – Africa
Greenspring Global Partners IV, LP	6,466	2.7	Private Assets – US Venture Capital
Schroder ISF Asian Total Return	6,307	2.6	Asia ex-Japan equities – long only
Top 10 Holdings	**98,922**	**41.4**	
Hony Capital Fund V, LP	6,082	2.5	Private Assets – China
Gramercy Distressed Opportunity Fund II, LP	6,005	2.5	Private Assets - distressed debt
Indus Japan Long Only Fund	5,409	2.3	Japan equities – long only
Select Equity Offshore, Ltd	5,376	2.3	US equities – long-only
Global Event Partners Ltd	5,333	2.2	Global equities – long-short
Vulcan Value Equity Fund	5,165	2.2	US equities – long-only
Hudson Bay International Fund Ltd	5,053	2.1	Market Neutral – multi-strategy
Prince Street Opportunities Fund	5,042	2.1	Emerging Markets equities – long-only
Pangaea II, LP	4,799	2.0	Private Assets – GEM
China Harvest II, LP	4,743	2.0	Private Assets – China
Top 20 Holdings	**151,929**	**63.6**	
GAM Star Technology	4,637	1.9	Technology – long-only
KKR Special Situations Fund, LP	4,495	1.9	Private Assets – distressed debt
L Capital Asia, LP	4,461	1.9	Private Assets – Asia (Consumer)
L Capital Asia 2, LP	4,448	1.9	Private Assets – Asia (Consumer)
Oaktree CM Value Opportunities Fund	4,349	1.8	US high yield corporate debt – hedge
Navegar I, LP	3,696	1.5	Private Assets – Philippines
NYLIM Jacob Ballas India III, LLC	3,598	1.5	Private Assets – India
Prosperity Quest Fund	3,400	1.4	Emerging Markets equities – long-only
iShares Core EM IMI UCITS ETF	3,373	1.4	Emerging Markets equities – long-only
African Development Partners I, LLC	3,216	1.3	Private Assets – Africa
Top 30 Holdings	**191,602**	**80.2**	
32 remaining holdings	**42,824**	**17.9**	
Cash	**4,472**	**1.9**	
TOTAL	**238,898**	**100.0**	

Hanseatic Asset Management LBG
March 2017

Directors and Advisers

Directors
J F Gouvêa Vieira* (Chairman)
W Salomon* (Deputy Chairman)
K Middleton
A Berzins*
C Maltby*
A Rozental*
C Townsend*
* Non-executive

Secretary
Malcolm S Mitchell

Profiles of Non-executive Directors
Mr J F Gouvêa Vieira is Brazilian, aged 67 and joined the Group in 1991. He is a partner of the Brazilian law firm of Gouvêa Vieira Advogados. He is chairman of Wilson Sons Limited, a member of the Board of Concremat, Banco PSA Finance Brasil S.A. and a number of other Companies. Mr Gouvêa Vieira is also a member of the Corporate Governance Committee for the American Chamber of Commerce in São Paulo.

Mr W Salomon is German and British, aged 59 and joined the Group in 1995. He is senior partner of Hansa Capital Partners LLP. He is also a non-executive director of Hansa Trust PLC and Wilson Sons Limited.

Mr A Berzins is aged 57, British and resident in Singapore and joined the Group in 2014. He is a non-executive director of Aberdeen Asian Income Fund.

Mr C Maltby is aged 66, British and resident in Switzerland. He is a Director of Abingworth BioEquities Fund Limited, and a member of the Supervisory Board of Bilfinger Berger Global Infrastructure SICAV SA.

Mr A Rozental is Mexican, aged 71 and is the founding partner of Rozental & Asociados. He is a non-executive director of Wilson Sons Limited and HSBC Bank Mexico. He is chairman of ArcelorMittal Mexico. He is an external advisor to AT&T, Airbus Mexico, Toyota de México and Canada's Brookfield Asset Management.

Mr C Townsend is German and British and resident in Switzerland. He is aged 43, is a solicitor, and has an MBA from the London Business School. He is investment director of Hansa Capital GmbH.

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Ocean Wilsons Dividend Election
Capita Asset Services
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London E14 5GL

Bankers
Deutsche Bank International Limited
Jersey

Investment Manager
Hanseatic Asset Management LBG
Guernsey, Channel Islands

Brazilian Business Website
www.wilsonsons.com.br

Report of the Directors

The Directors submit herewith their Report and Accounts for the year ended 31 December 2016.

The Group accounts, presented under International Financial Reporting Standards (IFRS), comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1-36.

Profits and Dividends

As permitted by Section 84(1A) of the Bermuda Companies Act 1981 the Group's accounts have been drawn up in accordance with International Financial Reporting Standards.

The Group's profit after tax on ordinary activities attributable to equity shareholders amounted to US$45,060,000 (2015: US$15,470,000).

The Directors are recommending the payment of a dividend for the year of 63.0c (2015: 63.0c) gross per share. The dividend will be paid on 9 June 2017 to all shareholders who are on the register at close of business on 12 May 2017.

Principal Activities

The Group's principal activities during the year were the holding of investments and the provision of maritime and logistics services in Brazil.

The investment strategy agreed with the Group's Investment Manager is to maximise the total return on assets, by investing in a portfolio of diversified assets including global equities, fixed income and alternative assets with a particular emphasis on emerging markets. Investments are intended to add value over the medium to longer-term through a non-market correlated, conviction based investment style.

Our subsidiary, Wilson Sons Limited, has provided maritime services in Brazil for over 175 years. Wilson Sons Limited strategy is to provide maritime and logistics services to the domestic economy, international trade and the oil and gas market.

Details of our activities are set out in the Investment Manager's report and Financial review on pages 6 to 15.

Directors

The present Members of the Board are as shown on page 16.

In accordance with the Company's (Ocean Wilsons Holdings Limited) bye-laws, Mr K Middleton and Mr W Salomon retire at the next annual general meeting and, being eligible, offer themselves for re-election. The Directors who held office at 31 December 2016 had the following interest in the Company shares:

	Interest	**2016**	2015
J F Gouvêa Vieira	Beneficial	**170,100**	170,100
K Middleton	Beneficial	**30,000**	30,000
W Salomon*	Beneficial	**4,659,349**	4,659,349
C Townsend	Beneficial	**3,969,049**	40,000
C Maltby	Beneficial	**9,000**	9,000
A Berzins	Beneficial	**5,000**	5,000

*Additional indirect interests of Mr W H Salomon and Mr C Townsend in the Company are set out in substantial shareholdings below.

Service Contracts

Regarding the Directors proposed for re-election at the Annual General Meeting Mr K Middleton has terms of service, which can be terminated by the company on not less than twelve months' notice in writing and by the Director on not less than six months' notice in writing. There is no service contract between Mr W Salomon and the company.

Employees

The average number of persons, including Directors, employed by the Group was 4,436 (2015: 5,439).

Share option plan

On 13 November 2013, the board of Wilson Sons Limited approved a Share Option Plan, which allowed for the grant of options to eligible participants to be selected by the board. The shareholders in special general meeting approved the plan on the 8 January 2014 including an increase in the authorized capital of the company through the creation of up to 4,410,927 new shares. The options provide participants with the right to acquire shares via Brazilian Depositary Receipts ("BDR") in Wilson Sons Limited at a predetermined fixed price not less than the three-day average mid-price for the days preceding the date of option issuance.

The following grants have been issued under the Stock Option Plan.

Date of Grant	Number of options	Exercise price
10 January 2014	2,914,100	R$ 31.23
13 November 2014	139,000	33.98
11 August 2016	247,500	34.03

Further details are provided in note 31.

Auditor

Under current Brazilian Stock Exchange regulations a listed company's auditor cannot serve for more than five years. KPMG LLP is therefore resigning as auditor of the Wilson Sons Limited group in 2017. Due to the materiality of the Wilson Sons Limited group to Ocean Wilsons Holdings Limited the Board resolved that Ocean Wilsons Holdings Limited and Wilson Sons Limited should both be audited by member firms of the same international accounting

Report of the Directors

organisation. Following a co-ordinated selection process by Wilson Sons Limited and Ocean Wilsons Holdings Limited the two Boards selected Ernst & Young LLP as auditor for 2017. Consequently KPMG LLP are retiring as auditor and a resolution to appoint Ernst & Young LLP under the provisions of Section 89 of the Bermuda Companies Act 1981 will be proposed at the forthcoming Annual General Meeting.

Substantial Shareholdings

As at 10 March 2017, the Company has been notified of the following holdings of its shares, in excess of 3% of the issued ordinary share capital:

Name of holder	Number of shares	% held
Hansa Trust PLC	9,352,770	26.45
Codan Trust Company Limited and Helen Cooper	4,435,064	12.54
C Townsend	3,969,049	11.22
Utilico Emerging Markets Utilities Limited	2,471,044	6.99
Dynamo Adminisração de Recurso	1,820,354	5.15

The Company has been advised that Mr W Salomon is interested in 4,435,064 shares registered in the name of Codan Trust Company Limited and Helen Cooper. The Company has also been advised that Mr W Salomon has an interest in 26.4% and Mr C Townsend an interest in 25.9% of the voting shares of Hansa Trust PLC.

Contracts and agreements with substantial shareholders

No contracts existed at the end of the year in which a substantial shareholder of the Company is or was materially interested.

Corporate Governance

The Board has put in place corporate governance arrangements that it believes are appropriate for the operation of the Company. The Board has considered the principles and recommendations of the 2014 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons Holdings Limited is an investment holding Company incorporated by an act of parliament in Bermuda with significant operations in Brazil. The Company complies with the Code where it is beneficial for its business to do so, and has done so throughout the year and up to the date of this report, but as noted below, it does not fully comply with the Code. The position is regularly reviewed and monitored by the Board. Below are the areas where Ocean Wilsons Holdings Limited does not comply with the 2014 UK Corporate Governance Code and the rationale for not complying:

- The Code states the Company should have a Board nomination committee.

  The Board does not have a separate nomination committee as the identification and appointment of a new Board member is a matter for the full Board. The Board evaluates the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. An independent external search consultant will conduct a search for appropriate candidates with the right blend of skills and experience which are then submitted to the Board for evaluation.

- The Code states that non-executive directors who have served longer than nine years should be subject to annual re-election.

  Directors serving more than nine years are not subject to annual re-election as the Board considers continuity and knowledge of the Company's investments and business acquired over time is of great value. The non-executive Directors who have served longer than nine years are Mr J F Gouvêa Vieira and Mr W Salomon.

The Board

The Board currently comprises the chairman, Mr J F Gouvêa Vieira, deputy chairman Mr W Salomon, a further four non-executive directors, Mr A Berzins, Mr A Rozental, Mr C Townsend and Mr C Maltby and one executive director, Mr K Middleton. Mr Rozental, Mr Berzins and Mr Maltby are considered by the Board to be independent under the Code. The Board has appointed Mr A Rozental as the senior independent director. The directors' biographies appear on page 16.

All directors are subject to election by shareholders at the first AGM following their appointment to the Board and are subject to re-election by shareholders once every three years. Mr K Middleton and W Salomon are offering themselves for re-election at the next AGM. The Board considers on a regular basis how to refresh itself.

Non-executive directors hold letters of appointment. The other commitments of directors appear on page 16 as part of their biographies and the Board is satisfied that these commitments do not conflict with their ability to carry out effectively their duties as directors of the Company.

The division of responsibilities between the chairman and the executive director have been clearly established, set out in writing and agreed by the Board. The Group does not have a chief executive.

The Board has appointed an executive director, Mr K Middleton to administer the Holding Company.

Our maritime services subsidiary, Wilson Sons Limited (an autonomous listed company) is supervised by the Board of Wilson Sons Limited who have appointed Mr C Baião as chief executive to run the business in Brazil. The chief executive in turn delegates responsibility to senior executives, in particular strategic business unit directors. Ocean Wilsons Holdings Limited manages its interest in Wilson Sons Limited through the appointment of three Ocean Wilsons Holdings Limited Directors as non-executive directors of Wilson Sons Limited, (presently Mr J F Gouvêa Vieira, Mr W Salomon and Mr A Rozental), voting on matters requiring Wilson Sons Limited shareholder

approval and through the relationship agreement between Ocean Wilsons Holdings Limited and Wilson Sons Limited signed following the listing of Wilson Sons Limited on the Sao Paulo and Luxembourg Stock Exchanges. The relationship agreement details areas of co-operation between Ocean Wilsons Holdings Limited and Wilson Sons Limited in meeting accounting, reporting and compliance requirements for both companies.

The Board delegates authority to manage the portfolio of investments to Hanseatic Asset Management LBG.

The Ocean Wilsons Holdings Limited Board has a formal schedule of matters specifically reserved for its attention. As previously stated, autonomy is given to the Wilson Sons Limited Board to supervise the Wilson Sons Limited business and decisions taken by the Wilson Sons Board do not require ratification by the Board of Ocean Wilsons Holdings Limited. The schedule of matters reserved for the Board of Ocean Wilsons Holdings Limited includes:

- Determining the overall strategy of the Group;
- Determining the responsibilities of the chairman and directors;
- Approving changes to the capital structure of the Company or other matters relevant to its status as a listed Company;
- Approving significant matters relating to capital expenditure, acquisitions and disposals and consideration of significant financial matters outside the Wilson Sons Limited Group;
- Appointment of directors to Ocean Wilsons Holdings Limited and Ocean Wilsons (Investments) Limited;
- Selection of the chairman of the Board;
- Appointment and removal of the company secretary;
- Appointment and removal of executives;
- To decide on potential conflicts of interest and authorize potential conflicts;
- Approval of annual and interim reports;
- Approving any dividends and dividend policy;
- Appointment of external auditor, financial advisor or corporate broker;
- Establishing the finance committee and their terms of reference;
- Determining membership and Chairmanship of Board Committees;
- To approve any agreements or amendments to agreements between Ocean Wilsons Holdings Limited and Wilson Sons Limited including the relationship agreement;
- To vote the shares in Wilson Sons Limited on matters presented to shareholders for shareholder approval;
- Appointment of Ocean Wilsons Holdings Limited directors to the Board of Wilson Sons Limited;
- To approve changes in Wilson Sons Limited auditor or accounting policies;
- Agree the strategy of Wilson Sons Limited;
- Undertaking a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors; and
- Review of the Company's overall corporate governance arrangements.

The Board of Ocean Wilsons (Investments) Limited is currently constituted by the same directors as the Board of Ocean Wilsons Holdings Limited. Mr C Maltby an independent director is the chairman of the Board of Ocean Wilsons (Investments) Limited. The Board delegates authority to run the investment portfolio held by Ocean Wilsons (Investments) Limited to the Investment Manager within certain guidelines. The Board of Ocean Wilsons (Investments) Limited has a formal schedule of matters specifically reserved for its attention which include:

- Appointment, removal and terms of an Investment Manager;
- Determine investment guidelines and restrictions in conjunction with the Investment Manager;
- Approval of the investment objective and benchmark;
- To approve and set borrowing limits;
- To approve and set limits on the use of derivative instruments;
- Review the performance of the Investment Manager;
- Approval of the annual accounts for Ocean Wilsons (Investments) Limited;
- Approving any dividends; and
- Appointment, removal and terms of the custodian of the Investment Manager.

The Company has a procedure in place by which directors can seek independent professional advice at the Company's expense if the need arises. The Board has full and timely access to all relevant information to enable it to perform its duties. The Company has directors and officers insurance in place.

The executive director is responsible for advising the Board on all corporate matters. Each director has access to the advice and services of the company secretary Mr M Mitchell and the executive director.

Report of the Directors

During 2016, four scheduled meetings of the Ocean Wilsons Holdings Limited Board were held at different locations. Details of attendance at Board meetings and meetings of the Board committees are set out below. In addition to scheduled Board meetings if matters arise at short notice requiring urgent attention a telephone Board meeting is arranged. During 2016 no telephone Board meetings were held.

Directors' attendance at Board and Finance Committee meetings:

Director	Board Meetings attended	Finance Committee Meetings attended
Mr J F Gouvêa Vieira	4	4
Mr W Salomon	4	4
Mr K Middleton	4	–
Mr A Rozental	4	4
Mr C Townsend	4	4
Mr C Maltby	4	4
Mr A Berzins	4	4

The formal agenda for each scheduled Board meeting is set by the chairman in consultation with the executive director. The Board of Ocean Wilsons Holdings Limited is invited to attend Wilson Sons Limited Board meetings where appropriate to receive operational updates, including one meeting a year in Brazil where the Board of Ocean Wilsons Holdings Limited is invited to attend the Wilson Sons Limited Board meeting to meet business unit directors and receive detailed management reports on the Brazilian business.

The non-executive directors also meet informally, without any executives present, to discuss matters in respect of the business. All new directors receive an induction on joining the Company. This covers such matters as strategy, operation and activities of the Group and corporate governance matters. Site visits and meetings with senior management are also arranged. The Board as a whole make periodic operational site visits. Directors are encouraged to visit other sites. Directors are also provided with industry and regulatory updates.

The Board has in place a procedure for the consideration and authorisation of conflicts or possible conflicts of interest with the Company's interests annually. If a director has a conflict of interest he leaves the meeting prior to discussion unless requested to remain and leaves determination of such matters to the other directors.

Board Evaluation
The Board undertakes an annual formal performance evaluation for the Board and individual directors. The process involves completion of internally prepared questionnaires. The chairman discusses their responses with each director and then reports the results of the process to the Board which discusses the results highlighting any areas for improvement.

Board Diversity Policy
The Board considers diversity, including the balance of skills, experience, knowledge and nationality, amongst many other factors, when reviewing the appointment of new Directors. The Board does not consider it appropriate to establish targets or quotas in respect of Board appointments. With respect to gender diversity, the Board considers that a merit based approach is the only appropriate approach for determining the composition of the Board and as such has not set specific targets for gender diversity.

Remuneration
Non-executive Directors' fees are set out within limits set in the Company's Articles of Association. The present limit is US$700,000 in aggregate per annum and the approval of shareholders in a General Meeting is required to change this amount.

The Board of Wilson Sons Limited is responsible for all remuneration matters relating to Wilson Sons Limited and its subsidiaries. Mr J F Gouvêa Vieira, Mr W Salomon and Mr A Rozental receive directors fees from Wilson Sons Limited in addition to their fees as directors of Ocean Wilsons Holdings Limited.

Board Committees
The Board has established a finance committee which has formal terms of reference approved by the Board and are reviewed on an ongoing basis by the Board. The finance committee acts as the audit and remuneration committee. The committee's terms of reference are available at the Company's registered office. Mr A Berzins an independent director is the chairman of the finance committee.

The Board will review Board composition on an ongoing basis (including as part of the formal Board evaluation process) and regularly consider whether any skill gap exists. The Board will evaluate the balance of skills, experience, independence and knowledge on the Board.

If the Board considers that a skill gap exists in either the Board or its committees a description of the role and capabilities required for a particular appointment will be prepared and passed to an independent external search consultant. The external search consultant will conduct a search for appropriate candidates with the right blend of skills and experience which are then submitted to the Board for evaluation.

Any director may suggest a person to be appointed a non-executive director of the Company. The procedure to be followed is:

(a) The C.V. and qualifications of the candidate for the position will be submitted to the chairman who will discuss the proposal with at least two other directors.

(b) The candidate will be interviewed by the chairman, sponsor and at least one other director.

(c) If thought fit, a resolution will be submitted to the Board for the appointment of the candidate.

Finance Committee report
The finance committee comprises all non-executive directors, three of whom are considered by the Board to be independent during 2016. The Board is satisfied that during 2016 four directors, Mr C Maltby, Mr W Salomon, Mr A Berzins and Mr A Rozental, have recent and relevant financial experience as

all have served on the audit committees of other listed companies. Mr W Salomon also has considerable experience in finance and investment banking and Mr C Maltby and Mr A Berzins both hold accounting qualifications.

The finance committee met four times in 2016. At the request of the finance committee the chief executive of Wilson Sons Limited, the finance director of Wilson Sons Limited and the executive director of Ocean Wilsons Holdings Limited attended each of these meetings. The external auditor attended one meeting. The finance committee meets with the external auditor without the executive present.

The committee has defined terms of reference. The principal responsibilities of the committee are:

- to review the integrity of the interim and full year financial statements of the Company, reviewing significant financial reporting judgements contained in them;
- to review the Company's internal control and risk management systems;
- to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- to consult with the Group's auditor and, where necessary the auditor of the subsidiary companies, regarding any matters arising in the course of the annual audit which should be brought to the attention of the Board;
- to monitor the Group's risk exposure;
- to consider the need for an internal audit function;
- to determine the remuneration for all executives, the chairman and non-executive directors;
- to determine the level of awards made under the Company long-term incentive plan and performance conditions and vesting periods that apply;
- to determine bonuses payable under the Company Bonus scheme; and
- to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Overview of the actions taken by the Finance Committee to discharge its duties

Since the beginning of 2016 the finance committee has:

- reviewed the December 2015 report and financial statements, the June 2016 half yearly financial report and the quarterly update issued in May and November 2016. As part of the review of the December 2015 report, the Committee received a report from the external auditor on their audit of the annual report and financial statements;
- reviewed the revised assumptions used in the impairment test on Brasco goodwill. The long-term operating assumptions were lowered compared to the previous year and capital expenditure assumptions were also revised and phased according to the new evolution of operational data. The discount rate was updated to reflect the correlation of the Wilson Sons Limited BDR price and the S&P index between 2007 and Aug 2016. Based on these assumptions a recommendation was made for no impairment in 2016.
- reviewed the classification of provisions relating to legal claims. Provisions relating to legal claims were previously reported in other operating expenses. To improve the transparency of the financial statements, the Finance Committee decided to reclassify provisions to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims;
- reviewed the economic useful life of the Guarujá II shipyard. Following an independent technical review the economic useful life of the Guarujá II shipyard was increased from 30 to 60 years;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter. As part of this review, the Committee considered a report on internal controls and the Group's risk register and suggested amendments;
- reviewed and approved the scope of audit work to be undertaken by the auditor;
- agreed the fees to be paid to the external auditor for the audit of the December 2016 financial statements including consideration of the levels of non-audit fees which the committee concluded were immaterial;
- conducted a co-ordinated selection process with Wilson Sons Limited to select a new external auditor for 2017. As part of the audit tender process, invitations to tender for external audit services were sent to a number of accounting firms. Follow up meetings were held between management, members of the finance committee and the tendering firms to discuss proposals received. The Finance Committee selected Ernst & Young LLP to be appointed by members at the next AGM in June 2017;
- assessed the qualification, expertise and resources, and independence of the external auditor;
- reviewed the need for an internal audit function; and

Report of the Directors

- reviewed and approved the company remuneration policy. The committee used an external advisor to benchmark non-executive director fees against comparative companies as no adjustment has been made to non-executive director fees since 2013. Following the review, non-executive fees were adjusted based on the proposal presented by the Chairman of the Finance Committee.

To fulfil its responsibility regarding the independence of the external auditor, the finance committee reviewed:

- the external auditor plan for the current year, noting the role of the audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years and any changes in key audit staff;

- a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest; and

- the overall extent of non-audit services provided by the external auditor, in addition to approving the provision of significant non-audit services by the external auditor.

In addition the Group does not currently employ any former external audit staff. KPMG LLP have been the Group's auditor since 31 December 2012 following a competitive tender.

After discussion with management, the Board of Wilson Sons Limited and the external auditor, the committee determined that the key risks of misstatement of the Group's financial statements relate to:

- *Provisions* – Legal claims against the Brazilian operations comprise civil and environmental cases, tax cases and labour claims. The reporting risk relates to the completeness of claims recorded and the estimation of the provisions held against these exposures. There remain a significant number of contingent liabilities, particularly concerning labour and taxation claims. Provisions are based on prior experience, management's best knowledge of the relevant facts and circumstances and expert legal advice relative to each case. The committee questioned management on their assumptions used in determining provisions and the procedure for classification of legal liabilities as probable, possible or remote loss by the external lawyers. The committee reviewed quarterly legal reports from management on contingencies and asked questions on the background and progress of material claims. The committee evaluated the current level of provisions in light of historical trends and claim history to ensure provisions were adequate. The committee further ensured that adequate resources are allocated to recording, evaluating and monitoring legal claims to ensure the completeness of claims recorded and provisions made.

- *Impairment Risk to Goodwill and Intangibles* – The Group has significant Goodwill and Intangibles balances. The reporting risk is that these balances may be overstated. Management perform impairment reviews for Intangibles and tests goodwill as required by IAS 36, Impairment of Assets. The impairment test is performed by comparing the carrying value of goodwill to its value in use, calculated using the discounted cash flow forecasts under the principles of IAS 36. The Committee examined and challenged management's key assumptions used in the impairment tests to understand their impact on the recoverable amounts. The Committee was satisfied that the significant assumptions used were appropriate and sufficiently robust. The Committee was further satisfied with the impairment disclosures in the financial statements.

- *Revenue recognition* – The revenue recognition risk could arise from inappropriate revenue recognition policies, incorrect application of policies or cut-off errors surrounding year end. The committee considered the Group's revenue recognition policies and the level of transactions compared to previous periods. The committee receives quarterly management reports on revenue and financial performance with comparisons to budget and prior year. The committee reviews and questions management explanations for variances and revenue performance. The committee also discusses potential risks surrounding revenue recognition with the external auditor and reviews their audit findings.

Internal Controls

The Board is responsible for the system of internal control and reviewing its effectiveness. The internal controls are designed to cover material risks to achieving the Group's objectives and include business, operational, financial and compliance risks. These controls have been in place throughout the year. The internal controls are designed to identify, evaluate and manage rather than eliminate risk of failure to meet business objectives. The internal control process distinguishes between the parent group and the principal operating subsidiary, Wilson Sons Limited, which is managed by an autonomous board.

Wilson Sons Limited is listed on both the Sao Paulo Stock Exchange "BOVESPA" and Luxembourg Stock Exchange, whose rules are different from the London Stock Exchange. The company's internal control procedures, whilst sufficient for the Board of Wilson Sons Limited to identify, manage and control the principal risks, may differ from the requirements of the Turnbull Committee. The Board of the principal operating subsidiary is responsible for identifying key business risks and establishing and reviewing internal control procedures.

The Board reviews the need for an internal audit department annually and considers that the parent group is not sufficiently large to justify an internal audit function. Wilson Sons Limited operates an internal audit function and the Wilson Sons Limited board monitors their internal financial control systems through reports received from the internal audit function.

In reviewing Wilson Sons Limited, the Board receives reports from the Wilson Sons Limited internal audit department, legal department and the Wilson Sons Limited external auditor.

The parent group (including Ocean Wilsons (Investments) Limited) has an ongoing process for identifying, evaluating and managing key risks including financial, operational and compliance controls. A risk register is maintained detailing business risks, together with controls and responsibilities. The risk register is regularly reviewed by the finance committee.

The systems operated both by the parent group and principal operating subsidiary are reviewed annually. The Board is satisfied that these systems are operating effectively.

The Ocean Wilsons Holdings Limited employee whistle blowing policy is designed to enable employees of the Company to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety. The Wilson Sons Limited Group whistle blowing policy and procedures enable employees who have concerns about the application of the Group's Code of Ethics to raise them with the Wilson Sons Limited ethics committee. The ethics committee will maintain their anonymity and report back to the employee on actions taken.

Relations with Shareholders

Communications with shareholders are important to the Board. Ocean Wilsons Holdings Limited sends both its annual report and accounts and half year accounts to all shareholders. To ensure Board members develop an understanding of the views of major shareholders there is regular dialogue with major institutional shareholders. The Deputy Chairman and executive director usually attend a number of these meetings. A report of meetings with shareholders is distributed to all directors. All broker reports are distributed to all Board members. The Annual General Meeting of the Company is held in Bermuda. When a significant proportion of the votes have been cast against a resolution at an Annual General Meeting the Board will contact significant shareholders to understand the reasons behind their vote. The Company website www.oceanwilsons.bm contains copies of the annual and interim report and stock exchange announcements.

Going Concern

The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$77.3 million in cash and cash equivalents and the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's Statement, Financial review and Investment Manager report on pages 1 to 15. The financial position, cash flows and borrowings of the Group are set out in the Financial review in pages 6 to 10. In addition note 36 to the financial statements include details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's borrowings are set out in note 22. Based on the Group's forecasts and sensitivities run, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period to 31 December 2019, taking into account the Group's current position and potential impact of the principal risks and uncertainties. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2019.

Whilst the directors have no reason to believe the Company will not be viable over a longer period, given the uncertainties involved in longer term forecasting the directors have determined that a three year period to 31 December 2019 is an appropriate period over which to provide its viability statement. The three year period also aligns with the rolling three year investment portfolio performance benchmark.

In making the assessment, the directors have considered a number of factors that affect the Group, including the principal risks and mitigating factors. The directors also took account that the Group has two distinctly separate investments, Wilson Sons Limited, a maritime services company in Brazil and Ocean Wilsons (Investments) Limited which holds a portfolio of international investments. There is no recourse between the two investments. In addition the Company holds no external debt.

Wilson Sons Limited

The assessment considered that the Wilson Sons Group business model has proven to be strong in the long term with a range of businesses that have consistently demonstrated their ability to trade, even in challenging market conditions, as evidenced in 2015 when the Group produced a solid performance despite the Brazilian Real depreciating 47% against the US Dollar in the year. Operational activities are funded by cash generated from operations, while the Wilson Sons Group borrowings are used to finance capital expenditure. The Wilson Sons Group borrowings are long-term with defined repayment schedules repayable over different periods up to 18 years and an average weighted maturity of 11 years. There is no recourse from Wilson Sons to the Company or Ocean Wilsons (Investments) Limited in respect of the Wilson Sons Limited borrowings. The Wilson Sons Group is not reliant on one particular customer, its largest customer constituted approximately 4% of the Group's revenue in 2016 (and including joint venture revenue 16%). In addition, Wilson Sons has opportunities to mitigate any adverse impacts given the flexible cost base of some of their business.

Whilst the Board considered all the principal risks identified the following were selected by the Group for stress testing using the Wilson Sons Limited long-term model, exchange rate risk, exposure to the offshore oil and gas industry and customer concentration risk. In testing we assumed that Petrobras remained a going concern.

Ocean Wilsons (Investments) Limited

In making the assessment for the investment portfolio, the Board has considered matters such as significant stock market volatility, changes in exchange rate and a significant reduction in the liquidity of the portfolio. The investment portfolio and cash under management at 31 December 2016 was US$238.9 million with outstanding capital commitments of US$33.9 million and no external debt.

We believe that if severe but plausible downside scenarios were to crystallise, many of the individual risks disclosed would be likely to be confined to either Wilson Sons Limited or Ocean Wilsons (Investments) Limited. The risk is to the valuation of the Group's balance sheet rather than the viability of the Group.

Report of the Directors

Directors' responsibilities
The Directors are responsible for preparing the annual report in accordance with applicable laws and regulations.

The Directors are required by Bermuda company law to lay financial statements before the Company in a general meeting. In doing this the Directors prepare accounts on a going concern basis for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors have considered whether:

- suitable accounting policies have been adopted and applied consistently;
- judgements and estimates are reasonable and prudent; and
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Board consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

By Order of the Board

Codan Services Limited
Assistant Secretary
24 March 2017

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the Group financial statements ("the financial statements") of Ocean Wilsons Holdings Limited ("the Group") for the year ended 31 December 2016 set out on pages 28 to 75.

In our opinion the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2015).

Maritime services revenue recognition (US$457.2m (2015: US$509.3m))

Risk vs 2015: ◀▶

Refer to page 22 (Finance Committee Report), page 38 (accounting policy) and page 41 (financial disclosures).

- *The risk* – we considered two principal risks of material misstatement: Determining the percentage of completion on shipbuilding contracts; and determining when services or obligations have been delivered to assess whether revenue from port terminals, towage operations, logistics and offshore businesses have been recognised in the correct period.

  The Group recognises shipbuilding revenue based on the stage of completion of contracts, which is assessed by reference to the proportion of contract costs incurred for the work performed to the balance sheet date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates of the final out-turn of costs on each contract, which are inherently judgemental and could be susceptible to a material misstatement.

  The Group recognises revenue when services in its port terminals, towage operations, logistics and offshore businesses have been fulfilled. The recognition of this revenue could be susceptible to timing errors in determining when services or obligations have been delivered, particularly given the Group's large volume and geographical spread of transactions in progress at year end. This could result in revenue being recognised in the incorrect period.

- *Our response* – In evaluating shipbuilding revenue, our audit procedures included testing all completed contracts at year end by agreeing revenue recognized to invoices raised, underlying contracts and correspondence with counterparties. For all construction projects that were not completed at year end, We obtained the project management reviews supporting the estimates of actual and forecast out-turn costs and challenged senior operational, commercial and financial management personnel on the judgements underlying those estimates and investigated any significant variances between actual and forecast out-turn costs. We evaluated the financial performance of contracts against budget and historical trends to assess management's forecasts. We also undertook site visits to physically inspect the stage of completion of individual projects through observation and discussion with site personnel. In addition, we challenged the Group's judgements in respect of forecast contract out-turn costs via agreement to internal certifications, which were tested on a sample basis with reference to our own assessments, historical outcomes and industry norms. We also inspected the selected contracts for key clauses and assessed whether these key clauses have been appropriately reflected in the amounts recognised in the financial statements.

  In evaluating the timing of the recognition of other maritime services revenue, we assessed the Group's revenue recognition policies against the relevant accounting standards. We visited a number of sites, including all of the Group's operational port terminals (Tecon Salvador, Tecon Rio Grande and Brasco) to test controls that that the Group's revenue recognition policies were being consistently applied. Additionally, we, tested the appropriateness of a sample of revenue accrued and deferred at year end, by agreeing revenue back to the specific contract terms. In addition, at year end, the audit team performed cut-off procedures to ensure revenue was recognized in the correct period.

  We also considered the adequacy of the Group's accounting policy disclosures in respect of revenue recognition.

Impairment risk to goodwill and intangible assets relating to business combinations (US$30.6m and US$18.6m respectively (2015: US$27.4m and US$16.6m respectively)) *Risk vs 2015:* ◀▶

Refer to page 22 (Finance Committee Report), page 39 (accounting policy) and page 47 (financial disclosures).

- *The risk* – The Group's investments in Tecon Rio Grande, Tecon Salvador and Brasco all gave rise to intangible assets and goodwill on acquisition. These investments are separate cash-generating units (CGU) and are tested for impairment as described in note 1. The value in use of the CGUs was assessed based on discounted cash flows projections. Due to the inherent risk and uncertainty involved in forecasting and discounting future cash flows in this industry in a developing economy, this is one of the key judgemental areas that our audit concentrated on. There is a risk of recoverability of the Group's significant goodwill and intangible assets due to possible weakening demand or the variability of the cost base in this industry.

- *Our response* – Our audit procedures included testing the Group's forecasting by considering the historical accuracy of previous forecasts. We compared actual results in the current year to forecasts prepared in previous periods and substantiated significant variances. We compared the Group's port terminal cash-flow assumptions against underlying contracts to agree revenue streams and contract end dates. In addition, we used our own experience nd discussions with a range of operational personnelto assess the probability of contracts being won, renewed or lost, which are included as future cash flows in the forecasts. We used our own corporate finance valuation specialists to assist us in evaluating the Directors' assumptions and judgements relating to projected economic growth, inflation, exchange rates, cost base, terminal values and discount rates used to derive recoverable amounts. We compared the Group's

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

assumptions to externally derived data, industry norms and our expectations based on our knowledge of the client and experience of the industry in which it operates. As part of this procedure, sensitivities over each of the assumptions and judgements were evaluated.

We considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the key assumptions and the requirements of accounting standards.

Provisions (US$20.0m (2015: US$13.9m)) *Risk vs 2015:* ◀▶
Refer to page 22 (Finance Committee Report), page 37 (accounting policy) and pages 59 and 60 (financial disclosures).

- *The risk* – As is common for businesses in Brazil, the Group receives a high volume of legal claims from general civil proceedings, labour claims and changing tax legislation. These resultant contingent liabilities are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective. In making these decisions, the Directors use their judgement and where appropriate receive external advice, in order to make their best estimate of provisions to be recorded in the financial statements. This is one of the key areas that our audit concentrated on as a result of the impact that a material claim could have on the Group's financial position and result for the year.

- *Our response* – Our audit procedures included obtaining an understanding from the Directors and in-house legal counsel of the basis for their estimates, and challenging the basis used with reference to the latest available corroborative information. This involved an assessment of correspondence with the Group's external counsel on all significant legal cases and discussions with them when further clarity was deemed necessary. In addition, we obtained direct formal confirmations to confirm the amounts and status of claims from the Group's external counsel for all significant litigation. With regard to open tax cases, in addition to the above we used our own tax specialists to assess the Group's tax positions based on its correspondence with the relevant tax authorities and our knowledge of local tax jurisdictions. We analysed and challenged the assumptions used to determine tax provisions based on our tax specialists' knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts.

  We also assessed whether the Group's disclosures detailing significant legal proceedings adequately disclose the provisions and contingent liabilities of the Group.

3. Our application of materiality and an overview of the scope of our audit
Materiality for the Group financial statements as a whole was set at US$5.0m (2015: US$5.35m), determined with reference to a benchmark of average Group profit before taxation excluding foreign exchange gains or losses over a four year average period, of US$104.9m, of which it represents 4.8%, (2015: 5.3%). Component teams performed procedures on foreign exchange gains or losses. We reported to the finance committee any corrected or uncorrected identified misstatements exceeding US$0.25m (2015: US$0.27m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 23 reporting components (2015: 25), we subjected 7 to audits for Group reporting purposes (2015: 9) and 16 to specified risk-focused audit procedures (2015: 16) over all material financial statement captions . Those 16 components were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual balances that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for Group reporting purposes	7	83%	96%	89%
Specific risk-focused audit procedures	16	17%	4%	11%
Total	**23**	**100%**	**100%**	**100%**
Total (2015)	**25**	**100%**	**100%**	**100%**

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which were US$2.5m for the component in Jersey and a range of US$1.3m to US$4.7m for the components in Brazil (2015: US$1.3m to US$5.0m), having regard to the mix of size and risk profile of the Group across the components. The work on 22 of the 23 components in the Group were performed by the component auditor in Brazil and the component in Jersey is audited by the Group team.

The Group team visited Brazil twice in the year, including to assess the audit risk and strategy. Telephone conference meetings were also held with the component auditor. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 23, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the 3 years to 2018; or

- the disclosures in note [2] of the financial statements concerning the use of the going concern basis of accounting.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

- the finance committee report does not appropriately address matters communicated by us to the finance committee.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 23, in relation to going concern and longer-term viability; and

- the part of the Corporate Governance Statement on pages 18 to 23 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and international Standards of Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother 2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of our audit report and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 90 of the Bermudan Companies Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Luke
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London E14 5GL
24 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	**Year to 31 December 2016 US$'000**	Year to 31 December 2015* US$'000
Revenue	3	**457,161**	509,268
Raw materials and consumables used		**(37,741)**	(55,760)
Employee benefits expense	6	**(144,274)**	(147,279)
Depreciation & amortisation expense	5	**(52,585)**	(53,214)
Other operating expenses		**(126,470)**	(142,175
Profit/(loss) on disposal of property, plant and equipment		**745**	(1,294)
Operating profit		**96,836**	109,546
Share of results of joint venture	17	**8,073**	4,843
Investment revenue	7	**15,065**	16,908
Other gains and losses	8	**(4,134)**	(1,388)
Finance costs	9	**(599)**	(45,403)
Foreign exchange gains/(losses) on monetary items		**2,286**	(15,792)
Profit before tax		**117,527**	68,714
Income tax expense	10	**(36,836)**	(39,455)
Profit for the year		**80,691**	29,259
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit and loss			
Employee benefits		**1,130**	(108)
Effective portion of changes in fair value of derivatives		**1,513**	(1,495)
Exchange differences arising on translation of foreign operations		**32,679**	(81,935)
Other comprehensive income/(loss) for the year		**35,322**	(83,538)
Total comprehensive income/(loss) for the year		**116,013**	(54,279)
Profit for the period attributable to:			
Equity holders of parent		**45,060**	15,470
Non-controlling interests		**35,631**	13,789
		80,691	29,259
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of parent		**65,576**	(32,741)
Non-controlling interests		**50,437**	(21,538)
	5	**116,013**	(54,279)
Earnings per share			
Basic and diluted	12	**127.4c**	43.7c

* The 2015 Consolidated Statement of Comprehensive Income has been represented. Provisions relating to legal claims previously reported in other operating expenses were reclassified to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims. For further details refer to note 2.

Consolidated Balance Sheet

as at 31 December 2016

	Notes	**As at 31 December 2016 US$'000**	As at 31 December 2015 US$'000
Non-current assets			
Goodwill	13	**30,607**	27,389
Other intangible assets	14	**30,444**	26,274
Property, plant and equipment	15	**646,926**	557,190
Deferred tax assets	23	**29,055**	32,128
Trade and other receivables	21	**55,070**	44,328
Investment in joint venture	17	**22,230**	18,301
Other non-current assets	27	**13,408**	8,018
		827,740	713,628
Current assets			
Inventories	19	**15,427**	28,285
Trading investments	18	**276,181**	276,878
Trade and other receivables	21	**81,265**	83,981
Cash and cash equivalents		**77,314**	97,561
		450,187	486,705
Total assets		**1,277,927**	1,200,333
Current liabilities			
Trade and other payables	25	**(68,257)**	(78,889)
Derivatives		**(712)**	(1,339)
Current tax liabilities		**(3,299)**	(3,732)
Obligations under finance leases	24	**(1,211)**	(1,192)
Bank overdrafts and loans	22	**(49,780)**	(41,490)
		(123,259)	(126,642)
Net current assets		**326,928**	360,063
Non-current liabilities			
Bank loans	22	**(325,750)**	(322,265)
Derivatives		**(1,182)**	(1,547)
Employee benefits		**(648)**	(1,308)
Deferred tax liabilities	23	**(48,974)**	(52,631)
Provisions	26	**(20,037)**	(13,922)
Obligations under finance leases	24	**(1,085)**	(1,536)
		(397,676)	(393,209)
Total liabilities		**(520,935)**	(519,851)
Net assets		**756,992**	680,482
Capital and reserves			
Share capital	27	**11,390**	11,390
Retained earnings		**521,878**	501,426
Capital reserves		**31,760**	31,760
Translation and hedging reserve		**(29,685)**	(49,542)
Equity attributable to equity holders of the parent		**535,343**	495,034
Non-controlling interests		**221,649**	185,448
Total equity		**756,992**	680,482

The accounts on pages 28 to 75 were approved by the Board on 24 March 2017. The accompanying notes are part of this Consolidated Balance Sheet.

J. F. Gouvêa Vieira
Chairman

K. W. Middleton
Director

Consolidated Statement of Changes in Equity

as at 31 December 2016

For the year ended 31 December 2015	Share capital US$'000	Retained earnings US$'000	Capital reserves US$'000	Hedging and Translation reserve US$'000	Attributable to equity holders of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2015	11,390	508,298	31,760	(1,677)	549,771	217,573	767,344
Currency translation adjustment	–	–	–	(47,342)	(47,342)	(34,593)	(81,935)
Employee benefits (note 37)	–	(63)	–	–	(63)	(45)	(108)
Effective portion of changes in fair value of derivatives	–	–	–	(806)	(806)	(689)	(1,495)
Profit for the year	–	15,470	–	–	15,470	13,789	29,259
Total income and expense for the period	–	15,407	–	(48,148)	(32,741)	(21,538)	(54,279)
Dividends	–	(22,279)	–	–	(22,279)	(14,104)	(36,383)
Derivatives	–	–	–	283	283	203	486
Share based payment expense	–	–	–	–	–	3,314	3,314
Balance at 31 December 2015	11,390	501,426	31,760	(49,542)	495,034	185,448	680,482
For the year ended 31 December 2016							
Balance at 1 January 2016	**11,390**	**501,426**	**31,760**	**(49,542)**	**495,034**	**185,448**	**680,482**
Currency translation adjustment	**–**	**–**	**–**	**18,953**	**18,953**	**13,726**	**32,679**
Employee benefits (note 37)	**–**	**659**	**–**	**–**	**659**	**471**	**1,130**
Effective portion of changes in fair value of derivatives	**–**	**–**	**–**	**904**	**904**	**609**	**1,513**
Profit for the year	**–**	**45,060**	**–**	**–**	**45,060**	**35,631**	**80,691**
Total income and expense for the period	**–**	**45,719**	**–**	**19,857**	**65,576**	**50,437**	**116,013**
Dividends	**–**	**(22,279)**	**–**	**–**	**(22,279)**	**(15,235)**	**(37,514)**
Acquisition of non-controlling interest	**–**	**(2,988)**	**–**	**–**	**(2,988)**	**(2,411)**	**(5,399)**
Share based payment expense	**–**	**–**	**–**	**–**	**–**	**3,410**	**3,410**
Balance at 31 December 2016	**11,390**	**521,878**	**31,760**	**(29,685)**	**535,343**	**221,649**	**756,992**

Share capital

The Group has one class of ordinary share which carries no right to fixed income.

Capital reserves

The capital reserves arise principally from transfers from revenue to capital reserves made in the Brazilian subsidiaries arising in the following circumstances:

(a) profits of the Brazilian subsidiaries and Brazilian holding company which in prior periods were required by law to be transferred to capital reserves and other profits not available for distribution; and

(b) Wilson Sons Limited bye-laws require the company to credit an amount equal to 5% of the company's net profit to a retained earnings account to be called legal reserve until such amount equals 20% of the Wilson Sons Limited share capital.

Hedging and translation reserve

The hedging and translation reserve arises from exchange differences on the translation of operations with a functional currency other than US Dollars and effective movements on hedging instruments.

Amounts in the statement of changes of equity are stated net of tax where applicable.

Consolidated Cash Flow Statement

for the year ended 31 December 2016

	Notes	**Year to 31 December 2016 US$'000**	Year to 31 December 2015 US$'000
Net cash inflow from operating activities	29	**93,812**	145,459
Investing activities			
Acquisition of non-controlling interest	28	**(1,855)**	–
Interest received		**7,460**	11,702
Dividends received from trading investments		**4,811**	4,244
Proceeds on disposal of trading investments		**63,664**	57,783
Purchase of trading investments		**(67,101)**	(75,558)
Proceeds on disposal of property, plant and equipment		**3,174**	987
Purchase of property, plant and equipment		**(96,209)**	(65,779)
Purchase of intangible assets		**(5,277)**	(2,238)
Net cash used in investing activities		**(91,333)**	(68,859)
Financing activities			
Dividends paid	11	**(22,279)**	(22,279)
Dividends paid to non-controlling interests in subsidiary		**(15,235)**	(14,104)
Repayments of borrowings		**(40,965)**	(49,894)
Repayments of obligations under finance leases		**(1,086)**	(1,081)
New bank loans raised		**46,604**	31,881
Derivative paid		**(1,016)**	(445)
Net cash from financing activities		**(33,977)**	(55,922)
Net (decrease)/increase in cash and cash equivalents		**(31,498)**	20,678
Cash and cash equivalents at beginning of year		**97,561**	103,810
Effect of foreign exchange rate changes		**11,251**	(26,927)
Cash and cash equivalents at end of year		**77,314**	97,561

Notes to the Accounts

for the year ended 31 December 2016

1 General Information

Ocean Wilsons Holdings Limited is a company incorporated in Bermuda under the Companies Act 1981 and the Ocean Wilsons Holdings Limited Act, 1991. The address of the registered office is given on page 16. The nature of the Group's operations and its principal activities are set out in the operating and financial review on pages 1 to 15.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates. Entities with a functional currency other than US Dollars are included in accordance with the policies set out in note 2.

2 Significant accounting policies and critical accounting judgements

Basis of accounting

The financial statements have been prepared in accordance with IFRSs adopted for use by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and share-based payments liabilities that are measured at fair values. The principal accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$77.3 million in cash and cash equivalents and the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's statement, Operating review and Investment Manager's report on pages 1 to 15. The financial position, cash flows and borrowings of the Group are set out in the financial review in pages 6 to 10. In addition note 36 to the financial statements include details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's borrowings are set out in note 22. Based on the Group's forecasts and sensitivities run, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Reclassification

Provisions relating to legal claims were previously reported in other operating expenses. In 2016 to improve the transparency of the financial statements, the Group has decided to reclassify provisions to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims.

Previous financial figures and those reclassified are as follows:

	As presented 31 December 2016 US$'000	Reclassified 31 December 2015* US$'000
Revenue	**–**	346
Employee benefits expense	**–**	(3,679)
Other operating expenses	**(3,706)**	(622)
Income tax expense	**–**	249
Total	**(3,706)**	(3,706)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year (collectively the "Group"). The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Where a change in percentage of interests in a controlled entity does not result in a change of control, the difference between the consideration paid for the additional interest and the book value of the net assets in the subsidiary at the time of the transaction is taken direct to equity.

2 Significant accounting policies and critical accounting judgements (continued)

Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates (its functional currency). Transactions other than those in the functional currency of the entity are translated at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the statement of comprehensive income of entities with a functional currency other than US Dollars are translated into US Dollars, the Group's presentational currency, at average rates of exchange. Balance sheet items are translated into US Dollars at year end exchange rates. Exchange differences arising on consolidation of entities with functional currencies other than US Dollars are classified as equity and are recognised in the Group's translation reserve.

Investments in entities accounted for using the equity method

The Group's investments in entities accounted for using the equity method include its interests in associates and jointly controlled (joint ventures) ventures.

Associates are those entities in which the Group, directly or indirectly, has significant influence but not control or joint control, over the financial and operating policies. A jointly controlled entity is in a contractual agreement whereby the Group has joint control, where the Group is entitled to the net assets of the contractual agreement, and not entitled to specific assets and liabilities arising from the agreement.

Investments in associates and jointly controlled entities are accounted for using the equity method. Such investments are initially recognised at cost, which includes expenses for the transaction. After initial recognition, the financial statements include the Group's share in the profit or loss for the year and other comprehensive income of the investee until the date that significant influence or joint control ceases.

Investments in joint ventures

Interests in joint ventures

A joint venture is a contractual agreement where the Group has rights to the net assets of the contractual arrangement and is not entitled to specific assets and liabilities arising from the agreement. Investments in joint venture entities are accounted for using the equity method. After initial recognition, the financial statements include the Group's share in the profit or loss for the year and other comprehensive income of the investee until the date that significant influence or joint control ceases.

Interests in joint operations

Joint operation is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. The joint operations assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. The Group's share of the assets, liabilities, income and expenses of joint operation entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

The consolidated financial statements include the accounts of joint ventures and joint operations which are listed in Note 17.

Employee Benefits

Short-term employee benefits

Obligations of short-term employee benefits are recognised as personnel expenses as the corresponding service is provided. The liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Stock option plan

For equity-settled share-based payment transactions, the Group measures the options granted, and the corresponding increase in equity, directly, at the fair value of the option grant. Subsequent to initial recognition and measurement the estimate of the number of equity instruments for which the service and non-market performance conditions are expected to be satisfied is revised during the vesting period. The cumulative amount recognised is based on the number of equity instruments for which the service and non-market conditions are expected to be satisfied. No adjustments are made in respect of market conditions.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Employee Benefits (continued)

Share-Based payment transactions

The fair value of the amount payable to employees regarding the rights on the valuation of the shares, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities during the period that the employees are unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date based on the fair value of the rights on valuation. Any changes in the fair value of the liability are recognised in income as personnel expenses.

Defined health benefit plans

The Group's net obligation regarding defined health benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees receive in return for their service in the current period and prior periods. That health benefit is discounted to determine its present value. Any costs of unrecognised past service and the fair value of any plan assets are deducted.

The calculation of the liability of the defined health benefit plan is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential liability for the Group, the liability to be recognised is limited to the present value of economic costs in the form of future contributions to the plan. To calculate the present value of economic liabilities, any minimum funding requirements applicable are taken into account. Remeasurements of the net defined health benefit obligation, which include: actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if applicable, excluding interest), are immediately recognised in OCI. The Group determines the net interest on the net amount of defined benefit liabilities (assets) for the period by multiplying them by the discount rate used to measure the defined health benefit obligation. Defined benefit liabilities (assets) for the period take into account the balance at the beginning of the period covered by the financial statements and any changes in the defined health benefit net liability (asset) during the period due to the payment of contributions and benefits. Net interest and other expenses related to defined health benefit plans are recognised in income.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees receive in return for the service rendered in the current year and previous years. That benefit is discounted to determine its present value. Remeasurements are recognised in the income statement.

Benefits of termination of employment relationship

The benefits of termination of employment relationship are recognised as an expense when the Group can no longer withdraw the offer of such benefits and when the Group recognizes the costs of restructuring. If payments are settled after 12 months from the balance sheet date, then they are discounted to their present values.

Taxation

Tax expense for the period comprises current tax and deferred tax.

Current tax is based on assessable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows. Deferred tax is not provided:

- in respect of tax payable on undistributed earnings of subsidiaries, associates and joint ventures where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;

- on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; or

- on the initial recognition of any non-tax deductible goodwill.

2 Significant accounting policies and critical accounting judgements (continued)

Taxation (continued)

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

A company will normally have a legally enforceable right to set off a deferred tax asset against a deferred tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the company to make or receive a single net payment. In the consolidated financial statements, a deferred tax asset of one entity in the Group cannot be offset against a deferred tax liability of another entity in the Group, as there is no legally enforceable right to offset tax assets and liabilities between Group companies.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method as follows:

Freehold Buildings:	25 to 60 years
Leasehold Improvements:	Lower of the rental period or useful life considering residual values
Floating Craft:	25 to 35 years
Vehicles:	5 years
Plant and Equipment:	5 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except when there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term in which the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Dry docking costs are capitalised and depreciated over the period in which the economic benefits are received.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and expected changes to selling prices and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit. Growth rates are based on management's forecasts and historical trends. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Business combinations

Business combinations are accounted using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated considering the sum of the acquisition-date fair values of assets, liabilities and the equity interests transferred to the Group when the control of the acquisition is transferred. Acquisition-related costs are recognised in the income statement as incurred. Any goodwill that arises is tested annually for impairment. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments is recognised in the income statement.

Sale of non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. There is no indefinite life intangible asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

Impairment of tangible and other intangible assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating unit ("CGU") are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, spare parts and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2 Significant accounting policies and critical accounting judgements (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

- *Trade Receivables:* Trade receivables, loans and other amounts receivable are stated at the initial fair value of the amounts due, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

- *Investments:* Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at the fair value, plus directly attributable transaction costs. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. The fair value of financial assets traded in active markets are based on the mid market price the close of trading on the reporting date. Unquoted investments held for trading purposes are stated at fair value through profit and loss as determined by using various valuation techniques, except where fair value cannot be reliably measured, when the investment is held at cost less any provision for impairment. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

- *Cash and Cash Equivalents:* Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- *Bank Borrowings:* Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivatives

The Group periodically uses derivative financial instruments to reduce exposure to foreign exchange and interest rate movements. Derivatives are measured at each balance sheet date at fair value. Gains and losses arising from changes in fair value for exchange and interest derivatives are included in the income statement for the period within investment revenue or finance costs. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the statement of comprehensive income.

Hedge Accounting (Cash flow hedge)

The Group seeks to apply hedge accounting (cash flow hedge) in order to manage volatility in the income statement. When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and discounted where the effect is material. In the normal course of business in Brazil, the Group is exposed to local legal cases. Provisions for legal cases are made when the Group's management, together with their legal advisors, consider the probable outcome is a financial settlement against the Group. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation based upon legal advice received. For labour claims, the provision is based on prior experience and managements' best knowledge of the relevant facts and circumstances. For tax cases, the provision is based on managements' best knowledge of the relevant facts and circumstances and legal advice received.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Construction contracts

Shipyard construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Construction contracts in progress is presented as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as deferred income/revenue in the statement of financial position. Customer advances are presented as deferred income/revenue in the balance sheet.

Revenue

Revenue is measured at fair value of the consideration received or receivable for goods and services provided in the normal course of business net of trade discounts and other sales related taxes.

Maritime revenue

Revenue related to services is recognised when the work in proportion to the stage of completion of the transaction contracted has been performed in accordance with contracted terms. Revenue from construction contracts is recognised by reference to the stage of completion of the contract, Revenue from providing containerised and associated services is recognised on the date in which the services have been performed. Revenue from providing towage services is recognised on the date on which the services have been performed. Revenue from providing agency and logistics services is recognised when the services have been agreed and the transaction has occurred.

Investment revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease, or if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income. Rentals payable under finance leases are charged to income on a straight-line basis over the term of the relevant lease.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

2 Significant accounting policies and critical accounting judgements (continued)

Provisions (including provision for Brazilian taxes)

In the normal course of business in Brazil, the Group is exposed to local legal cases. Provisions for legal cases are made when the Group's management, together with their legal advisors, consider the probable outcome is a financial settlement against the Group. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation based upon legal advice received. For labour claims, the provision is based on prior experience and management's best knowledge of the relevant facts and circumstances. For tax cases the provision is based on management's best knowledge of the relevant facts and circumstances and legal advice received.

There are uncertainties regarding the interpretation of complex tax regulations and the value and timing of future taxable results. Given the long-term nature and the complexity of existing contracts, differences between the actual results and the assumptions adopted or future changes in such assumptions could require future adjustments to the tax income and expense already recorded. The Group establishes provisions, based on applicable estimates, for possible consequences of auditing by tax authorities of the respective jurisdictions where it operates. The amount of such provisions is based on several factors, such as prior experiences with fiscal audits and different interpretations of the tax regulations by the taxable entity and by the tax authority in question. Such differences in interpretation may arise for the most diverse matters, depending on the conditions in force in the respective domicile of the Group's entity.

Management has considered a range of possible outcomes in relation to provisions, in the context of the uncertainties noted above and they consider that the position taken represents the best estimate at the balance sheet date.

Current and deferred tax

The Group records assets related to deferred taxes resulting from temporary differences and tax losses between the book value of assets and liabilities and their tax bases. Deferred tax assets are recognised to the extent that the Group expects to generate sufficient taxable profit based on projections and forecasts prepared by management. Such projections and forecasts include several assumptions regarding the Group's performance, foreign exchange rates, volume of services, other rates and factors that may differ from present estimates. Under the current Brazilian tax legislation, tax losses do not expire for utilization. However, cumulative tax losses can only be offset by up to 30.0% of the annual taxable profit.

Management has considered a range of possible outcomes in relation to deferred tax, in the context of the expected future taxable profits noted above and they consider that the position taken represents the best estimate at the balance sheet date.

Impairment of goodwill and intangibles

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and indefinite-lived intangible assets could be susceptible to impairment and are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit "CGU" exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Management has considered a range of possible outcomes in relation to the assumptions used in calculating the discounted cash flow to support the goodwill and intangible assets. They consider that the position taken represents the best estimate at the balance sheet date, further analysis is included in note 13.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Revenue recognition

Shipyard construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

The Group also recognises remaining maritime revenue when services have been fulfilled. The recognition of this revenue could be susceptible to timing errors in determining when services or obligations have been delivered, particularly given the Group's large volume and geographical spread of transactions in progress at year end.

Management has considered a range of possible outcomes in relation to the recognition of shipyard construction revenue. They consider that the position taken represents the best estimate at the balance sheet date.

Stock option plan

The fair value of equity-settled share-based payments are determined using a binomial model, as the awards are equity-settled the fair value is assessed at the date of grant. The assumptions used in determining this fair value include, amongst others, the life of the options, share price volatility, dividend yield, employee turnover and the risk free rate. Expected volatility is determined by calculating the volatility of the Group's share price over a historical period.

Expected dividend yield is based on the Wilson Sons dividend policy. The employee turnover is consistent with recent turnover and is an appropriate assumption for the employees in the plan. In determining the risk free rate the Group utilises the yield on a zero coupon government bond in the currency in which the exercise price is expressed.

Management has considered a range of possible outcomes in relation to the assumptions used in calculating the fair value of equity-settled share-based payments. They consider that the position taken represents the best estimate at the balance sheet date.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

Depreciation and amortisation are charged so as to write off the cost or valuation of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method. Estimated useful lives are determined based on prior experience and management's best knowledge, and are reviewed annually.

Management has considered a range of possible outcomes in relation to the assumptions used in the estimated useful life of the Group's assets with finite useful lives. Management performs ongoing reviews of estimated useful lives and they consider that the position taken represents the best estimate at the balance sheet date.

Valuation of unquoted investments

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Through the Investment Manager management has considered the valuation of investments in particular level 3 assets and they consider that the position taken represents the best estimate at the balance sheet date.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards can be early adopted and effective for annual periods beginning after 1 January 2016; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

2 Significant accounting policies and critical accounting judgements (continued)

New standards and interpretations not yet adopted (continued)

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting estimates and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the consolidated financial statements will be impacted, but the Group has not yet quantified all the impacts on its reported assets and liabilities following an adoption of IFRS 16.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

3 Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015* US$'000
Sales of services	**430,753**	455,383
Revenue from construction contracts	**26,408**	53,885
	457,161	509,268
Investment income (note 7)	**15,065**	16,908
	472,226	526,176

All revenue is derived from continuing operations.

* The 2015 comparative has been represented. Provisions relating to legal claims previously reported in other operating expenses were reclassified to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims. For further details refer to note 2.

Notes to the Accounts

4 Business and geographical segments

Business segments

Ocean Wilsons has two reportable segments: maritime services and investments. The maritime services segment provides towage, port terminals, ship agency, offshore, logistics and shipyard services in Brazil. The investment segment holds a portfolio of international investments. Segment information relating to these businesses is presented below.

For the year ended 31 December 2016

	Maritime Services Year ended 31 December 2016 US$'000	Investment Year ended 31 December 2016 US$'000	Unallocated Year ended 31 December 2016 US$'000	Consolidated Year ended 31 December 2016 US$'000
Revenue	457,161	–	–	457,161
Result				
Segment result	101,536	(2,559)	(2,141)	96,836
Share of results of joint ventures	8,073	–	–	8,073
Investment revenue	10,236	4,824	5	15,065
Other gains and losses	–	(4,134)	–	(4,134)
Finance costs	(599)	–	–	(599)
Foreign exchange losses on monetary items	2,623	35	(372)	2,286
Profit before tax	121,869	(1,834)	(2,508)	(117,527)
Tax	(36,836)	–	–	(36,836)
Profit after tax	85,033	(1,834)	(2,508)	80,691
Other information				
Capital additions	(102,418)	–	–	(102,418)
Depreciation and amortisation	(52,584)	–	(1)	(52,585)
Balance Sheet				
Assets				
Segment assets	1,036,829	238,898	2,200	1,277,927
Liabilities				
Segment liabilities	(520,341)	(244)	(350)	(520,935)

4 Business and geographical segments (continued)

For the year ended 31 December 2015*

	Maritime Services Year ended 31 December 2015 US$'000	Investment Year ended 31 December 2015 US$'000	Unallocated Year ended 31 December 2015 US$'000	Consolidated Year ended 31 December 2015 US$'000
Revenue	509,268	–	–	509,268
Result				
Segment result	114,531	(2,681)	(2,304)	109,546
Share of results of joint ventures	4,843	–	–	4,843
Investment revenue	12,660	4,248	–	16,908
Other gains and losses	–	(1,388)	–	(1,388)
Finance costs	(45,403)	–	–	(45,403)
Foreign exchange losses on monetary items	(15,883)	(46)	137	(15,792)
Profit before tax	70,748	133	(2,167)	68,714
Tax	(39,455)	–	–	(39,455)
Profit after tax	31,293	133	(2,167)	29,259
Other information				
Capital additions	(69,889)	–	–	(69,889)
Depreciation and amortisation	(53,213)	–	(1)	(53,214)
Balance Sheet				
Assets				
Segment assets	953,236	245,302	1,795	1,200,333
Liabilities				
Segment liabilities	(519,224)	(242)	(385)	(519,851)

* The 2015 comparative has been represented. Provisions relating to legal claims previously reported in other operating expenses were reclassified to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims. For further details refer to note 2.

Finance costs and associated liabilities have been allocated to reporting segments where interest costs arise from loans used to finance the construction of fixed assets in that segment.

Geographical Segments

The Group's operations are located in Bermuda, Brazil, Panama and Uruguay.

All of the Group's sales are derived in Brazil.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31 December 2016 US$'000	31 December 2015 US$'000	**Year ended 31 December 2016 US$'000**	Year ended 31 December 2015 US$'000
Brazil	**985,329**	909,652	**102,418**	69,889
Bermuda and other	**292,598**	290,681	**–**	–
	1,277,927	1,200,333	**102,418**	69,889

Notes to the Accounts

5 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Depreciation of property, plant and equipment	47,337	47,562
Amortisation of intangible assets	5,248	5,651
Operating lease rentals	17,178	11,313
Auditor's remuneration for audit services (see below)	460	481
Non-executive directors emoluments	491	446
A more detailed analysis of auditor's remuneration is provided below:		
Financial statement audit of group and subsidiaries	460	481
Other services	–	–
	460	481

6 Employee benefits expense

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015* US$'000
Aggregate remuneration comprised:		
Wages and salaries	117,597	120,540
Share based payments	3,420	3,346
Social security costs	22,253	22,395
Other pension costs	1,004	998
	144,274	147,279

* The 2015 comparative has been represented. Provisions relating to legal claims previously reported in other operating expenses were reclassified to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims. For further details refer to note 2.

7 Investment revenue

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Interest on bank deposits	7,919	10,725
Dividends from equity investments	4,811	4,244
Other interest	2,335	1,939
	15,065	16,908

8 Other gains and losses

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Decrease in fair value of trading investments held at year end	(6,030)	(4,396)
Profit on disposal of trading investments	1,896	3,008
	(4,134)	(1,388)

Other gains and losses form part of the movement in trading investments as outlined in note 18.

9 Finance costs

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Interest on bank overdrafts and loans	**12,277**	11,833
Exchange (gain)/loss on foreign currency borrowings	**(12,806)**	32,604
Interest on obligations under finance leases	**414**	596
Other interest	**714**	370
	599	45,403

Borrowing costs incurred on qualifying assets of US$0.8 million (2015: US$1.5 million) were capitalised in the year at an average interest rate of 3.12% (2015: 3.00%).

10 Taxation

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015* US$'000
Current		
Brazilian taxation		
Corporation tax	**26,900**	26,755
Social contribution	**10,924**	11,055
Total current tax	**37,824**	37,810
Deferred tax		
Charge/(credit) for the year in respect of deferred tax liabilities	**20,661**	(29,069)
(Credit)/charge for the year in respect of deferred tax assets	**(21,649)**	30,714
Total deferred tax	**(988)**	1,645
Total taxation	**36,836**	39,455

* The 2015 comparative has been represented. Provisions relating to legal claims previously reported in other operating expenses were reclassified to revenue, employee benefits expense and income tax expense, according to the underlying nature of the legal claims. For further details refer to note 2.

Brazilian corporation tax is calculated at 25% (2015: 25%) of the assessable profit for the year. Brazilian social contribution tax is calculated at 9% (2015: 9%) of the assessable profit for the year.

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the company has received an undertaking from the Bermuda Government exempting it from all such taxes until 31 March 2035.

Notes to the Accounts

10 Taxation (continued)

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Profit before tax	**117,527**	68,714
Tax at the aggregate Brazilian tax rate of 34% (2015: 34%)	**39,959**	23,363
Deferred tax items not included in determining taxable profit		
Retranslation of non-current asset valuation	**(22,376)**	27,003
Exchange variance on loans	**14,397**	(24,999)
Tax effect of subsidiary losses not recognised in deferred tax assets	**5,079**	3,291
Total deferred tax not included in determining taxable profit	**(2,900)**	5,295
Tax effect of income/(expenses) that are not included in determining taxable profit		
Tax effect of foreign exchange gain or losses on monetary items	**(2,325)**	5,369
Tax effect of share of results of joint ventures	**(2,745)**	(1,647)
Tax effect of other items that are not included in determining taxable profit	**(178)**	6,400
Tax adjustments in respect of prior years	**2,196**	849
Items deductible for Brazilian taxable profit not included in the income statement		
Interest on own equity	**–**	(1,299)
Income/expenses incurred outside Brazil		
Share option scheme	**1,159**	1,127
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,670**	(2)
Tax expense for the year	**36,836**	39,455
Effective rate for the year	**31%**	57%

The Group earns its profits primarily in Brazil. Therefore, the tax rate used for tax on profit on ordinary activities is the standard rate in Brazil of 34%, consisting of corporation tax, 25% and social contribution 9%.

11 Dividends

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2015 of 63c (2014: 63c) per share	**22,279**	22,279
Proposed final dividend for the year ended 31 December 2016 of 63c (2015: 63c) per share	**22,279**	22,279

12 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**45,060**	15,470
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**35,363,040**	35,363,040

13 Goodwill

	31 December 2016 US$'000	31 December 2015 US$'000
Cost and carrying amount attributed to:		
Tecon Rio Grande	**15,821**	11,704
Brasco	**12,306**	13,205
Tecon Salvador	**2,480**	2,480
Total	**30,607**	27,389

The goodwill associated with each cash-generating unit (Brasco, Tecon Salvador and Tecon Rio Grande) is attributed to the Maritime segment.

As part of the annual impairment test review the carrying value of goodwill has been assessed with reference to its value in use reflecting the projected discounted cash flows of each CGU to which goodwill has been allocated. The cash flows are based on the remaining life of the concession. Future cash flows are derived from the most recent financial budget and for the period of concession remaining.

The key assumptions used in determining value in use relate to growth rate, discount rate, inflation, volume, working capital and interest rate. Further projections include sales and operating margins, which are based on past experience, taking into account the effect of known or likely changes in market or operating conditions. Each CGU is assessed for impairment annually and whenever there is an indication of impairment.

The stimated average growth rate used does not exceed the historical average for Tecon Rio Grande and Tecon Salvador. The growth rate of 3.7% above inflation has been estimated for Brasco, and a discount rate of 7.6% for all business units has been used. These growth rates reflect the products and industries in Brazil. These medium to long-term growth rates have been reviewed by management during the annual impairment test for 2016 and are considered to be appropriate for the period.

After testing goodwill as mentioned above, no impairment losses were recognised for the periods presented.

The Directors have considered the following individual sensitivities and are confident that no impairment would arise in any of the cash-generating units in any of the following two circumstances:

- If the discount rate was increased by 30%; or
- If the cash flow projections of all businesses were reduced by 30%.

After testing goodwill as mentioned above, no impairment losses were recognised for the periods presented.

The goodwill of Tecon Rio Grande consists of goodwill on the acquisition of Tecon Rio Grande and goodwill incorporated in Tecon Rio Grande upon acquisition. As Tecon Rio Grande has Brazilian Real as its functional currency, the part of the goodwill resulting from the merger of Tecon Rio Grande with other subsidiaries is subject to exchange rate effects.

Notes to the Accounts

14 Other intangible fixed assets

	US$'000
Cost	
At 1 January 2015	64,348
Additions	2,238
Write off	(58)
Exchange differences	(12,579)
At 1 January 2016	**53,949**
Additions	**5,277**
Write off	**(292)**
Exchange differences	**5,988**
At 31 December 2016	**64,922**
Amortisation	
At 1 January 2015	25,783
Charge for the year	5,651
Write off	(52)
Exchange differences	(3,707)
At 1 January 2016	**27,675**
Charge for the year	**5,248**
Write off	**(291)**
Exchange differences	**1,846**
At 31 December 2016	**34,478**
Carrying amount	
31 December 2016	**30,444**
31 December 2015	26,274

Intangible fixed assets arose from (i) the acquisition of concession rights for the container and heavy cargo terminal in Salvador in 2000, and the Ponta Norte expansion at Tecon Salvador in 2010 (ii) the implementation of integrated management software (SAP) (iii) the Briclog acquisition in 2013 (Brasco). The additions to intangible assets in the period are mainly attributable to computer software.

The breakdown of intangibles by type is as follows:

	31 December 2016 US$'000	31 December 2015 US$'000
Lease right – Brasco	**13,853**	11,998
Lease right – Tecon Salvador	**5,049**	4,624
Computer software – SAP	**1,970**	3,025
Other computer software	**9,371**	6,479
Other intangibles	**201**	148
Total	**30,444**	26,274

The computer software is amortised over 5 years following completion of the installation. In November 2016 Tecon Salvador signed the second amendment to the terminal lease agreement, which extends the concession period until March 2050. Therefore, the amortisation expense for the lease right will be measured considering the validity of the lease contract (2050). Details are disclosed in Note 11.

15 Property, plant and equipment

	Land and buildings US$'000	Floating Craft US$'000	Vehicles, plant and equipment US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation					
At 1 January 2015	326,663	369,587	241,997	11,470	949,717
Additions	15,296	12,394	8,665	31,296	67,651
Transfers	59	13,440	(59)	(13,440)	–
Exchange differences	(86,226)	–	(68,690)	–	(154,916)
Disposals	(98)	(3,264)	(4,715)	–	(8,077)
At 1 January 2016	255,694	392,157	177,198	29,326	854,375
Additions	7,259	29,874	36,602	23,406	97,141
Transfers	(187)	53,071	(152)	(52,732)	–
Exchange differences	38,581	–	30,148	–	68,729
Disposals	(209)	(17,227)	(9,811)	–	(27,247)
At 31 December 2016	**301,138**	**457,875**	**233,985**	**–**	**992,998**
Accumulated depreciation and impairment					
At 1 January 2015	75,344	124,499	110,394	–	310,237
Charge for the year	12,095	15,434	20,033	–	47,562
Elimination on construction contracts	–	2,553	–	–	2,553
Exchange differences	(23,755)	–	(33,753)	–	(57,508)
Disposals	(88)	(2,655)	(2,916)	–	(5,659)
At 1 January 2016	63,596	139,831	93,758	–	297,185
Charge for the year	10,824	19,809	16,704	–	47,337
Elimination on construction contracts	–	1,068	–	–	1,068
Exchange differences	11,356	–	14,817	–	26,173
Disposals	(169)	(16,808)	(8,714)	–	(25,691)
At 31 December 2016	**85,607**	**143,900**	**116,565**	**–**	**346,072**
Carrying Amount					
At 31 December 2016	**215,531**	**313,975**	**117,420**	**–**	**646,926**
At 31 December 2015	192,098	252,326	83,440	29,326	557,190

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$3.2 million (2015: US$12.9 million) in respect of assets held under finance leases.

Land and buildings with a net book value of US$0.2 million (2015: US$0.2 million) and tugs with a value of US$0.3 million (2015: US$0.5 million) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$290.5 million (2015: US$254.1 million) to secure loans granted to the Group.

At 31 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$20.4 million (2015: US$4.6 million). The amount mainly refers to the expansion of Brasco and investments in Tecon Salvador and Tecon Rio Grande.

In November 2016 Tecon Salvador S.A signed the second amendment to the terminal lease agreement, which extends the lease term until March 2050. Based on management's expectation and expert technical advice the estimated useful lives of the quay, terminal area, administrative building, warehouse, electrical substation, office and storage building are longer than the lease contract period. Therefore these assets will be depreciated over the remaining period of the lease contract until 2050. Portainers will be depreciated over their estimated useful life of 20 years. As a result of these changes the depreciation expense of Tecon Salvador for 2016, was US$4.0 million against US$4.5 million that would have been recorded if the change had not occurred.

In 2016 the Group reviewed the economic useful life of the shipyard dry-dock and quay in Guarujá. On 1 April 2016 management adjusted the useful life of the shipyard dry-dock and buildings (from 30 years to 60 years), and as result of this change the depreciation expense, on 31 December 2016, was US$0.9 million (against US$1.0 million) that would have been recorded if there were no change.

Notes to the Accounts

16 Principal subsidiaries

	Place of incorporation and operation	Effective interest*	Method used to account for investment
OCEAN WILSONS (INVESTMENTS) LIMITED	Bermuda	100%**	Consolidation
Investment holding and dealing company			
WILSON SONS LIMITED	Bermuda	58.25%**	Consolidation
Holding company			
WILSON SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA	Brazil	58.25%	Consolidation
Holding company			
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA	Brazil	58.25%	Consolidation
Tug operators			
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÊNCIA DE NAVEGAÇÃO LTDA	Brazil	58.25%	Consolidation
Shipbuilders			
WILSON, SONS ESTALEIRO LTDA	Brazil	58.25%	Consolidation
Shipbuilders			
WILSON SONS AGENCIA MARÍTIMA LTDA	Brazil	58.25%	Consolidation
Ship Agents			
WILSON, SONS NAVEGAÇÃO LTDA	Brazil	58.25%	Consolidation
Ship Agents			
WILSON, SONS LOGÍSTICA LTDA	Brazil	58.25%	Consolidation
Logistics			
WILSON, SONS TERMINAIS DE CARGAS LTDA	Brazil	58.25%	Consolidation
Transport services			
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA	Brazil	58.25%	Consolidation
Bonded warehousing			
WS PARTICIPAÇÕES S.A.	Brazil	58.25%	Consolidation
Holding company			
WS PARTICIPACIONES S.A.	Uruguay	58.25%	Consolidation
Holding company			
TECON RIO GRANDE S.A.	Brazil	58.25%	Consolidation
Port operator			
WILSON, SONS APOIO MARITIMO LTDA	Brazil	58.25%	Consolidation
Tug operator			
BRASCO LOGÍSTICA OFFSHORE LTDA	Brazil	58.25%	Consolidation
Port operator			
TECON SALVADOR S.A.	Brazil	58.25%	Consolidation
Port operator			

* Effective interest is the net interest of Ocean Wilsons Holdings Limited after non-controlling interests.

** Ocean Wilsons Holdings Limited holds direct interests in Ocean Wilsons (Investments) Limited and Wilsons Sons Limited.

The Group also has a 58.25% effective interest in a private investment fund Hydrus Fixed Income Private Credit Investment Fund. This private fund is administrated by Itaú bank and the investment policy and objectives are determined by the Wilson Sons treasury department in line with their policy.

17 Joint ventures

The Group holds the following significant interests in joint operations and joint ventures at the end of the reporting period:

	Place of incorporation and operation	Proportion of ownership	
		31 December 2016	31 December 2015
Towage			
Consórcio de Rebocadores Barra de Coqueiros	Brazil	**50%**	50%
Consórcio de Rebocadores Baia de São Marcos	Brazil	**50%**	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda	Brazil	**50%**	50%
Offshore			
Wilson, Sons Ultratug Participações S.A.*	Brazil	**50%**	50%
Atlantic Offshore S.A.**	Panamá	**50%**	50%

* Wilson, Sons Ultratug Participações S.A. controls Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A. These latter two companies are indirect joint ventures of the Company.
** Atlantic Offshore S.A. controls South Patagonia S.A. This company is an indirect joint venture of the company.

The aggregated Group's interests in joint ventures are equity accounted.

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Revenue	**141,728**	141,975
Raw materials and consumables used	**(7,522)**	(4,835)
Employee benefits expense	**(41,382)**	(40,226)
Depreciation and amortisation expenses	**(34,912)**	(35,460)
Other operating expenses	**(17,063)**	(15,534)
Loss on disposals of property, plant & equipment	**(2,202)**	(576)
Results from operating activities	**38,647**	45,344
Finance income	**2,661**	1,117
Finance costs	**(21,218)**	(18,362)
Foreign exchange gains/(losses) on monetary items	**9,591**	(15,799)
Profit before tax	**29,681**	12,300
Income tax expense	**(13,535)**	(2,613)
Profit for the period	**16,146**	9,687
Participation	**50%**	50%
Equity result	**8,073**	4,843

Notes to the Accounts

17 Joint ventures (continued)

	31 December 2016 US$'000	31 December 2015 US$'000
Property, plant and equipment	**674,476**	666,656
Long-term investment	**2,066**	2,041
Other assets	**3,752**	2,470
Trade and other receivables	**42,494**	32,415
Derivatives	**261**	–
Cash and cash equivalents	**10,859**	21,011
Total assets	**733,908**	724,593
Bank overdrafts and loans	**533,771**	547,550
Other non-current liabilities	**30,295**	21,819
Trade and other payables	**82,114**	81,126
Equity	**87,728**	74,098
Total liabilities	**733,908**	724,593

Guarantees

Wilson Sons Offshore S.A. loan agreements with BNDES are guaranteed by a lien on the financed supply vessel and, in the majority of the contracts, a corporate guarantee from both Wilson Sons de Adminisração e Comércio Ltda and Rebocadores Ultratug Ltda, each guaranteeing 50% of its subsidiary's debt balance with BNDES.

Magallanes Navegação Brasileira S.A.'s loan agreement with Banco do Brasil is guaranteed by a lien on the financed supply vessels. The security package also includes a standby letter of credit issued by Banco de Crédito e Inversiones – Chile for part of the debt balance, assignment of Petrobras' long-term contracts and a corporate guarantee issued by Inversiones Magallanes Ltda – Chile. A cash reserve account, accounted for under long-term investments and funded with US$2.1 million, should be maintained until full repayment of the loan agreement.

The loan agreement that Atlantic Offshore S.A. has with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB" for the financing of the offshore support vessel "Pardela" is guaranteed by a pledge on the vessel, the shares of Atlantic Offshore and a corporate guarantee for half of the credit from Wilson Sons de Administração Ltda e Comércio. Remolcadores Ultratug Ltda, which is the partner in the business, guarantee the other half of the loan.

Covenants

The joint venture Magallanes Navegação Brasileira S.A. has to comply with specific financial covenants. At 31 December 2016, the company was in compliance with all clauses in the loans contracts.

Atlantic Offshore S.A. has to comply with specific financial covenants on its two loan agreements with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB". Atlantic Offshore S.A. received a temporary waiver of non-compliance with Debt Service Coverage Ratio for both loans up to 31 March 2017. On 24 February 2017 a change to the calculation basis of the Debt Service Coverage Ratio was agreed with the two lenders such that Atlantic Offshore S.A became fully compliant with all loan covenants.

Provisions for tax, labour and civil risks

In the normal course of business in Brazil, the joint ventures remains exposed to numerous local legal claims. It is the joint ventures' policy to vigorously contest such claims, many of which appear to have little merit, and to manage such claims through its legal counsel.

In addition to the cases for which the joint ventures has made a provision, there are other tax, civil and labour disputes amounting to US$13.9 million (2015: US$9.7 million), whose probability of loss was estimated by the legal counsel as possible.

17 Joint ventures (continued)

The breakdown of aggregated possible losses is described as follows:

	31 December 2016 US$'000	31 December 2015 US$'000
Tax cases	**10,066**	7,600
Labour claims	**3,784**	2,089
Civil cases	**–**	1
Total	**13,850**	9,690

18 Investments

	2016 US$'000	2015 US$'000
Trading investments		
At 1 January	**276,878**	260,491
Additions, at cost	**67,101**	75,558
Disposals, at market value	**(63,664)**	(57,783)
(Decrease)/increase in fair value of trading investments held at year end	**(6,030)**	4,396
Profit on disposal of trading investments	**1,896**	3,008
At 31 December	**276,181**	276,878
Ocean Wilsons (Investment) Limited Portfolio	**238,781**	236,155
Wilson Sons Limited	**37,400**	40,723
Trading investments held at fair value at 31 December	**276,181**	276,878

Wilson Sons Limited

The Wilson Sons Limited investments are held and managed separately from the Ocean Wilsons (Investments) Limited portfolio and consist of US Dollar denominated depository notes.

Ocean Wilsons (Investments) Limited portfolio

The Group has not designated any financial assets that are not classified as trading investments as financial assets at fair value through profit or loss.

Trading investments above represent investments in listed equity securities, funds and unquoted equities that present the Group with opportunity for return through dividend income and capital appreciation.

Included in trading investments are open ended funds whose shares may not be listed on a recognised stock exchange but are redeemable for cash at the current net asset value at the option of the Company. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices where available. Where quoted market prices are not available, fair values are determined by third parties using various valuation techniques that include inputs for the asset or liability that are not based in observable market data (unobservable inputs).

19 Inventories

	31 December 2016 US$'000	31 December 2015 US$'000
Operating materials	**10,278**	8,657
Raw materials and spare parts	**5,149**	19,628
Total	**15,427**	28,285

Inventories are expected to be recovered in less than one year and there were no obsolete items.

Notes to the Accounts

20 Construction contracts

	31 December 2016 US$'000	31 December 2015 US$'000
Contract costs incurred plus recognised profits less recognised losses to date	**3,925**	72,019
Less progress billings	**(8,505)**	(89,877)
Amounts due to contract customers included in trade and other payables	**(4,580)**	(17,858)

21 Trade and other receivables

	31 December 2016 US$'000	31 December 2015 US$'000
Trade and other receivables		
Amount receivable for the sale of services	**55,434**	48,163
Allowance for doubtful debts	**(1,187)**	(846)
	54,247	47,317
Income taxation recoverable	**7,466**	5,732
Other recoverable taxes and levies	**36,571**	25,340
Loans to related parties	**28,995**	28,392
Prepayments	**4,031**	11,360
Other receivables	**5,025**	10,168
	136,335	128,309
Total current	**81,265**	83,981
Total non-current	**55,070**	44,328
	136,335	128,309

Non-current trade receivables relate to recoverable taxes with maturity dates in excess of one year, which comprise mainly PIS, COFINS, ISS and INSS, and intergroup loans. There are no indicators of impairment related to these receivables.

As a matter of routine, the Group reviews taxes and levies impacting its business to ensure that payments of such amounts are correctly made and that no amounts are paid unnecessarily. The Group is developing a plan to use its tax credits, respecting the legal term for using tax credits from prior years, and if unable to recover by compensation, requesting reimbursement of these values from the Receita Federal do Brasil (Brazilian Inland Revenue Service).

Included in the Group's trade receivable balances are debtors with a carrying amount of US$9.2 million (2015: US$9.0 million) which are past due but not impaired at the reporting date for which the Group has not provided as there has not been a change in credit quality and the Group believes the amounts are still recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables	31 December 2016 US$'000	31 December 2015 US$'000
From 0 – 30 days	**6,177**	6,004
From 31 – 90 days	**2,178**	1,491
From 91 – 180 days	**844**	1,523
More than 180 days	**–**	–
Total	**9,199**	9,018

The average credit period taken on services ranges from zero to 30 days. Interest is charged at up to 1% per month on the outstanding balances with an additional fine of up to 2% per month. The Group has provided in full for all receivables over 180 days because historical experience is such that receivables that are past due 180 days are generally not recoverable.

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with a balance of US$1.2 million, which are aged greater than 180 days. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected settlement proceeds.

The Group does not hold any collateral over these balances.

21 Trade and other receivables (continued)

Ageing of impaired trade receivables	31 December 2016 US$'000	31 December 2015 US$'000
From 0 – 30 days	**–**	–
From 31 – 90 days	**–**	–
From 91 – 180 days	**–**	–
More than 180 days	**1,187**	846
Total	**1,187**	846

Movement in the allowance for doubtful debts	2016 US$'000	2015 US$'000
Balance at the beginning of the year	**846**	1,154
Amounts written off as uncollectable	**(3,128)**	(3,329)
Increase in allowance recognised in profit or loss	**3,291**	3,405
Exchange differences	**178**	(384)
Balance at the end of the year	**1,187**	846

In determining recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

22 Bank loans and overdrafts

	Annual interest rate %	31 December 2016 US$'000	31 December 2015 US$'000
Secured borrowings			
BNDES – FMM linked to US Dollar[1]	2.07% to 6%	**168,385**	184,083
BNDES – Real	7.50% to 9.69%	**25,466**	23,232
BNDES – linked to US Dollar	5.07% to 5.36%	**5,069**	7,239
BNDES – FMM Real[1]	8.09% to 11.21%	**1,838**	1,684
BNDES – FINAME Real	4.50% to 13.40%	**1,133**	1,952
Total BNDES		**201,891**	218,190
Banco do Brasil – FMM linked to US Dollar[1]	2.00% – 3.00%	**85,576**	75,387
IFC – US Dollar	5.25%	**48,571**	58,971
China Construction Bank - US Dollar	4.36%	**19,047**	–
Santander – US Dollar	3.07%	**14,005**	–
Eximbank – US Dollar	2.71%	**5,270**	7,356
Finimp – US Dollar	4.81%	**1,170**	3,503
IFC – Real	14.09%	**–**	348
Total others		**173,639**	145,565
Total		**375,530**	363,755

1. As an agent of Fundo da Marinha Mercante's (FMM), BNDES finances the construction of tugboats and shipyard facilities.

Notes to the Accounts

22 Bank loans and overdrafts (continued)

The breakdown of bank overdrafts and loans by maturity is as follows:

	31 December 2016 US$'000	31 December 2015 US$'000
Within one year	**49,780**	41,490
In the second year	**49,029**	40,231
In the third to fifth years (inclusive)	**105,953**	107,996
After five years	**170,768**	174,038
Total	**375,530**	363,755
Amounts due for settlement within 12 months	**49,780**	41,490
Amounts due for settlement after 12 months	**325,750**	322,265

The analysis of borrowings by currency is as follows:

	BRL US$'000	BRL linked to US Dollars US$'000	US Dollars US$'000	Total US$'000
31 December 2016				
Bank loans	**28,437**	**259,030**	**88,063**	**375,530**
Total	**28,437**	**259,030**	**88,063**	**375,530**
31 December 2015				
Bank loans	27,216	266,709	69,830	363,755
Total	27,216	266,709	69,830	363,755

Guarantees

Loans with BNDES rely on a corporate guarantee from Wilson Sons de Administração e Comércio Ltda. For some contracts, the corporate guarantee is additional to: (i) a pledge of the respective financed tugboat or (ii) a lien over the logistics and port operations equipment financed.

Loans with Banco do Brasil rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda. and a pledge of the respective financed tugboat.

The loans that Tecon Salvador holds with IFC are guaranteed by shares of the company, projects' cash flows, equipment and buildings.

The loan agreement that Tecon Rio Grande has with the Export-Import Bank of China for equipment acquisition is guaranteed by a standby letter of credit issued by Itaú BBA S.A which in turn has the pledge on the financed equipment.

The loan agreement between Tecon Rio Grande and Santander for equipment acquisition relies on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda.

Undrawn credit facilities

At 31 December 2016, the Group had available US$53.2 million of undrawn borrowing facilities. For each disbursement, there is a set of conditions precedent that must be satisfied.

22 Bank loans and overdrafts (continued)

Covenants

The Wilson, Sons de Administração e Comércio Ltda. ("WSAC") holding company, as corporate guarantor, has to comply with financial covenants in both Wilson Sons Estaleiros Ltda and Brasco Logística Offshore Ltda loan agreements signed with BNDES. The subsidiary Tecon Salvador has to observe affirmative and negative covenants stated in its loan agreement with the International Finance Corporation – IFC including the maintenance of specific liquidity ratios and a capital structure requirements.'

The subsidiary Tecon Rio Grande has to comply with financial covenants in its loan agreement with the BNDES and Santander such as a minimum liquidity ratio and capital structure. At 31 December 2016, Tecon Rio Grande was not in compliance with the minimum Net Equity / Total Assets ratio (requirement of not less than 0.60 ratio against an actual ratio of 0.57) demanded by the BNDES contract. The failure to maintain a 0.60 ratio requires a waiver or provision of additional guarantees of at least 130% of the debt's value within 60 days or prepayment of the debt. The value of the loan affected at 31 December 2016 was US$5.1 million. The breach does not impact our other loan agreements.

At 31 December 2016, with the exception of the above covenant breach, the Company was in compliance with all other loan contracts.

Fair value

Management estimates the fair value of the Group's borrowings as follows:

	31 December 2016 US$'000	31 December 2015 US$'000
Bank loans		
BNDES	**201,891**	218,190
Banco do Brasil	**85,576**	59,319
IFC	**48,571**	75,387
CCB	**19,047**	–
Santander	**14,005**	–
Eximbank	**5,270**	7,356
Finimp	**1,170**	3,503
Total	**375,530**	363,755

23 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation US$'000	Exchange variance on loans US$'000	Other differences US$'000	Retranslation of non-current asset valuation US$'000	Total US$'000
At 1 January 2015	(19,910)	24,600	23,463	(41,685)	(13,532)
(Charge)/credit to income	4,070	24,999	(3,711)	(27,003)	(1,645)
Deferred taxes transferred to current taxes	–	(3,859)	–	–	(3,859)
Exchange differences	43	(4,693)	3,183	–	(1,467)
At 1 January 2016	**(15,797)**	**41,047**	**22,935**	**(68,688)**	**(20,503)**
(Charge)/credit to income	**(6,356)**	**(14,305)**	**(727)**	**22,376**	**988**
Exchange differences	**–**	**1,437**	**(1,841)**	**–**	**(404)**
At 31 December 2016	**(22,153)**	**28,179**	**20,367**	**(46,312)**	**(19,919)**

Certain tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	31 December 2016 US$'000	31 December 2015 US$'000
Deferred tax liabilities	**(48,974)**	(52,631)
Deferred tax assets	**29,055**	32,128
	(19,919)	(20,503)

Notes to the Accounts

23 Deferred tax (continued)

At the balance sheet date the Group had unused tax losses of US$42.5 million (2015: US$17.9 million) available for offset against future profits in the company in which they arose. No deferred tax asset has been recognised in respect of US$12.4 million (2015: US$6.1 million) due to the unpredictability of future profit streams.

Retranslation of non-current asset valuation deferred tax arises on Brazilian property, plant and equipment held in US dollar functional currency businesses. Deferred tax is calculated on the difference between the historical US Dollar balances recorded in the Group's accounts and the Brazilian Real balances used in the Group's Brazilian tax calculations.

Deferred tax on exchange variance on loans arises from exchange gains or losses on the Group's US Dollar and Brazilian Real denominated loans linked to the US Dollar that are not deductible or payable for tax in the period they arise. Exchange gains on these loans are taxable when settled and not in the period in which gains arise.

24 Obligations under finance leases

	Minimum lease payments	
	31 December 2016 US$'000	31 December 2015 US$'000
Amounts payable under finance leases		
Within one year	**1,669**	1,517
In the second to fifth years inclusive	**1,721**	2,399
After five years	**–**	–
	3,390	3,916
Less future finance charges	**(1,094)**	(1,188)
Present value of lease obligations	**2,296**	2,728
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(1,211)**	(1,192)
Amount due for settlement after 12 months	**1,085**	1,536

	Present value of Minimum lease payments	
	31 December 2016 US$'000	31 December 2015 US$'000
Amounts payable under finance leases		
Within one year	**1,211**	1,192
In the second to fifth years inclusive	**1,085**	1,536
After five years	**–**	–
Present value of lease obligations	**2,296**	2,728
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**1,211**	1,192
Amount due for settlement after 12 months	**1,085**	1,536

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. The average outstanding lease term at 31 December 2016 was 28 months.

For the year ended 31 December 2016, the average effective borrowing rate was 16.43% (2015: 16.75%). Interest rates are set at contract date. All leases are denominated in Brazilian Real and include a fixed repayment and a variable finance charge linked to the Brazilian interest rate. Interest rates range from 15.86% to 18.03%.

There is a non-significant difference between the fair value and the present value of the Group's lease obligations. The present value is calculated with its own interest rate over the future installments of each contract.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Trade and other payables

	31 December 2016 US$'000	31 December 2015 US$'000
Trade creditors	**44,664**	39,875
Amounts due to construction contract customers (note 20)	**4,580**	17,858
Other taxes	**12,583**	7,704
Accruals and deferred income	**6,327**	13,259
Share based payment liability	**103**	93
Total	**68,257**	78,889

Trade creditors and accruals principally comprise amounts outstanding for trade purposes and ongoing costs.

The average credit period for trade purchases is 58 days (2015: 61 days). For most suppliers interest is charged on outstanding trade payable balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates their fair value.

26 Provisions

	US$'000
At 1 January 2015	15,702
Increase in provisions in the year	7,697
Utilisation of provisions	(3,991)
Exchange difference	(5,486)
At 1 January 2016	**13,922**
Increase in provisions in the year	**7,348**
Utilisation of provisions	**(3,987)**
Exchange difference	**2,754**
At 31 December 2016	**20,037**

Provisions comprise legal claims relating to civil cases, tax cases and legal claims by former employees.

Analysis of provisions by type:

	31 December 2016 US$'000	31 December 2015 US$'000
Labour claims	**13,612**	9,211
Tax cases	**4,816**	2,492
Civil and environmental cases	**1,609**	2,219
	20,037	13,922

In the normal course of business in Brazil, the Group remains exposed to numerous local legal claims. It is the Group's policy to vigorously contest such claims, many of which appear to have little merit, and to manage such claims through its legal counsel. Both provisions and contingent liability can take a significant amount of time to resolve.

In addition to the cases for which the Group booked the provision there are other tax, civil and labour disputes amounting to US$129.9 million (2015: US$84.1 million) where the probability of loss was estimated by the legal counsels as possible.

Notes to the Accounts

26 Provisions (continued)

The breakdown of possible claims is described as follows:

The analysis of possible losses by type:

	31 December 2016 US$'000	31 December 2015 US$'000
Tax cases	**93,271**	63,056
Labour claims	**25,232**	16,609
Civil and environmental cases	**11,411**	4,453
	129,914	84,118

The main probable and possible claims against the Group are described below:

Tax cases – The Group litigates against governments in respect of assessments considered inappropriate.

Labour claims – Most claims involve payment of health risks, additional overtime and other allowances.

Civil and environmental cases – Indemnification claims involving material damages, environmental and shipping claims and other contractual disputes.

The procedure for classification of legal liabilities as probable, possible or remote loss is undertaken by the external lawyers. Upon receipt of the notification of a new judicial lawsuit, the external lawyer generally classifies it as a possible claim, recording the total amount involved. From 2014, the Group is using the estimated value at risk and not the total amount involved in each process. Exceptionally, if there is sufficient knowledge from the beginning that there is very high or very low risk of loss, the lawyer may classify the claim as probable loss or remote loss. During the course of the lawsuit and considering, for instance, its first judicial decision, legal precedents, arguments of the claimant, thesis under discussion, applicable laws, documentation for the defence and other variables, the lawyer may re-classify the claim as probable loss or remote loss. When classifying the claim as probable loss, the lawyer estimates the amount at risk for such claim.

The Group considers as relevant, claims involving amounts, assets or rights over US$1.5 million.

27 Share capital

	2016 US$'000	2015 US$'000
Authorised		
50,060,000 ordinary shares of 20p each	**16,119**	16,119
Issued and fully paid		
35,363,040 ordinary shares of 20p each	**11,390**	11,390

The company has one class of ordinary share which carries no right to fixed income.

Share capital is converted at the exchange rate prevailing at 31 December 2002, the date at which the Group's presentational currency changed from Sterling to US Dollars, being US$1.61 to £1.

28 Acquisition of non-controlling interest

On 2 February 2016, the Wilson Sons Group, through its subsidiaries, completed the acquisition of the 7.5% non-controlling interest in Tecon Salvador S.A for a consideration of US$4.7 million from Intermaritima Terminais Ltda. The consideration included US$1.9 million in cash and the settlement of US$2.9 million in debt. The transaction also included an additional US$0.8 million payment that is conditional upon future contractual events which were subsequently fulfilled. Following completion of the transaction the Wilson Sons Group holds 100% of the shares of Tecon Salvador S.A. and the Ocean Wilsons Holdings Group has a 58.25% effective interest.

	US$'000
The following amounts have been recognised in equity	
Movement attributable to equity holders of parent	2,988
Movement attributable to non-controlling interest	2,411

29 Notes to the cash flow statement

	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**117,527**	68,714
Share of results of joint venture	**(8,073)**	(4,843)
Investment revenues	**(15,065)**	(16,908)
Other gains and losses	**4,134**	1,388
Finance costs	**599**	45,403
Foreign exchange losses on monetary items	**(2,286)**	15,792
Operating profit	**96,836**	109,546
Adjustments for:		
Depreciation of property, plant and equipment	**47,337**	47,563
Amortisation of intangible assets	**5,248**	5,651
Share based payment credit	**3,420**	3,346
(Loss)/gain on disposal of property, plant and equipment	**(745)**	1,294
Increase/(decrease) in provisions	**6,456**	(1,839)
Operating cash flows before movements in working capital	**158,552**	165,561
Decrease in inventories	**12,858**	4,175
(Increase)/decrease in receivables	**(17,853)**	12,525
Decrease in payables	**(7,187)**	(5,953)
(Increase)/decrease in other non-current assets	**(5,390)**	5,988
Cash generated by operations	**140,980**	182,296
Income taxes paid	**(34,412)**	(22,690)
Interest paid	**(12,756)**	(14,147)
Net cash from operating activities	**93,812**	145,459

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Private investment funds

Wilson Sons Limited has investments in private investment funds that are consolidated in the financial statements as cash equivalents.

The Group has investments in a private investment fund called Hydrus Fixed Income Private Credit Investment Fund that are consolidated in these financial statements. This private investment fund comprises deposit certificates, financial notes and debentures, with final maturities ranging from January 2016 to September 2021. The Private Investment Fund is marked to fair value on a daily basis against current earnings. This private investment fund does not have significant financial obligations. Any financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses. The fund's investments are highly liquid which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Additionally, US Dollar linked investments are made through Itaú Exchange FICFI to preserve the US dollar value of the investment.

Cash and cash equivalents held in Brazil amount to US$52.7 million (2015: US$83.3 million).

Cash equivalents are held for the purpose of meeting short-term cash commitments and not for cash investment purposes. Additions to plant and equipment during the year amounting to US$0.2 million (2015: US$0.4 million) were financed by new finance leases.

Notes to the Accounts

30 Contingent liabilities

In the normal course of business in Brazil, the Group continues to be exposed to numerous local legal claims. It is the Group's policy to contest such claims vigorously, many of which appear to have little merit, and to manage such claims through its legal advisers. The total estimated contingent claims at 31 December 2016 are US$129.9 million (2015: US$84.1 million). These have not been provided for as the directors and the Group's legal advisors do not consider that there are any probable losses. Contingent liabilities relate to labour, civil and environmental and tax claims.

31 Share options

Stock option scheme

On 13 November 2013 the board of Wilson Sons Limited approved a Stock Option Plan which allowed for the grant of options to eligible participants to be selected by the board. The shareholders in special general meeting approved such plan on the 8 January 2014 including increase in the authorized capital of the company through the creation of up to 4,410,927 new shares. The options provide participants with the right to acquire shares via Brazilian Depositary Receipts ("BDR") in Wilson Sons Limited at a predetermined fixed price not less than the three day average mid-price for the days preceding the date of option issuance. The Stock Option Plan is detailed below:

Options series	Grant date	Original vesting date	Expiry date	Exercise price (R$)	Number	Expired	Vested	Outstanding not Vested	Total Subsisting
07 ESO – 3 Year	10/1/2014	10/1/2017	10/1/2024	31.23	961,653	(146,850)	(22,044)	792,759	814,803
07 ESO – 4 Year	10/1/2014	10/1/2018	10/1/2024	31.23	961,653	(146,850)	(22,044)	792,759	814,803
07 ESO – 5 Year	10/1/2014	10/1/2019	10/1/2024	31.23	990,794	(151,300)	(22,712)	816,782	839,494
07 ESO – 3 Year	13/11/2014	13/11/2017	13/11/2024	33.98	45,870	(11,880)	–	33,990	33,990
07 ESO – 4 Year	13/11/2014	13/11/2018	13/11/2024	33.98	45,870	(11,880)	–	33,990	33,990
07 ESO – 5 Year	13/11/2014	13/11/2019	13/11/2024	33.98	47,260	(12,240)	–	35,020	35,020
07 ESO – 3 Year	11/08/2016	11/08/2019	11/08/2026	34.03	82,500	–	–	82,500	82,500
07 ESO – 4 Year	11/08/2016	11/08/2020	11/08/2026	34.03	82,500	–	–	82,500	82,500
07 ESO – 5 Year	11/08/2016	11/08/2021	11/08/2026	34.03	85,000	–	–	85,000	85,000
Total					**3,303,100**	**(481,000)**	**(66,800)**	**2,755,300**	**2,822,100**

The options terminate on the expiry date or immediately on the resignation of the director or senior employee, whichever is earlier. Options lapse if not exercised within 6 months of the date that the participant ceases to be employed or hold office within the Group by reason of, amongst others: injury, disability or retirement; or dismissal without just cause.

The following Fair Value expense of the grant to be recorded as a liability in the respective accounting periods was determined using the Binomial model based on the assumptions detailed below:

Period	Projected IFRS2 Fair Value expense US$'000*
10 January 2014	2,826
10 January 2015	3,296
10 January 2016	3,409
10 January 2017	2,255
10 January 2018	1,192
10 January 2019	256
10 January 2020	123
10 January 2021	42
Total	**13,399**

* FOOTNOTE TO COME????????.

31 Share options (continued)

	10 January 2014
Closing share price (in Real)	R$30.05
Expected volatility	28%
Expected life	10 years
Risk free rate	10.8%
Expected dividend yield	1.7%

Expected volatility was determined by calculating the historical volatility of the Wilson Son's share price. The expected life used in the model has been adjusted based on management's best estimate for exercise restrictions and behavioural considerations.

32 Operating lease arrangements

The minimum lease payments under operating leases recognised in net income at 31 December 2016 was US$1.8 million (2015: US$4.8 million). At the balance sheet date, the minimum amount due in 2017 by the Group for future minimum lease payments under cancellable operating leases was US$11.2 million (2015: $7.8 million).

Tecon Rio Grande

The Tecon Rio Grande minimum period extends to 2022 and has an option to renew the concession for a maximum period of 25 years. Due to investments made by the Group in the container terminal, the port authority of Rio Grande has confirmed that the Group has the right to renew the concession period provided the State government remains the authority responsible for this area.

The Tecon Rio Grande guaranteed payments consist of two elements: a fixed rental and fee per 1,000 containers moved based on minimum forecast volumes. The amount shown in the accounts is based on the minimum volume forecast. If container volumes moved through the terminal exceed forecast volumes in any given year, additional payments will be required.

Tecon Salvador

On 16 November 2016 Tecon Salvador signed the second amendment to the lease agreement which extends the lease term for an additional period of 25 years until March 2050 and the Company is obligated to complete minimum expansion and maintenance capital expenditure through to the end of the concession. Minimum expansion investments are budgeted at approximately R$398 million using December 2013 base date values. These investments will be completed in phases during the concession period to guarantee the terminal reaches a capacity of 925,000 TEUs (twenty-foot equivalent units) per year. The first phase construction is expected to commence nine months after the amendment signature and will be completed within twenty-four months of the work commencement (total investment of R$255 million). The second phase of construction must be completed by 2030 (total investment of R$29 million) and the third phase of construction must be completed by 2034 (total investment of R$114 million). Additionally, there are investments totaling R$317 million related to the maintenance of the current operating area and equipment replacement that will be completed up to 2050.

Tecon Salvador guaranteed payments consist of three elements: a fixed rental, a fee per container handled based on minimum forecast volumes and a fee per ton of non-containerized cargo handled based on minimum forecast volumes.

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	2016	2015
	US$'000	US$'000
Within one year	**18,010**	15,655
In the second to fifth year inclusive	**58,360**	51,660
After five years	**42,778**	47,751
	119,148	115,066

Notes to the Accounts

33 Commitments

At 31 December 2016 the Group had entered into the following commitment agreements with respect to trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited.

The details of these commitments are as follows:

	Commitment US$'000	**Year ended Outstanding At 31 December 2016 US$'000**	Year ended Outstanding At 31 December 2015 US$'000
31 December 2016	3,000	**68**	68
22 February 2017 (a)	4,994	**117**	122
05 December 2017	5,000	**859**	575
30 March 2018	5,000	**834**	855
4 June 2018	5,000	**1,468**	1,468
18 July 2018	5,000	**677**	700
21 December 2018	5,000	**313**	185
31 December 2018	4,650	**123**	279
22 November 2019	5,000	**550**	550
08 December 2019	5,000	**–**	427
31 December 2019	3,000	**60**	90
01 January 2020	4,500	**246**	288
18 December 2021	5,000	**347**	916
17 February 2022	3,000	**781**	869
30 April 2022	7,500	**2,793**	3,781
11 July 2022 (b)	4,963	**2,070**	2,833
01 February 2023	5,000	**300**	500
28 March 2023	5,000	**1,785**	2,285
01 April 2023	5,000	**2,081**	3,578
05 June 2023	3,200	**1,399**	2,259
21 August 2024 (c)	5,005	**2,431**	3,577
22 August 2024	5,000	**336**	921
12 March 2025 (d)	2,954	**1,826**	1,892
21 June 2025	1,800	**1,436**	1,800
14 July 2025	2,500	**2,044**	2,500
11 April 2029	3,000	**960**	1,410
19 October 2030	500	**360**	465
To be confirmed	4,000	**4,000**	–
To be confirmed (e)	3,928	**3,672**	–
Total	122,494	**33,936**	35,193

(a) Commitment made in Euro. Total commitment €3,350,000 with amounts outstanding at 31 December 2016 €112,000 (2015: €112,000).

(b) Commitment made in Euro. Total commitment €3,650,000 with amounts outstanding at 31 December 2016 €1,974,000 (2015: €2,607,070).

(c) Commitment made in Sterling. Total commitment £3,000,000 with amounts outstanding at 31 December 2016 £1,983,000 (2015: £2,428,000).

(d) Commitment made in Euro. Total commitment €2,500,000 with amounts outstanding at 31 December 2016 €1,741,000 (2015: €1,741,000).

(e) Commitment made in Euro. Total commitment €3,500,000 with amounts outstanding at 31 December 2016 €3,500,000 (2015: nil).

There may be situations when commitments may be extended by the manager of the underlying structure beyond the initial expiry date dependent upon the terms and conditions of each individual structure.

34 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its Brazilian business. The assets of the scheme are held separately from those of the Group in funds under the control of independent managers.

The total cost charged to the income statement of US$1.0 million (2015: US$1.0 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan.

35 Related party transactions

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates, joint ventures and other investments are disclosed below:

	Dividends received/ Revenue from services		Amounts paid/ Cost of services	
	31 December 2016 US$'000	31 December 2015 US$'000	**31 December 2016 US$'000**	31 December 2015 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**9**	36	**(108)**	–
2. Consórcio de Rebocadores Barra de Coqueiros	**–**	149	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**623**	183	**(5)**	(2)
4. Wilson Sons Ultratug and subsidiaries	**19,640**	20,438	**–**	–
5. Atlantic offshore S.A.	**–**	1,370	**–**	–
Others				
6. Hanseatic Asset Management	**–**	–	**(2,385)**	(2,490)
7. Gouvêa Vieira Advogados	**–**	–	**(79)**	(92)
8. CMMR Intermediacão Comercial Limitada	**–**	–	**(182)**	(221)
9. Jofran Services	**–**	–	**(169)**	(165)
10. Hansa Capital GMBH	**–**	–	**(85)**	(77)

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2016 US$'000	31 December 2015 US$'000	**31 December 2016 US$'000**	31 December 2015 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**5**	–	**–**	(12)
2. Consórcio de Rebocadores Barra de Coqueiros	**145**	130	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**2,483**	1,767	**–**	–
4. Wilson Sons Ultratug	**15,529**	1,927	**–**	–
5. Atlantic offshore S.A.	**13,622**	2,940	**–**	–
Others				
6. Hanseatic Asset Management	**–**	–	**(202)**	(203)
7. Gouvêa Vieira Advogados	**–**	–	**–**	–
8. CMMR Intermediacão Comercial Limitada	**–**	–	**–**	–
9. Jofran Services	**–**	–	**–**	–
10. Hansa Capital GMBH	**–**	–	**–**	–

1. Mr A C Baião is a shareholder and Director of Allink Transportes Internacionais Limitada. Allink Transportes Internacionais Limitada is 50% owned by the Group and rents office space from the Group.
2. Mr W H Salomon is chairman of Hanseatic Asset Management. Fees were paid to Hanseatic Asset Management for acting as Investment Managers of the Group's investment portfolio and administration services.
3. Mr J F Gouvêa Vieira is a partner in the law firm Gouvêa Vieira Advogados. Fees were paid to Gouvêa Vieira Advogados for legal services.
4. Mr C M Marote is a shareholder and Director of CMMR Intermediacão Comercial Limitada. Fees were paid to CMMR Intermediacão Comercial Limitada for consultancy services.
5. Mr J F Gouvêa Vieira is a Director of Jofran Services. Directors' fees were paid to Jofran Services.
6. Mr C Townsend is a Director of Hansa Capital GMBH. Directors' fees were paid to Hansa Capital GMBH.

Notes to the Accounts

35 Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the executive directors and other key management of the Group, is set out below in aggregate for the categories specified in IAS 24 Related Party Disclosures.

	Year ended 2016 US$'000	Year ended 2015 US$'000
Short-term employee benefits	**10,897**	9,094
Other long-term employee benefits	**1,470**	1,173
Share options issued	**3,410**	3,314
Share-based payment	**10**	32
	15,787	13,613

36 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity.

The Group borrows to fund capital projects and looks to cash flow from these projects to meet repayments. Working capital is funded through cash generated by operating revenues.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	Year ended 2016 US$'000	Year ended 2015 US$'000
Financial assets		
Designated as fair value through profit or loss	**238,781**	236,155
Receivables (including cash and cash equivalents and other non-current assets)	**279,221**	287,180
Financial liabilities		
Financial instruments classified as amortised cost	**(433,500)**	(437,668)
Financial instruments classified as cash flow hedge (Derivatives)	**(1,894)**	(2,886)

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and manages the financial risks relating to the operations of the Group through internal reports. The primary objective is to keep a minimum exposure to those risks by using financial instruments and by assessing and controlling the credit and liquidity risks according to the rules and procedures established by management. These risks include market risk, (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures with Board approval. The Group does not enter into trading financial instruments including derivative financial instruments for speculative purposes.

36 Financial instruments (continued)

Credit risk

The Group's principal financial assets are cash, trade and other receivables and trading investments. The Group's credit risk is primarily attributable to its bank balances, trade receivables and investments. The amounts presented as receivables in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The credit risk on investments held for trading is limited because the counterparties with whom the Group transacts are regulated institutions or banks with high credit ratings. The Company's appointed Investment Manager, Hanseatic Asset Management LBG, evaluates the credit risk on trading investments prior to and during the investment period.

In addition the Company invests in Limited Partnerships and other similar investment vehicles. The level of credit risk associated with such investments is dependent upon the terms and conditions and the management of the investment structures. The Board reviews all investments at its regular meetings from reports prepared by the Company's Investment Manager.

The Group has no significant concentration of credit risk. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and market prices.

Foreign currency risk management

The Group undertakes certain transactions denominated or linked to foreign currencies and therefore exposures to exchange rate fluctuations arise. The Group operates principally in Brazil with a substantial proportion of the Group's revenue, expenses, assets and liabilities denominated in the Real. Due to the high cost of hedging the Real, the Group does not normally hedge its net exposure to the Real, as the Board does not consider it economically viable.

Cash flows from investments in fixed assets are denominated in Real and US Dollars. These investments are subject to currency fluctuations between the time that the price of goods or services are settled and the actual payment date. The resources and their application are monitored with purpose of matching the currency cash flows and due dates. The Group has contracted US Dollar-denominated and Real-denominated debt, and the cash and cash equivalents balances are also US Dollar-denominated and Real-denominated.

In general terms, for operating cash flows, the Group seeks to neutralise the currency risk by matching assets (receivables) and liabilities (payments). Furthermore the Group seeks to generate an operating cash surplus in the same currency in which the debt service of each business is denominated.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Real	**206,286**	315,553	**259,336**	372,009
Sterling	**17**	26	**1,430**	1,975
Euro	**–**	–	**17,576**	5,522
	206,303	315,579	**278,342**	379,506

Notes to the Accounts

36 Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is primarily exposed to unfavourable movements in the Real on its Brazilian liabilities held by US Dollar functional currency entities.

The sensitivity analysis presented in the following sections, which refer to the position on 31 December 2016, estimates the impacts of the Real devaluation against the US Dollar. Three exchange rate scenarios are contemplated: the likely scenario (Probable) and two possible scenarios of deterioration of 25% (Possible) and 50% (Remote) in the exchange rate. The Group uses the Brazilian Central Bank's "Focus" report to determine the probable scenario.

Operation	Risk	Amount US Dollars	Result	**Probable scenario**	**31 December 2016 Exchange rates Possible scenario (25%)**	**Remote scenario (50%)**
				3.50	**4.37**	**5.25**
				US$'000	**US$'000**	**US$'000**
Total assets	BRL	256,549	Exchange Effects	**(17,658)**	**(65,436)**	**(97,288)**
Total liabilities	BRL	206,286	Exchange Effects	**14,198**	**52,616**	**78,288**
			Net Effect	**(3,460)**	**(12,820)**	**(19,060)**

Operation	Risk	Amount US Dollars	Result	Probable scenario	31 December 2015 Exchange rates Possible scenario (25%)	Remote scenario (50%)
				4.30	5.38	6.45
				US$'000	US$'000	US$'000
Total assets	BRL	370,096	Exchange Effects	(34,014)	(101,231)	(146,042)
Total liabilities	BRL	315,553	Exchange Effects	29,001	86,312	124,519
			Net Effect	(5,013)	(14,919)	(21,523)

The Real foreign currency impact is mainly attributable to the exposure of outstanding Real receivables and payables of the Group at year end. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk, as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group holds most of its debts linked to fixed rates. Most of the Group's fixed rates loans are with the FMM (Fundo da Marinha Mercante).

Other loans exposed to floating rates are as follows:

TJLP (Brazilian Long-Term Interest Rate) for Brazilian Real denominated funding through FINAME credit line to Port and Logistics operations.

DI (Brazilian Interbank Interest Rate) for Brazilian Real denominated funding in Logistics operations, and

6-month LIBOR (London Interbank Offered Rate) for US Dollar denominated funding for Port Operations. (Eximbank)

The Real-denominated investments yield interest rates corresponding to the DI daily fluctuation for privately issued securities and/or "Selic-Over" government-issued bonds. The US Dollar-denominated investments are part in time deposits, with short-term maturities.

The Group's strategy for managing interest rate risk is to maintain a balanced portfolio of fixed and floating interest rates in order to balance both cost and volatility. The Group may use cash flow hedges to limit its exposure that may result from the variation of floating interest rates.

The Group has floating rate financial assets consisting of bank balances principally denominated in US Dollars and Real that bear interest at rates based on the banks floating interest rate.

36 Financial instruments (continued)

Interest rate sensitivity analysis

The Group uses two important information sources to estimate the probable scenarios in determining interest rate scenarios, BM&F (Bolsa de Mercadorias e Futuros) and Bloomberg. The following analysis concerns a possible fluctuation of revenue or expenses linked to the transactions and scenarios shown, without considering their fair value. For floating rate liabilities and investments, the analysis is prepared assuming the amount of the liability outstanding or cash invested at balance sheet date was outstanding or invested for the whole year.

Transaction	31 December 2016 Probable scenario	Possible scenario 25%	Remote scenario 50%
Loans – LIBOR	**1.70%**	**2.13%**	**2.55%**
Loans – CDI	**11.14%**	**13.93%**	**16.71%**
Loans – TJLP	**7.50%**	**9.38%**	**11.25%**
Investments – LIBOR	**1.88%**	**2.31%**	**2.73%**
Investments – CDI	**11.14%**	**13.93%**	**16.71%**

Transaction	Risk	Amount US Dollars	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
				US$'000	US$'000	US$'000
Loans – LIBOR	LIBOR	88,041	Interest	**(217)**	**(420)**	**(623)**
Loans – TJLP	TJLP	27,441	Interest	**–**	**(324)**	**(643)**
Loans – Fixed	None	260,026	None	**–**	**–**	**–**
Total loans		375,508		**(217)**	**(744)**	**(1,266)**
Investments – LIBOR	LIBOR	51,500	Income	**–**	**195**	**390**
Investments – CDI	CDI	51,112	Income	**(1,650)**	**(232)**	**1,187**
Total investments		102,612		**(1,650)**	**(37)**	**1,577**
			Net Income	**(1,867)**	**(781)**	**311**

The net effect was obtained by assuming a 12-month period starting 31 December 2016 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the scenario rate and actual rate. The interest rate risk mix in Brazil is 46,49% at LIBOR and 46,14% at CDI.

Transaction	31 December 2015 Probable scenario	Possible scenario 25%	Remote scenario 50%
Loans – LIBOR	1.03%	1.29%	1.55%
Loans – CDI	15.20%	19.00%	22.80%
Loans – TJLP	7.50%	9.38%	11.25%
Investments – LIBOR	1.04%	1.30%	1.56%
Investments – CDI	15.20%	19.00%	22.80%

Transaction	Risk	Amount US Dollars	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
				US$'000	US$'000	US$'000
Loans – LIBOR	LIBOR	69,830	Interest	(239)	(362)	(485)
Loans – TJLP	TJLP	25,329	Interest	–	(303)	(601)
Loans – Fixed	None	268,596	None	–	–	–
Total loans		363,755		(239)	(665)	(1,086)
				US$'000	US$'000	US$'000
Investments – LIBOR	LIBOR	43,639	Income	–	108	217
Investments – CDI	CDI	80,387	Income	1,420	4,650	7,880
Total investments		124,026		1,420	4,758	8,097
			Net Income	1,181	4,093	7,011

Notes to the Accounts

36 Financial instruments (continued)

The net effect was obtained by assuming a 12-month period starting 31 December 2015 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the scenario rate and actual rate. The interest rate risk mix in Brazil is 37.34% at LIBOR and 62.66% at CDI.

Investment portfolio

Interest rate changes will always impact equity prices. The level and direction of change in equity prices is subject to prevailing local and world economics as well as market sentiment all of which are very difficult to predict with any certainty.

Derivative financial instruments

The Group may enter into derivatives contracts to manage risks arising from interest rate fluctuations. All such transactions are carried out within the guidelines set by the Wilson Sons Limited Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group uses cash flow hedges to limit its exposure that may result from the variation of floating interest rates. On 16 September 2013, Tecon Salvador entered into an interest rate swap agreement with an initial notional amount of US$74.4 million to hedge a portion of its outstanding floating-rate debt with IFC. On 31 December 2016 the notional amount was US$48.6 million, equivalent to the outstanding debt amount on that date. This swap converts floating interest rate based on the London Interbank Offered Rate, or LIBOR, into fixed-rate interest and expires in March 2020. The derivatives were entered into with Santander Brasil as counterparty and its credit rating was AA, as of 31 December 2016, according to Standard & Poor's Brazilian local rating scale.

Tecon Salvador is required to pay the counterparty a stream of fixed interest payments at rates fixed from 0.553% to 4.250%, according to the schedule agreement, and in turn, receives variable interest payments based on 6-month LIBOR. The net receipts or payments from the swap are recorded as financial expense.

	Outflows US$'000	Net effect US$'000
Within one year	(712)	(712)
In the second year	(787)	(787)
In the third to fifth years (including)	(395)	(395)
After five years	–	–
	(1,894)	(1,894)
Fair Value		(1,894)

The fair value of the swap was estimated based on the yield curve as of 31 December 2016, and represents its carrying value. As of 31 December 2016, the interest rate swap balance in other non-current liabilities was US$1.9 million and the balance in accumulated other comprehensive income on the consolidated balance sheet was US$2.4 million. The net change in fair value of the interest rate swap recorded as other comprehensive income for the year ended 31 December 2016 was an after-tax loss of US$1.4 million.

31 December 2016	**Amount US$'000's**	**Maturity**	**Fair Value US$'000's**
Financial Assets			
Interest Rates Swap	**48,571**	**March 2020**	**(1,894)**
Total			**(1,894)**

Derivative Sensitivity Analysis

This analysis is based on 6-month LIBOR interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores any impact of forecast sales and purchases. Three scenarios were simulated: the likely scenario (Probable) and two possible scenarios of reduction of 25% (Possible) and 50% (Remote) in the interest rate.

			31 December 2016
	Probable scenario US$'000	**Possible scenario (25%) US$'000**	**Remote scenario (50%) US$'000**
	(1,889)	**(2,221)**	**(2,558)**

36 Financial instruments (continued)

Cash Flow Hedge

The Group applies hedge accounting for transactions in order to manage the volatility in earnings. The swap is designated and qualifies as a cash flow hedge. As such, the swap is accounted for as an asset or a liability in the accompanying consolidated balance sheets at fair value. The effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented as an asset revaluation reserve in equity. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting operations, expires or is sold, terminated or exercised, or the designation is revoked, the model accounting hedges (hedge accounting) is discontinued prospectively when there is no more expectation for the forecasted transaction and any amount included in equity is reclassified to the profit or loss.

On the initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged transaction, including the risk management objective and strategy on the implementation of the hedge and the hedged risk, together with the methods that will be used to evaluate the effectiveness of the hedging relationship. The Group is utilising the dollar offset method to assess the effectiveness of the swap, analysing whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of the respective hedged items attributable to the hedged risk and if the actual results for each coverage are within the range from 80–125%.

Under this methodology, the swap was deemed to be highly effective for the period ended 31 December 2016. There was no hedge ineffectiveness recognised in profit or loss for the year ended 31 December 2016.

Market price sensitivity

By the nature of its activities, the Group's investments are exposed to market price fluctuations. However the portfolio as a whole does not correlate exactly to any Stock Exchange Index as it is invested in a diversified range of markets. The Investment Manager and the Board monitor the portfolio valuation on a regular basis and consideration is given to hedging the portfolio against large market movements.

The sensitivity analysis below has been determined based on the exposure to market price risks at the year end and shows what the impact would be if market prices had been 10 per cent higher or lower at the end of the financial year. The amounts below indicate an increase in profit or loss and total equity where market prices increase by 10 per cent, assuming all other variables are constant. A fall in market prices of 10 per cent would give rise to an equal fall in profit or loss and total equity.

	2016 **US$'000**	2015 US$'000
Profit or loss	**23,878**	23,616
Total equity	**23,878**	23,616

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's sales policy is subordinated to the credit sales rules set by management, which seeks to mitigate any loss from customers' delinquency.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Trade and other receivables disclosed in the balance sheet are shown net of the allowance for doubtful debts. The allowance is booked whenever a loss is identified, which based on past experience is an indication of impaired cash flows.

Ocean Wilsons (Investments) Limited primarily transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager. The duration of credit risk associated with the investment transaction is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred, and the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction.

In addition Ocean Wilsons (Investments) Limited invests in Limited Partnerships and other similar investment vehicles. The level of credit risk associated with such investments is dependent upon the terms and conditions and the management of the investment structures. The Board reviews all investments at its regular meetings from reports prepared by the company's Investment Manager.

Notes to the Accounts

36 Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in fulfilling obligations associated with its financial liabilities that are settled with cash payments or other financial asset. The Group's approach in managing liquidity is to ensure that the Group always has sufficient liquidity to fulfil the obligations that expire, under normal and stress conditions, without causing unacceptable losses or risk damage to the reputation of the Group.

Ultimate responsibility for liquidity risk management rests with the Board of directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group uses costing based on activities to price the products and services which assist in monitoring cash flow requirements and optimizing the return on cash investments.

Normally the Group ensures it has sufficient cash reserves to meet the expected operational expenses, including financial obligations. This practice excludes the potential impact of extreme circumstances that cannot be reasonably foreseen.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 12 months US$'000	1-5 years US$'000	5+ years US$'000	Total US$'000
31 December 2016					
Non-interest bearing	**–**	**71,556**	**–**	**–**	**71,556**
Finance lease liability	**16.43%**	**1,211**	**1,085**	**–**	**2,296**
Variable interest rate instruments	**3.73%**	**27,762**	**75,307**	**12,435**	**115,504**
Fixed interest rate instruments	**2.85%**	**22,018**	**79,675**	**158,333**	**260,026**
		122,547	**156,067**	**170,768**	**449,382**
31 December 2015					
Non-interest bearing	–	82,621	–	–	82,621
Finance lease liability	16.75%	1,192	1,536	–	2,728
Variable interest rate instruments	3.22%	17,292	68,460	9,407	95,159
Fixed interest rate instruments	2.91%	24,198	79,767	164,631	268,596
		125,303	149,763	174,038	449,104

The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Fair value of financial instruments

The fair value of non-derivative financial assets traded on active liquid markets are determined with reference to quoted market prices. The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on 31 December 2016. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

36 Financial instruments (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Inputs for the asset that are not based on observable market data. Fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one of more of the significant inputs is not based on observable market data, the instrument is included in level 3.

31 December 2016	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVTPL				
Non-derivative financial assets for trading	**10,028**	**128,229**	**100,524**	**238,781**

31 December 2015	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVTPL				
Non-derivative financial assets for trading	3,885	138,100	94,170	236,155

Valuation Process

Investments whose values are based on quoted market prices in active markets and are classified within Level I include active listed equities. The Group does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain private investments that are traded over the counter. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. Level 3 instruments include holdings in Limited Partnerships and other funds. As observable prices are not available for these securities, the Company values these based on an estimate of their fair value, which is determined as follows:

(i) For entities that have recently begun trading and for which detailed financial information is not available, the valuation will be determined with reference to the original cost plus any further drawdowns less any distributions received. This will be adjusted by reference to more recent benchmark subscriptions and investments which give a guide to fair value or where there are other factors that indicate there has been a significant change in fair value.

(ii) For more established investments, the valuation will be determined by reference to recent financial information received from the underlying entity. This underlying information is determined in accordance with International Private Equity and Venture Capital Guidelines and is determined using methodologies that include applying an average sector earnings multiple to operating profits, reference to the valuation of the underlying net asset base and discounted cash flows.

Level 3 valuations are reviewed on a quarterly basis by the Investment Manager who reports to the Board quarterly. The Investment Manager considers the appropriateness of the valuation model inputs used and the basis of the techniques used to ensure they are in line with industry standards. In selecting the most appropriate valuation model the Investment Manager considers historical alignment to actual market transactions.

Notes to the Accounts

36 Financial instruments (continued)

None of the Group's investments have moved between classification levels in the year and therefore no reconciliation is necessary. Sensitivity analysis in relation to Level 3 investments has been included in the market price risk management analysis where the Group has shown impacts to the value of investments if markets prices had been 10% higher or lower at the end of the financial year.

Reconciliation of Level 3 fair value measurements of financial assets:	**2016 US$'000**	2015 US$'000
Balance at 1 January	**94,170**	75,207
Total losses in the Statement of Comprehensive Income	**(2,264)**	(5,950)
Purchases and drawdowns of financial commitments	**10,372**	27,366
Sales and repayments of capital	**(1,754)**	(2,453)
Balance at 31 December	**100,524**	94,170

37 Post-employment benefits

The Group operates a private medical insurance scheme for its employees which require the eligible employees to pay fixed monthly contributions. In accordance with Brazilian law, eligible employees with greater than ten years service acquire the right to remain in the plan following retirement or termination of employment, generating a post-employment commitment for the Group. Ex-employees remaining in the plan will be liable for paying the full cost of their continued scheme membership. The future actuarial liability for the Group relates to the potential increase in plan costs resulting from additional claims as a result of the expanded membership of the scheme.

	31 December 2016 US$'000	31 December 2015 US$'000
Present value of actuarial liabilities	**600**	1,300

Actuarial assumptions

The calculation of the liability generated by the post-employment commitment involves actuarial assumptions. The following are the principal actuarial assumptions at the reporting date:

Economic and Financial Assumptions

	31 December 2016	31 December 2015
Annual interest rate	**11.35%**	14.17%
Estimated inflation rate in the long-term	**5.00%**	6.50%
Ageing Factor	**2.50% p.a.**	2.50% p.a
Medical cost trend rate	**2.50% p.a.**	2.50% p.a

Biometric and Demographic Assumptions

	31 December 2016	31 December 2015
Employee turnover	**22.7%**	22.7%
Mortality table	**AT-2000**	AT-2000
Mortality table for disabled	**IAPB-1957**	IAPB-1957
Disability table	**Álvaro Vindas**	Álvaro Vindas
Retirement Age	**100% at 62**	100% at 62
Employees who opt to keep the health plan after retirement and termination	**23%**	23%
Family composition before retirement		
Probability of marriage	**90% of the participants**	90% of the participants
Age difference for active participants	**Men 4 years older than the woman**	Men 4 years older than the woman
Family composition after retirement	**Composition of the family group**	Composition of the family group

36 Financial instruments (continued)

Sensitivity analysis

The present value of future liabilities may change depending on market conditions and actuarial assumptions. Changes on a relevant actuarial assumption, keeping the other assumptions constant, would have affected the defined benefit obligation as shown below:

	31 December 2016 US$	31 December 2015 US$
CiPBO (*) – discount rate + 0.5%	**(41)**	(96)
CiPBO (*) – discount rate – 0.5%	**52**	108
CiPBO (*) – Health Care Cost Trend Rate + 1.0%(*)	**112**	239
CiPBO (*) – Health Care Cost Trend Rate – 1.0%	**(84)**	(190)

(*) CiPBO means Change in projected benefit obligation.

Statistical Statement (Unaudited)

2012 – 2016 (in US$'000)

	Year to 31 December 2016 US$'000	Year to 31 December 2015 US$'000	Year to 31 December 2014 US$'000	Year to 31 December 2013 (Restated) US$'000	Year to 31 December 2012 US$'000
Closing rates of exchange – R$ to US$	**3.26**	3.90	2.66	2.34	2.04
Income Statement					
Group revenue	**457,161**	509,268	633,520	660,106	610,354
Raw materials and consumables used	**(37,741)**	(55,760)	(100,588)	(94,330)	(72,207)
Employee benefits expense	**(144,274)**	(147,279)	(195,893)	(209,459)	(223,031)
Depreciation & amortisation expense	**(52,585)**	(53,214)	(65,120)	(58,674)	(55,897)
Other operating expenses	**(126,470)**	(142,175)	(182,819)	(188,569)	(173,951)
Profit/(loss) on disposal of property, plant and equipment	**745**	(1,294)	326	9,966	534
Group operating profit	**96,836**	109,546	89,426	119,040	84,734
Share of results of joint venture	**8,073**	4,843	7,090	2,392	689
Investment revenue	**15,065**	16,908	16,975	17,838	18,255
Other gains and losses	**(4,134)**	(1,388)	6,233	13,684	16,394
Finance costs	**(599)**	(45,403)	(23,607)	(21,863)	(9,948)
Foreign exchange losses on monetary items	**2,286**	(15,792)	(17,621)	(30,589)	(11,572)
Profit before tax	**117,527**	68,714	78,496	100,502	98,552
Income tax expense	**(36,836)**	(39,455)	(41,928)	(42,216)	(33,671)
Profit for the year	**80,691**	29,259	36,568	58,286	64,881
Profit for the period attributable to:					
Equity holders of parent	**45,060**	15,470	23,182	37,873	41,264
Non-controlling interests	**35,631**	13,789	13,386	20,413	23,617
	80,691	29,259	36,568	58,286	64,881

	US$'000	US$'000	US$'000	US$'000	US$'000
Balance Sheet					
Net assets					
Brazilian interests	**464,988**	394,807	474,127	476,626	461,479
Investments held for trading	**238,781**	236,155	236,491	244,969	221,582
Other net assets	**53,223**	49,520	56,726	48,480	60,507
	756,992	680,482	767,344	770,075	743,568
Attributable net assets – per share					
Brazilian interests – book amount	**13.15**	11.16	13.41	13.48	13.05
Other assets – book and market amount	**8.26**	8.08	8.29	8.30	7.98
	21.41	19.24	21.70	21.78	21.03
Key Statistics					
Earnings per share	**127.4c**	43.7c	65.6c	107.1c	116.7c
Cash dividends per share paid	**63c**	63c	60c	42c	33c
Mid-market quotation at end of period	**£10.22**	£7.65	£10.00	£10.42	£9.70
Mid-market quotation at end of period in US Dollars	**$12.50**	$11.27	$15.58	$17.25	$15.12

Notice of Annual General Meeting

Notice is hereby given that the 24th Annual General Meeting of the Company will be held at the offices of Conyers Dill & Pearman Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda on 6 June 2017 at 10:00 am for the following purposes.

1 To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2016.
2 To declare a dividend.
3 To determine the maximum number of Directors for the ensuing year as eight and authorise the Board of Directors to elect or appoint on the Members' behalf a person or persons to act as additional Directors up to such maximum number to serve until the conclusion of the next Annual General Meeting.
4 To re-elect Mr K Middleton as a Director.
5 To re-elect Mr W Salomon as a Director.
6 To appoint Ernst & Young LLP as the Auditor and the Directors to fix the remuneration of the Auditor.
7 Ratification and confirmation of all and any actions taken by the Board of Directors and the persons entrusted with Company's management in the year ended 31 December 2016.

By Order of the Board
Codan Services Limited
Assistant Secretary
Clarendon House, Church Street, Hamilton HM 11, Bermuda

24 March 2017

Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

Form of Proxy

*I/We ______________________________

*of ______________________________

____

being a Member of Ocean Wilsons Holdings Limited, hereby appoint Mr J F Gouvêa Vieira, or failing him Mr W Salomon both Directors of the Company as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 6 June 2017 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

Or ______________________________

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 6 June 2017 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

		For	Against	Withheld
1	To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2016.			
2	To declare a dividend.			
3	To determine the maximum number of Directors for the ensuing year as eight and authorise the Board of Directors to elect or appoint on the Members' behalf a person or persons to act as additional Directors up to such maximum number to serve until the conclusion of the next Annual General Meeting.			
4	To re-elect Mr K Middleton as a Director.			
5	To re-elect Mr W Salomon as a Director.			
6	To appoint Ernst & Young LLP as the Auditor and authorise the Directors to fix the remuneration of the Auditor.			
7	Ratification and confirmation of all and any actions taken by the Board of Directors and the persons entrusted with Company's management in the year ended 31 December 2016.			

Signature ______________________ Dated ______________ 2017

Notes

1 If any other proxy is preferred, delete the names inserted above and add the name of the proxy whom you wish to appoint, and initial the alteration.

2 Please indicate by a cross in the appropriate box how you wish your proxy to vote. If no indication is given your proxy will abstain or vote as he/she thinks fit.

3 To be valid, the proxy should be deposited at the Transfer Agents of the Company, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no less than 48 hours before the time for the Meeting.

4 In the case of a corporation, this proxy must be under its Common Seal or under that of an Officer or Attorney duly authorised in writing.

5 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members, in respect of the joint holding.

* Please insert your full name and address in BLOCK CAPITALS.

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