Ocean Wilsons
Holdings Limited

Annual Report 2017

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Ocean Wilsons Holdings Limited

Highlights

- Profit after tax for the year increased 36% to US$109.4 million (2016: US$80.7 million) principally due to improved returns from the investment portfolio and higher operating profit.
- The valuation of the Investment portfolio (including cash under management) increased US$35.8 million to US$274.7 million (2016: US$238.9 million).
- Operating profit growth of 13% to US$109.5 million (2016: US$96.8 million) and improved operating margin from 21.2% to 22.1%.
- Revenue grew 9% to US$496.3 million (2016: US$457.2 million).
- Earnings per share for the year up by 74% to 221.5 cents (2016: 127.4 cents).
- Proposed dividend increased by 11% to 70 cents per share (2016: 63 cents per share).

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 58.19% interest in Wilson Sons which is fully consolidated in the Group accounts with a 41.81% 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 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 view allows our Investment Managers to make investment decisions that create long-term capital growth.

Chairman's Statement

Introduction

The Group delivered a strong performance in 2017 from both our Brazilian and investment portfolio businesses. After enduring its worse economic recession on record, the Brazilian economy grew 1% in 2017 improved by the performance of the agricultural sector with both exports and imports growing 5% in the year. The key operational indicators at our container terminal and towage businesses increased against their 2016 comparatives although our offshore businesses suffered in the depressed offshore oil and and gas market.

Operating volumes	2017	2016	% Change
Container Terminals (container movements in TEU '000)	**1,068.1**	1,029.8	3.7%
Towage (number of harbour manoeuvres performed)	**59,796**	58,376	2.4%
Offshore Vessels (operating days own vessels)	**6,035**	6,428	(6.1%)

1 March 2017 marked the 20th anniversary of the commencement of operations at the Tecon Rio Grande container terminal concession. The terminal has grown significantly in this time through the Group's substantial ongoing capital investments and management efforts. From a modest beginning in 1997 (the terminal moved 90,975 "TEUs" (twenty-foot equivalent units) in the first 10 months) the terminal has become one of the largest and most modern container terminals in the country. Container volumes in 2017 grew 6% over prior year to 760,900 TEUs (2016: 719,500 TEUs) driven principally by higher import, cabotage and transhipment movements. Transhipment volumes benefited from the new Santa Clara terminal which enables the waterway transport of containers between the Triunfo Petrochemical hub in the state of Rio Grande do Sul and Tecon Rio Grande. Container volumes handled at our other container terminal, Tecon Salvador, at 307,100 TEUs, were marginally lower than prior year, (2016: 310,300 TEUs) mainly due to lower export and empty container volumes. Last year we were pleased to announce that the Group had signed an amendment 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. We are currently awaiting environmental licences to begin civil works which we expect to start in the fourth quarter of 2018.

Towage continued to perform well with the number of harbour manoeuvres increasing 2% to 59,796 (2016: 58,376) In addition to the higher volumes, results also benefitted from the market trend towards larger vessels, as harbour towage pricing is linked to vessel size. Special towage operations revenue declined reflecting the reduced demand from the Brazilian offshore oil and gas industry and the more volatile nature of this activity which includes salvage, firefighting and other operations. The Group remains the leading towage operator in Brazil with a fleet of seventy-four tugboats operating in over 30 ports throughout the country.

Operating days at our offshore joint venture, Wilson Sons Ultratug Offshore decreased 6% in the year due to market pressures. During the third quarter Petrobras negotiated new contract terms with our joint venture for eight platform supply vessels ("PSVs"). The agreement temporarily suspended six of these contracts due to current suppressed demand and reduced the vessels' daily rates, but the original contract term was extended by a period equal to the suspension. During the first quarter of 2018 five of the six suspended vessels have recommenced operations with the remaining vessel expected to resume in July 2018. At the year end, the joint venture operated a fleet of 23 PSVs of which 19 were under long-term contract, with the remainder available in the Brazilian spot market or laid up until market conditions improve. On a positive note, there were some important advances in the Brazilian oil and gas industry during the year, with an improved regulatory framework that removed the Petrobras monopoly on operating the pre-salt offshore oilfields, opening them up to foreign investment. This positive move was reflected in renewed interest by the major international oil companies who actively participated in the recent round of pre-salt auctions.

During the year the shipyard successfully delivered the first two of a four tugboat order to third parties and continued to perform maintenance on our tugboat and offshore fleets.

As at 31 December 2017, the investment portfolio including cash under management was valued at US$274.74 million, representing US$7.73 per share (2016: US$238.8 million and US$6.76 per share).

Group Results

Profit before tax for the year increased US$28.0 million to US$145.5 million compared to US$117.5 million in 2016. The improvement is principally due to a US$36.9 million movement in other gains and losses from the investment portfolio, a US$12.7 million increase in operating profit and US$3.9 million increase in investment income. These gains were partially offset by a US$21.4 million increase in finance costs, as the prior year benefited from a US$12.8 million exchange gain on foreign currency borrowings compared with a US$0.8 million loss in the current period. Operating profit for the period was US$12.7 million higher than the comparative period in 2016 at US$109.5 million (2016: US$96.8 million) reflecting an increase in revenue and improved operating margins. Group operating margins* for the year at 22% were marginally ahead of prior year (21%). Revenue for the full year grew 9% to US$496.3 million (2016: US$457.2 million), principally due to higher port terminal and logistics revenue. Earnings per share for the year were 221.5 cents compared with 127.4 cents in 2016.

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

Investment portfolio performance

The investment portfolio produced a strong performance in the year growing US$35.8 million to US$274.7 million at year end (2016: US$238.9 million) driven by the rise in global equity markets. The portfolio produced a time weighted net return of 16.5% in the year compared with the performance benchmark of 5.1% . Over the three-year period of the performance benchmark the portfolio produced a time-weighted return of 5% per annum compared with the performance benchmark of 4.6% per annum resulting in a US$0.1 million performance fee payable to the Investment Manager.

At year end the investment portfolio was invested 56% in global equities (US$152.9 million), 34% in private assets (US$94.1 million) with the balance invested in market neutral funds, cash and bonds. The US$9.9 million increase in private assets at year end (2016: US$84.2 million) is due to new capital

drawdowns of US$10.0 million, less distributions received of US$10.3 million and an increase in net value of US$10.2 million. The investment portfolio maintains an overweight exposure to emerging markets which account for 36% of the investment portfolio net asset value at year end but 60% of the private equity value. At 31 December 2017, the top ten investments account for 39% of the investment portfolio valuation (US$108.4 million). Ocean Wilsons (Investments) Limited paid dividends of US$3.5 million to Ocean Wilsons Holdings Limited in the year.

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 of 1% of the valuation of funds under management and an annual performance fee of 10% of the net investment return 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. 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 current benchmark was introduced on 1 January 2015 and 2017 marks the completion of the first three-year cycle under the current benchmark. In 2017 the investment management fee paid was US$2.6 million and a US$0.1 million performance fee is payable to the Investment Manager.

Net asset value
At the close of business on 31 December 2017, the Wilson Sons' share price was R$40.00, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.19% of Wilson Sons) totalling approximately US$500.8 million which is the equivalent of US$14.16 (£10.48) per Ocean Wilsons share.

Adding the market value per share of Wilsons Sons of US$14.16 and the investment portfolio at 31 December 2017 per share of US$7.73 results in a net asset value per Ocean Wilsons Holdings Limited share of US$21.89 (£16.21) per share. The Ocean Wilsons Holdings Limited share price of £10.95 at 31 December 2017 represented an implied discount of 32% which is higher than the historic long-term discount.

Dividend
The Board is recommending a dividend of 70 cents per share (2016: 63 cents per share) to be paid on 8 June 2018, to shareholders of the Company as of the close of business on 11 May 2018. This represents an 11% increase over the 2016 dividend. Shareholders will receive dividends in Sterling by reference to the exchange rate applicable to the USD on the dividend record date (11 May 2018) except for those shareholders who elect to receive dividends in USD. Based on the current share price and exchange rates a dividend of 70 cents per share represents a healthy dividend yield of approximately 4.7%.

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.

Charitable donations
The Group's subsidiary Wilson Sons continues to support several local charities and causes in Brazil. Group donations for charitable purposes in the year amounted to US$715,000 (2016: US$136,000). The focus of the Group's charitable donations are young people, promoting social inclusion and development. Among the charities the Group supports are Brigada Mirim da Ilha Grande, Escola de Gente, Passporte da Cidadania and Sonhar Acordado.

Health, safety and environmental practices (HSE)
The Group continues to invest in the training, development and safety of our staff. The Group has run the WS+ safety programme in partnership with DuPont since 2011 to promote improved safety throughout the Wilson Sons Group. The programme is based on the establishment and revision of work processes and procedures, operational discipline, management of deviations, organisational responsibility, behavioural approach and the engagement of leadership. Since its implementation the lost time injury frequency rate has decreased by 94%. In 2017 the Group achieved a world-class level of safety with a lost time injury frequency rate of 0.45 per one million man-hours worked. Wilson Sons is one of the most consistent winners of the DuPont award on Occupation, Health and Safety Management in Brazil having received four awards in the last five years.

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 2016 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 is an investment holding company incorporated 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, are contained in the section on corporate governance in the Annual Report. The position is regularly reviewed and monitored by the Board.

Outlook
The Brazilian economy is forecast to grow between 2.5 – 3% in 2018 with stronger growth from 2019. The container terminals business continues to perform well benefitting from the increased trade volumes that are beginning to appear. We are still awaiting the necessary environmental license approval

Chairman's Statement

to begin the expansion of the Tecon Salvador container terminal and do not expect to be able to start construction before the fourth quarter of 2018. Demand for towage services remains healthy despite recent increased competition in the segment. The Brazilian offshore oil and gas market will face another challenging year in 2018 although prospects for the longer-term are brighter following the investment friendly reforms implemented during 2017. Market over-capacity continues to dampen demand for both offshore vessel hire and new vessel construction although we continue to explore alternative revenue streams for our excess supply vessel capacity. Our joint venture is currently modifing one PSV to provide oil spill recovery services and two other PSVs to provide shallow-water diving support services under contracts that will start in 2018. The shipyard new buildings order book currently consists of two tugboats for third parties and two tugboats for our own fleet. In addition there are 15 dry-docking operations scheduled in the year for third parties and our own fleet. We remain confident of the strength of our businesses and look forward to the opportunities that a growing Brazilian economy will bring.

2017 was a robust year for global stock markets and, rather surprisingly, one where volatility was low. In contrast 2018 has got off to a much more turbulent start, rising strongly for most of January before giving up most of these gains in the beginning of February. We would expect this pattern to continue, reflecting the maturing nature of the current cycle. Nonetheless we continue to see upside in equity markets although one must be increasingly discerning as to positioning both from a geographic and sector perspective. Encouragingly for your investment portfolio, we believe emerging markets are looking more attractive than their developed market counterparts. Risks are however undoubtedly rising. Valuations are full in many cases, geo-political risks high and inflation appears to be rearing its head again with implications for global interest rates and bond yields. This backdrop is likely to mean that more defensive assets increasingly have a role to play in portfolios.

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.

J F Gouvêa Vieira
Chairman
16 March 2018

Tecon Rio Grande in Rio Grande, Rio Grande do Sul. In 2017 Tecon Rio Grande moved 760,900 TEUs (twenty-foot equivalent units).

Financial Review

Operating profit

Operating profit for the period was US$12.7 million higher than the comparative period in 2016 at US$109.5 million (2016: US$96.8 million) reflecting the increase in revenue and improved operating margins. Group operating margins for the year at 22% were marginally ahead of prior year (21%).

Raw materials and consumables used in the year at US$37.7 million were the same as the prior year (2016: US$37.7 million). Employee expenses were 15% higher at US$166.4 million (2016: US$144.3 million) due to the effect of the lower average USD/BRL exchange rate, redundancy costs associated with corporate restructuring and additional provisions to cover potential labour claims. Employee costs were also impacted by the rollback by the Brazilian government of a temporary payroll tax exemption granted to some business sectors in Brazil on the 1 July 2017. The rollback was repealed in August following a judicial decision. Other operating expenses were 3% lower at US$122.3 million (2016: US$126.5 million), with exchange rate impacts offset by a US$4.9 million tax credit arising in the logistics busines, reduced tug rental costs (following the acquisition of six tugboats in 2016 that were previously leased) and a non-recurring US$3.9 million provision reversal.

Depreciation and amortisation for the year increased US$4.9 million to US$57.5 million from US$52.6 million in 2016 mainly due to the lower average USD/BRL exchange rate and larger towage fleet. Loss on disposal of property, plant and equipment of US$2.9 million includes a US$2.3 million write down on leasehold improvements no longer used by the Group (2016: US$0.7 million profit).

Revenue from Maritime Services

Revenue for the year increased 9% to US$496.3 million (2016: US$457.2 million), principally due to higher port terminal and logistics revenue. Port terminals and logistics revenue grew 22% to US$257.8 million (2016: US$211.1 million), mainly due to the lower average USD/BRL exchange rate used to convert revenue into our reporting currency and higher container terminal and logistics revenue. The average USD/BRL exchange rate in the period was 8% lower than the comparative period in 2016, (3.19 v 3.48). Container terminal revenue in the year was 26% higher at US$187.4 million (2016: US$148.3 million) benefitting from a more favourable sales mix with increases in import and cabotage volumes. Warehouse revenue increased driven by the higher import volumes. Container volumes handled at our container terminals were 4% higher than prior year at 1,068,100 TEUs (2016: 1,029,800 TEUs). Logistics revenue rose 26% to US$54.7 million (2016: US$43.3 million) driven by improved bonded warehouse revenue. Revenue at Brasco fell 19% to US$15.7 million (2016: US$19.4 million) as the downturn in the Brazilian offshore oil and gas industry continues to reduce demand for its services. Revenues were supported by an increase in vessel lay-up operations during the year reflecting the excess capacity available in the market.

Towage and ship agency revenue for the year at US$218.0 million was slightly lower than 2016 (US$219.7 million). Harbour towage continued to perform well with higher volumes and handling of larger sized vessels offsetting the weaker demand for special towage operations in the period. Harbour towage manoeuvres performed in the period were 2% higher at 59,796 (2016: 58,376). Towage special operations revenue in the year were US$9.2 million lower than 2016 at US$11.2 million (2016: US$25.1 million) reflecting lower demand from the offshore oil and gas industry and the more volatile nature of this activity, which includes salvage, firefighting and other operations. Ship agency revenue declined US$2.6 million to US$11.3 million (2016: US$13.9 million).

Third-party shipyard revenue for the year was US$5.2 million lower at US$21.2 million, (2016: US$26.4 million) impacted by the weak market for vessel construction in Brazil. In addition to work performed for third-parties, the shipyard continued to provide important vessel construction and maintenance services for the Group.

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

Share of results of joint ventures

The share of results of joint ventures is Wilson Sons' 50% share of net profit for the period from our offshore joint venture. The Group's share of results of joint ventures fell US$4.7 million from US$8.1 million in 2016 to US$3.4 million in the current year, largely due to lower operating profits and exchange losses on monetary items in the period. Operating profit for the 50% share in the joint venture in the year was US$3.4 million lower at US$15.9 million, principally due to fewer operating days which were 6% lower at 6,035 days against 6,428 days in 2016. At year end our joint venture has 23 PSVs.

Investment income

Investment revenue for the year was US$3.9 million higher at US$19.0 million (2016: US$15.1 million) principally due to higher income from underlying investment vehicles of US$9.3 million (2016: US$4.8 million) and higher other interest of US$3.8 million (2016: US$2.3 million).

Investment gains and losses

Other investment gains of US$32.8 million arose from the Group's portfolio of trading investments (2016: US$4.1 million loss) and are comprised of profits on the disposal of trading investments of US$6.9 million (2016: US$1.9 million) and unrealised gains on trading investments of US$25.9 million (2016: US$6.0 million loss).

Finance costs

Finance costs for the year were US$21.4 million higher at US$22.0 million compared with US$0.6 million for 2016, as 2016 benefitted from a US$12.8 million exchange gain on foreign currency borrowings, whilst 2017 resulted in a US$0.8 million loss. Interest on overdrafts and loans were US$ 1.0 million higher than prior year at US$13.3 million, (2016: US$12.3 million). Other interest of US$7.7 million (2016: US$0.7 million) mainly related to interest on outstanding tax balances. The large increase in 2017 is because Wilson Sons, under a Brazilian tax amnesty programme, paid US$1.0 million of cash, obtained US$7.2 million of tax relief and used US$6.9 million of unrecognised tax losses to settle US$15.1 milllion of disputed federal tax debts.

Exchange rates

The Group reports in USD and has revenues, costs, assets and liabilities in both BRL and USD. Therefore movements in the USD/BRL exchange rate influence the Group's results both positively and negatively from year to year. During 2017 the BRL depreciated 2% against the USD from R$3.26 at

The tugboat Procyon built at our shipyard in Guaruja is equipped for external firefighting enabling it to tackle fires on other vessels or waterfront property.

Financial Review

1 January 2017 to R$3.31 at the year end. In 2016 the BRL appreciated 17% against the USD from R$3.90 at 1 January 2016 to R$3.26 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:

	2017	2016
	US$ million	US$ million
Exchange gains on monetary items (i)	**2.8**	2.3
Exchange losses/gains on foreign currency borrowings	**(0.8)**	12.8
Deferred tax on retranslation of fixed assets (ii)	**1.4**	22.4
Deferred tax on exchange variance on loans (iii)	**(1.2)**	(14.3)
Total	**2.2**	23.2

(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 movement of the BRL against the USD in 2017 resulted in a positive impact of US$2.2 million on the income statement in the year compared with a US$23.2 million positive impact in 2016 caused by the appreciation of the BRL against the USD.

A currency translation adjustment loss of US$6.5 million (2016: US$32.7 million gain) 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.

The average USD/BRL exchange rate during 2017 was 8% lower at 3.19 than prior year (2016: 3.48). A lower average exchange rate positively affects BRL denominated revenues and adversly impacts 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$2.8 million (2016: US$2.3 million) arise from the Group's foreign currency monetary items and principally reflect the movement of the BRL against the USD during the period.

Profit before tax

Profit before tax for the year increased US$28.0 million to US$145.5 million compared to US$117.5 million in 2016. The improvement was principally due to the US$36.9 million movement in other gains and losses from the investment portfolio, the US$12.7 million increase in operating profit and US$3.9 million increase in investment income. These gains were partially offset by a US$21.4 million increase in finance costs, as the prior year benefitted from a US$12.8 million exchange gain on foreign currency borrowings compared with a US$0.8 million loss in the current period and tax interest of US$7.7 million.. Share of results from joint ventures was US$4.7 million lower and foreign exchange gains on monetary items was US$0.5 million higher.

Taxation

Income tax expense for the year at US$36.1 million was in line with prior year (2016: US$36.8 million). This represents an effective tax rate for the period of 24.8% (2016: 31.3%) 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. In 2016 net expenses were incurred outside of Brazil. The principal impacts from these items on the tax charge in the income statement are set out in the table below

	2017		2016	
	US$ million	**% of taxable profit**	US$ million	% of taxable profit
Deferred tax items not included in determining taxable profit (i)	**(5.3)**	**(3.6%)**	(2.9)	(2.5%)
Income/expenses not included in determining taxable profit (ii)	**3.4**	**2.4%**	(3.0)	(2.6%)
Net (income)/expenses incurred outside Brazil	**(11.6)**	**(7.9%)**	2.8	2.4%
Total	**(13.4)**	**(9.2%)**	(3.1)	(2.7%)

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.

Profit for the year

Profit attributable to equity holders of the parent is US$78.3 million (2016: US$45.1 million) after deducting profit attributable to non-controlling interests of US$31.1 million (2016: US$35.6 million). Non-controlling interests at 28% are a lower percentage of the Group profit for the period (2016: 44%) because the improved returns from the investment portfolio accrue solely to the equity holders of the parent company.

Earnings per share

Earnings per share for the year were 221.5 cents compared with 127.4 cents in 2016.

Cash flow

Net cash inflow from operating activities for the year at US$103.0 million was US$9.2 million higher than prior year. (2016: $93.8 million) principally due to higher operating profit generated in the period.

Capital expenditure in the year was US$65.5 million lower at US$30.7 million (2016: US$96.2 million) principally due due to less vessel construction and US$21.1 million of container terminal equipment delivered in the year where the financier directly paid the supplier. Capital additions per note 15 were US$51.1 million (2016: US$ 97.1 million). New loans to finance capital expenditure of US$12.6 million (2016: US$46.6 million) were raised during

The bridge of one of our tugboats. The Group remains the leading towage operator in Brazil with a fleet of seventy-four tugboats operating in over 30 ports throughout the country.

Financial Review

the year while capital repayments of US$54.7 million (2016: US$41.0 million) were made on existing loans. Dividends of US$22.3 million were paid to shareholders in the period (2016: US$22.3 million) with a further US$16.8 million paid to non-controlling interests in our subsidiaries (2016: US$15.2 million).

At 31 December 2017, the Group had US$83.8 million in cash and cash equivalents (2016: US$77.3 million). Trading investments includes US$31.6 million (2016: US$37.4 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$52.8 million to US$588.2 million at the year end (2016: US$535.3 million) due to profits for the year of US$78.3 million, less a negative currency translation adjustment of US$3.8 million and dividends paid of US$22.3 million. On a per share basis equity attributable to shareholders was the equivalent of US$16.63 per share (31 December 2016: US$15.14 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 20% is variable rate debt and 80% fixed rate debt. The Group's borrowings are principally USD related with 93% 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 2017 the Group had net debt of US$239.2 million (2016: US$260.8 million):

	2017 US$ million	2016 US$ million
Debt		
Short-term	**54.3**	49.8
Long-term	**300.4**	325.8
Total debt	**354.7**	375.5
Cash and cash equivalents*	**(115.5)**	(114.7)
Net debt	**239.2**	260.8

* 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$234.1 million of debt from the Company's 50% share of borrowings in our Offshore Vessel joint venture.

Keith Middleton
Finance Director
16 March 2018

Wilson Sons Limited

The Wilson Sons 2017 Earnings Report released on 16 March 2018 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

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

"In 2017, we celebrated Wilson Sons' 180th anniversary and delivered robust results in a challenging economic environment. The Company reported annual EBITDA of US$172.4 milion, an increase of 11.8% YoY.

Container Terminals reached record annual volumes as Brazilian trade flow demonstrated some early indications of recovery by the end of the year. Both terminals deployed new equipment and upgraded their operating systems. Rio Grande posted a 39% increase in productivity, and by January 2018 its inland waterway service had sufficient volume to commence a second weekly call linking the north of the State directly to the Port of Rio Grande. After the year end, Tecon Salvador achieved a record 102 movements per hour following recent investments. We continue to take all the necessary measures to ensure the expansion of Salvador and are currently awaiting environmental licensing to begin civil works.

The Towage business reported higher harbour manoeuvres, despite increased competition. The division signed US$62 million in financing agreements with the Brazilian Development Bank (BNDES) for the construction and maintenance of tugboats in the coming years.

Despite continued stress throughout the oil industry, our Offshore Support Vessels' joint venture was awarded three new long-term contracts. Brazil's recent success in pre-salt oilfield auctions reinforces a more favourable long-term outlook, however, the short term remains challenging.

Once more we would like to thank all our stakeholders, but in particular the efforts of all our staff for their contribution to these solid results and their continued commitment to safety."

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. We continue to consolidate our position in all the segments in which we operate, maximising economies of scale and efficiency, quality and the range of our services we provide to customers.

Fulfilling capacity in our expanded container terminals. In order to meet demand from domestic and international trade, we have expanded both container terminals since the beginning of the concessions. By maximising installed capacity utilisation, we are best able to continue increases in productivity and level of service to our clients with economies of scale. We will diligently pursue this objective. The early extension of the Salvador terminal through to 2050 includes investments in quay extension and equipment to be installed in the coming years, further enhancing the terminal productivity. Additionally, we will evaluate new concessions and the development of new terminals, and their ability to provide a strong return on shareholders' equity.

Maximising capacity utilisation of our Oil and Gas Support Terminals (Brasco). In addition to our operations at Brasco Niterói, we have 500 metres of linear quay at the Brasco Rio base to provide logistics support for offshore vessels, with excellent access to the Campos and Santos petroleum basins. This expanded capacity positions Brasco as one of the largest operators of offshore support terminals in Brazil. We are continuously monitoring offshore operations across 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 will continue to modernise and expand our tugboat fleet in order to consistently provide high-quality services 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 market niches where we may be able to provide additional services or expand our geographical footprint 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 local and international shipowners operating 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 domestic 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.

Increasing economies of scale and productivity, realisation of potential synergies and cost savings across our business segments. We continuously seek to optimise our operations, productivity and reduce costs through synergies and knowledge exchange 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 our managers continually develop new strategies to improve our operations and explore new businesses.

Health, Safety and the Environment are priorities for the execution of our overall strategy of sustainable and ethical businesses. We continue to offer programmes to promote safety best practices throughout the Group by training our staff, as well as fostering 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 fearing 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 backdrop

2017 was a year that promised much to the bears but in practice saw the bulls win through. The geopolitical potholes were largely avoided with the newly elected US president, Donald Trump, and North Korea's leader, Kim Jong-un, content to verbally insult one another and not, as yet, engage in action. Asian trade wars have failed to materialise and, perversely, China's President Xi has taken on the mantle of chief advocate for the benefits of globalisation at a time when America has become more inward looking.

In Europe, whilst the populist parties grew in strength they failed in their efforts to gain power in France, the Netherlands and Germany. The region is not out of the woods though, with Germany still to agree a coalition government, the prospect of a coalition government in Italy and the ongoing threat of a Catalonian breakaway in Spain.

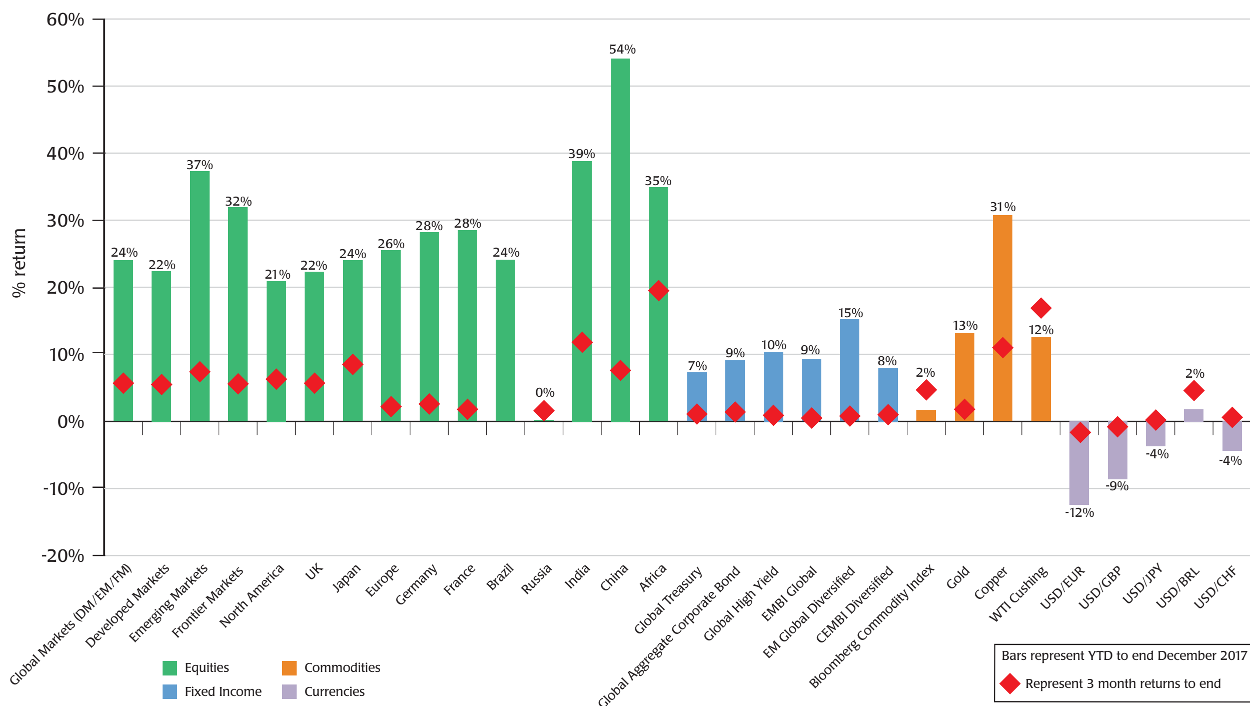
Rather than representing areas of disappointment, the business and economic cycles turned out to be significant positives during the year. Having been rather lacklustre post the Global Financial Crisis most economies did rather better in 2017 and, for the first time in this cycle, we actually experienced a backdrop of synchronised growth. This in turn fed through to an uptick in corporate profitability with many companies beating analyst forecasts, and whilst the monetary cycle did indeed turn, it did so in a controlled fashion helped by a subdued inflationary backdrop.

In terms of the numbers, equities, reflecting their geared nature to global economies, saw the strongest performance with world markets rising by 24.0% in US dollar terms. Within this US equities rose by 20.9%, Europe by 25.5% and Japan by 24.0%. The standout performers, however, were the emerging markets, which rose by some 37.3% with China up 54.1%, India 38.8% and Brazil 24.1%. This is particularly positive for the portfolio with its emerging market bias.

Bonds, unsurprisingly, were more muted with global treasuries up 7.3% and US treasuries 2.3%. Credit and local currency emerging market debt fared better, rising by 9.1% and 15.2%, respectively.

Alternatives and commodity investments were a more mixed bag with the composite hedge fund index rising by 8.7%, oil (WTI) by 12.5% and industrial metals by some 31%.

Asset class performance (in USD)



Source: Bloomberg

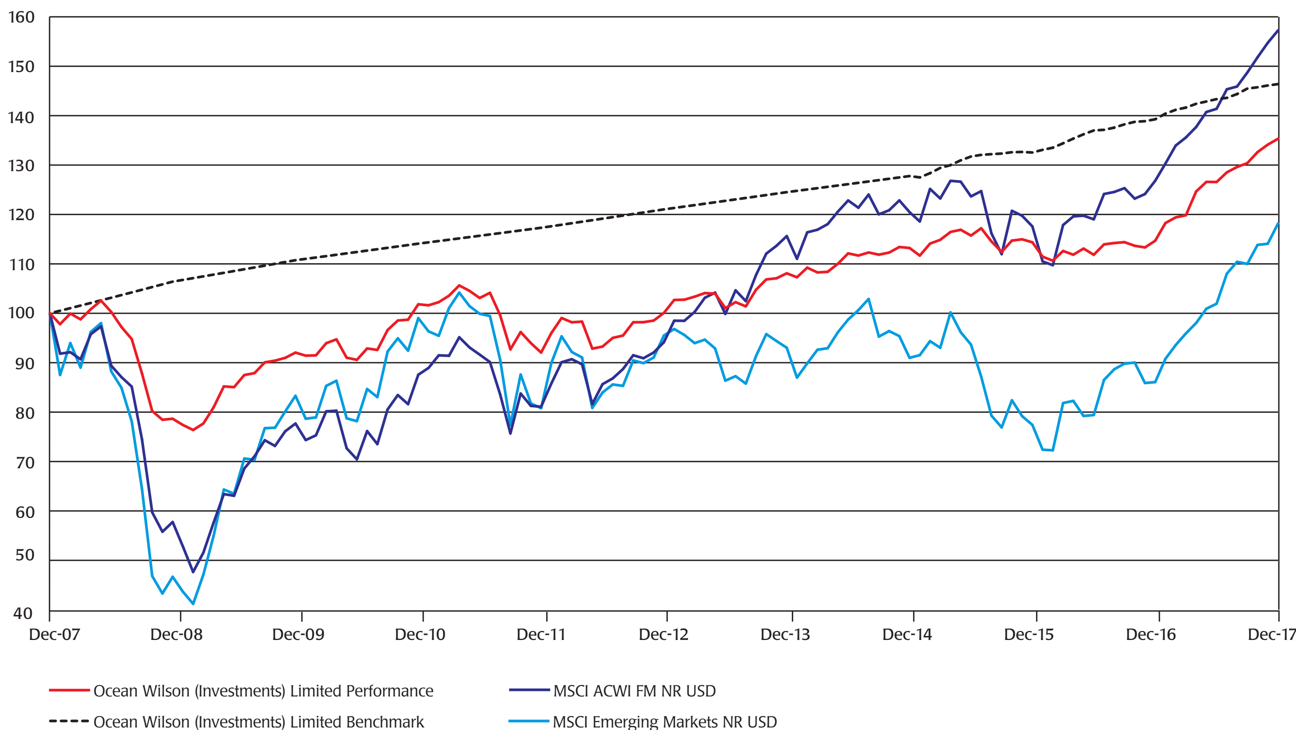
Cumulative portfolio returns

	2017	3 years p.a.	5 years p.a.	10 years p.a.
OWIL (Gross time-weighted)	17.6%	6.0%	6.2%	3.1%
OWIL (Net)	16.5%	5.0%	5.1%	2.0%
Performance benchmark*	5.1%	4.6%	3.9%	3.9%
MSCI ACWI + FM NR	24.0%	9.3%	10.8%	4.6%
MSCI Emerging Markets NR	37.3%	9.1%	4.3%	1.7%

* The OWIL Performance Benchmark which came in to effect on the 1st January 2015 is US CPI Urban Consumers NSA +3% p.a. This has been combined with the old benchmark (USD 12 Month LIBOR +2%) for periods prior to the adoption of the current benchmark.

Investment Manager's Report

Performance



Source: OWIL internal, unaudited data; MSCI

Portfolio Commentary

The portfolio returned some 16.5%, on a net basis, over the past 12 months, significantly outperforming its benchmark over the same period which rose by 5.1%. The portfolio saw good performances from many of its investments, including positions in Japan, Asia, North America and Frontier Markets.

A significant contributor to performance over the year was **Findlay Park American Fund**, which rose by 23.0%. The investment environment has been favourable for the fund as its large allocations to financial services and technology stocks have benefited from the continued growth of the US equity market. The fund's performance in beating the market this year has been particularly impressive given the manager's cautious view on valuation levels, which has led the fund to have a 15% allocation to cash.

Prominent among the strongest performers this year have been the portfolio's Japanese long-only equity funds. **Goodhart Partners: Hanjo Fund** which has risen by 47.3% over the year. The manager is encouraged by recent government proposals to reform corporate tax, which will attempt to stop companies hoarding cash. The government will find it challenging to implement these changes, but Prime Minister Abe has been strengthened by his convincing victory in the recent general election. **Indus Japan Long Only Fund** also produced a good performance, rising by 32.7% over the year.

Another strong performer was **Schroder ISF Asian Total Return Fund**, an Asian focused fund which has seen a 40.8% increase over the year. This Fund has benefited from its exposure to large technology stocks including Samsung, Tencent and Alibaba which account for circa 15% of its portfolio. In recent months, however, the manager has trimmed its internet and technology exposure and used the proceeds to add to Hong Kong property which he believes to be attractive from a risk/return perspective.

Amongst the detractors, **Pershing Square Holdings**, an activist US hedge fund run by Bill Ackman, fell 5.7% in the past 12 months in spite of positive performance in the last quarter of 5.7%. Pershing Square saw a number of stock specific challenges and whilst we keep a close eye on this fund and its portfolio, we recognise that it is not normally sensible to sell good investment managers following a period of poor performance.

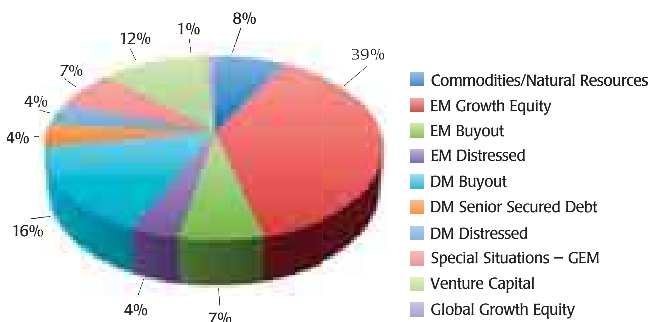
As the market cycle matures we have been introducing a number of more defensive investments into the portfolio to manage the risk profile. Whilst equities remain the favoured asset class and have performed well during the year, there are risks associated with being fully invested in equities with valuations rising. In August 2017, we switched our position from **Cantab CCP Core Macro Fund** into **GAM Systematic Core Macro Fund**, which is run by the same manager. This latter fund is UCITS compliant with daily liquidity, and runs the same strategy as the Cantab fund by trading algorithmically and seeks to exploit persistent statistical relationships between markets. Whilst the performance figures across diversified funds have been mixed the combined holdings in this strategy have performed well this year producing a 15.4% return for the year.

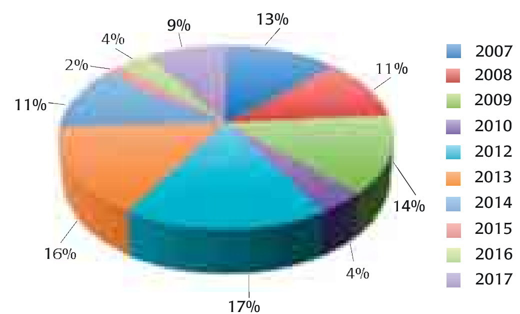
The private asset holdings had generally positive performances over the year. Top contributers for the year were **L Capital Asia II**, **Pangaea II** and **Navegar I**. These three funds were able to capitalise on the growth in emerging markets and are currently held at 1.37x, 1.34x and 1.44x (multiples of their original investment costs), respectively. Among the detractors in private assets in 2017

was **NYLIM Jacobs Ballas India III** which experienced unfavourable currency conditions and faced legal challenges relating to Religare Finvest. The fund is held at a 0.81x multiple.

In terms of new commitments, a $3m investment was made in **Windjammer Senior Equity Fund V** at the end of 2017. Following the successes of funds III and IV, we believe the team, with a proven record of controlled buyout investing in resilient, non-cyclical and niche US mid-market businesses, is still able to invest in attractive opportunities. Other new commitments in 2017 were made to **Apollo Overseas Partners IX** ($2.3m), **Greenspring Global Partners VIII** ($750k), **KKR Americas XII** ($4.0m) and **Silver Lake Partners V** ($3.0m).

Private equity commitments by sector and vintage





Source: OWIL internal, unaudited data

Outlook

Looking to 2018, we see no reason why the current economic picture should deteriorate in the near-term. Admittedly the scope for positive surprises is now more limited which in itself should cap returns from here and there will undoubtedly be some blackspots (the UK?) but on the whole there are no obvious warning signs of an impending downturn. Valuations are certainly not cheap but equally they are not in must sell territory. Again they are also varied across regions with the US looking relatively fully valued but Europe, Japan and Emerging Markets being somewhat cheaper. We also reiterate the point that whilst high valuations make markets more vulnerable to disappointments, they are not sufficient in themselves to cause a downturn.

From a policy perspective, we expect monetary policy to continue tightening but not so aggressively that it kills off the recovery (yet!). Overall monetary policy is still incredibly accommodative and policymakers appear to be erring on the side of not tightening too soon, helped by an inflation backdrop that is still subdued.

In terms of what could derail this scenario, clearly the Trump/Kim Jong-un axis remains a wildcard, as do developments in the Middle East. Unfortunately, positioning for geopolitical problems is challenging for fund managers given their rather binary nature. They typically don't escalate into real action but if they do they can be catastrophic.

A more aggressive tightening in monetary policy may also kill off the recovery. As highlighted above, policymakers are currently not under pressure to raise interest rates due to the muted inflationary backdrop. They may, however, be behind the curve. With unemployment low and falling in many countries the seeds for future inflation may already be in place. Having been too pessimistic on inflation for a number of years it would not be surprising if policymakers ended up being too optimistic. Looking back through history, inflation has a nasty habit of being a persistent and enduring feature of both developed and developing economies.

Perversely, there is also a risk that stock markets surge up from here. Stock market cycles rarely end in a whimper. Rather, the animal spirits of investors typically take hold, exuberance comes to the fore and valuations become very expensive. We do not think we have seen this yet. Yes, there are some pockets of exuberance – most notably in the bitcoin frenzy – but the scars of the previous bear markets have tempered excesses at this stage. Our approach is to progressively sell down equity exposure as valuations become unjustifiable and increase exposure to diversified assets that display lower correlation to the wider markets.

Investment Manager's Report

Investment Portfolio at 31 December 2017

	Market value US$000	% of NAV	Primary Focus
Findlay Park American Fund	21,542	7.8	US equities – long only
Adelphi European Select Equity Fund	13,265	4.8	Europe equities – long only
Egerton Long – Short Fund Limited	12,189	4.4	Europe/US equities – hedge
NTAsian Discovery Fund	10,890	4.0	Asia ex-Japan equities – long only
Goodhart Partners: Hanjo Fund	10,398	3.8	Japan equities – long only
BlackRock European Hedge Fund	9,966	3.6	Europe equities – hedge
Lansdowne Developed Markets Fund	8,533	3.1	Europe/US equities – hedge
Schroder ISF Asian Total Return Fund	7,284	2.7	Asia ex-Japan equities – long only
Indus Japan Long Only Fund	7,178	2.6	Japan equities – long only
Helios Investors II, LP	7,141	2.6	Private Assets – Africa
Top 10 Holdings	**108,386**	**39.4**	
Pangaea II, LP	6,806	2.5	Private Assets – GEM
L Capital Asia 2, LP	6,740	2.5	Private Assets – Asia (Consumer)
Prince Street Opportunities Fund	6,458	2.4	Emerging Markets equities – long only
Select Equity Offshore, Ltd	6,373	2.3	US equities – long only
GAM Star Fund PLC – Technology	6,249	2.3	Technology – long only
Hony Capital Fund V, LP	6,212	2.3	Private Assets – China
Vulcan Value Equity Fund	6,017	2.2	US equities – long only
Greenspring Global Partners IV, LP	5,897	2.1	Private Assets – US Venture Capital
Global Event Partners Ltd	5,311	1.9	Global equities – long/short
Navegar I, LP	5,110	1.9	Private Assets – Philippines
Top 20 Holdings	**169,559**	**61.8**	
Hudson Bay International Fund Ltd	5,035	1.8	Market Neutral – multi-strategy
Gramercy Distressed Opportunity Fund II, LP	4,819	1.8	Private Assets – distressed debt
NG Capital Partners II, LP	4,476	1.6	Private Assets – Latin America
China Harvest II, LP	4,310	1.6	Private Assets – China
AMED Fund, SICAR	4,237	1.5	Private Assets – Africa
KKR Special Situations Fund, LP	4,145	1.5	Private Assets – distressed debt
L Capital Asia, LP	3,732	1.4	Private Assets – Asia (Consumer)
Silver Lake Partners IV, LP	3,410	1.2	Private Assets – Global Technology
BlackRock Frontiers Investment Trust PLC	3,345	1.2	Frontier Markets – long only
MCP Private Capital Fund II, LP	3,144	1.1	Private Assets – European Credit
Top 30 Holdings	**210,212**	**76.5**	
37 Remaining Holdings	**57,438**	**21.0**	
Cash	**7,009**	**2.5**	
TOTAL	**274,659**	**100.0**	

Hanseatic Asset Management LBG
March 2018

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 68 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 60 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 58, British and resident in Singapore and joined the Group in 2014. He is a non-executive director of Aberdeen Global SICAV, Aberdeen Global II SICAV, Aberdeen Islamic SICAV, Aberdeen Liquidity Fund (Lux) SICAV and Aberdeen Alpha SICAV- FIS.

Mr C Maltby is aged 67, British and resident in Switzerland. He is a Director of Abingworth BioEquities Fund Limited, B H Macro Limited and a member of the Supervisory Board of BBGI SICAV SA.

Mr A Rozental is Mexican, aged 72 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 44, 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 Address
Ocean Wilsons Dividend Election
Link Asset Services
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Auditor
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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 2017.

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 1-38.

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$78,315,000 (2016: US$45,060,000).

The Directors are recommending the payment of a dividend for the year of 70.0c (2016: 63.0c) gross per share. The dividend will be paid on 8 June 2018 to all shareholders who are on the register at close of business on 11 May 2018.

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 180 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 16.

Directors and Directors' Interests
The present Members of the Board are as shown on page 17.

In accordance with the Company's (Ocean Wilsons Holdings Limited) bye-laws, Mr C Townsend and Mr A Berzins retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors who held office at 31 December 2017 had the following interest in the Company shares:

	Interest	**2017**	2016
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**	3,969,049
C Maltby	Beneficial	**9,000**	9,000
A Berzins	Beneficial	**5,000**	5,000

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

Mr W Salomon is Chairman of Hanseatic Asset Management LBG. Mr C Townsend is a director of Hansa Capital GmbH, a wholly owned subsidiary of Hanseatic Asset Management LBG. Fees paid to Hanseatic Asset Management LBG amounted to US$2,597,000 (2016: US$ 2,385,000) for acting as investment managers of the Group's investment portfolio. A US$113,000 performance fee is payable to the Investment Manager in 2017.

Service Contracts
Regarding the Directors proposed for re-election at the Annual General Meeting there are no service contracts between Mr C Townsend or Mr A Berzins and the Company.

Employees
The average number of persons, including Directors, employed by the Group was 4,164 (2016: 4,436).

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 pre-determined 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
January 2014	2,914,100	R$ 31.23
November 2014	139,000	R$ 33.98
August 2016	250,000	R$ 34.03
May 2017	61,000	R$ 38.00
November 2017	72,000	R$ 40.33

Further details are provided in note 31.

Auditor

Ernst & Young LLP were appointed auditor at the 2017 Annual General Meeting and have expressed their willingness to continue on office as auditor and a resolution to reappoint 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 31 December 2017 the Company was aware 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
Victualia Limited Partnership	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
BlackRock Investment Management (UK)	1,263,127	3.57

The Company has been advised that Mr W Salomon is interested in 4,435,064 shares registered in the name of Victualia Limited Partnership. 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 2016 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (available on the FRC website www.frc.org.uk) 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 2016 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 17.

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 C Townsend and A Berzins 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 17 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 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.

Report of the Directors

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;
- Proposing 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 of Wilson Sons 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.

During 2017, 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 2017 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 participate in an induction program 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. Directors make periodic operational site visits. 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 2017. The Board is satisfied that during 2017 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.

Report of the Directors

The finance committee met four times in 2017. 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 2017 the finance committee has:

- reviewed the December 2016 report and financial statements, the June 2017 half yearly financial report and the quarterly update issued in May and November 2017. As part of the review of the December 2016 report, the committee received a report from the external auditor on their audit of the annual report and financial statements;
- reviewed the assumptions used in the impairment test on Brasco goodwill including long-term operating assumptions, capital expenditure assumptions and discount rate. The improved country risk perception and lower inflation will reduce the discount rates applied in the valuation of Brasco. Based on these assumptions no impairment was made in 2016;
- reviewed a preliminary study carried out by the Group on potential impacts resulting from the application of IFRS 15. If there are any impacts these will be disclosed before the adoption and implementation of the new policy;
- reviewed the economic useful life of of some Tecon Salvador assets which were changed to reflect the new terminal lease contract which has been extended until March 2050;
- 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 2017 financial statements including consideration of the levels of non-audit fees which the committee concluded were immaterial;
- assessed the qualification, expertise and resources, and independence of the external auditor;
- reviewed the need for an internal audit function;
- reviewed the Group's policies in relation to compliance with the European union market abuse regulations. In particular the Finance Committee amended the closed period relating to results announcements. The new closed periods are 45 calendar days before the release of the preliminary announcement of the Company's annual results and 30 calendar days before the release of the Company's half-yearly announcement; and
- received a report on the Wilson Sons Group approach to risk management which included the results from an enterprise-wide risk assessment heatmap of risks.

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.

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, the estimation of the proportion of the stage of completion of construction contracts, 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.

- *Investment valuation* – The investment valuation risk arises from the valuation of the Level 2 and 3 investments which requires significant judgements and estimates by management and external inputs. The committee receives quarterly reports from the investment manager on investment performance which includes historical performance analysis and management outlook for investment and market performance. The committee reviews and questions the investment manager and obtains explanations for investment performance and variations from market performance, investment expectations and potential risks to future performance. This information is considered in the valuation of level 2 and 3 investments. The committee examined and challenged management's key assumptions used in the valuation of investments. The committee was satisfied that the significant assumptions used were appropriate. The committee was further satisfied with the disclosures in the financial statements. The committee also discusses potential risks surrounding investment valuation 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 Wilson Sons Limited internal control procedures, whilst sufficient for its board 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 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.

Report of the Directors

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$83.8 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 16. 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 includes 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 2020, 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 2020.

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 2020 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. 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 2017 (and including joint venture revenue, 18%). In addition, Wilson Sons has opportunities to mitigate any adverse impacts given the flexible cost base of some of their business.

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 2017 was US$274.7 million with outstanding capital commitments of US$35.6 million and no external debt.

We believe that if severe but plausible downside scenarios were to crystalise, 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.

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 are required to:

- ensure suitable accounting policies have been adopted and applied consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- Provide additional disclosure when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group financial position and financial performance;
- Present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information.

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

Malcolm Mitchell
Company Secretary
16 March 2018

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Opinion

In our opinion:

- Ocean Wilsons Holdings Limited financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of the group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have audited the financial statements of Ocean Wilsons Holdings Limited which comprise:

Consolidated balance sheet as at 31 December 2017
Consolidated statement of comprehensive income for the year then ended
Consolidated statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended
Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Sections 90 and 98B of the Bermuda 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 24 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 24 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Revenue recognition • Impairment risk to goodwill and intangible assets relating to business combinations • Provisions • Valuation of Level 2 and Level 3 investments
Audit scope	• We performed an audit of the complete financial information of 11 components and audit procedures on specific balances for a further 15 components. • The components where we performed full or specific audit procedures accounted for 95% of profit before tax, 88% of Revenue and 95% of Total assets.
Materiality	• Overall group materiality of $7.3m which represents 5% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Revenue recognition (US$496m , 2016 US$457m).

Refer to the Finance Committee Report (page 23); Accounting policies (page 44); and Note 3 of the Financial Statements (page 48).

Service revenue – The Group recognises revenue when services in its terminals, towage operations, logistics, offshore and agency services businesses have been provided. The recognition of this revenue could be susceptible to timing errors in determining when services or obligations have been provided, particularly given the company's many revenue streams and geographical spread and transactions in progress at year end. This could cause recognition of fictitious revenue or inappropriate timing related revenue recognition for towage, agency, containers handling, logistics, vessels maintenance, warehousing and other services not rendered.

Shipyard revenue – The group recognises shipbuilding revenue based on percentage of completion, which is assessed by reference to proportion of total expected contract cost actually incurred for the work performed to the balance sheet date. The recognition of revenue therefore relies on estimates of final costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue recognized. There is therefore a degree of management judgement in estimating the amount of revenue to be recognized by the group with respect to total estimated cost on the contract including the estimation of contingencies included therein.

Our response to the risk

- We walked through and tested the controls designed and operated by the group related to revenue recognition.
- We inspected significant new or renewed contracts, and/or changes to significant existing contracts.
- We understood clauses such as those containing minimum volumes guarantees, surcharges, or rebate arrangements to consider and challenge whether these are appropriately accounted for including any estimation relevant to recognition decisions.
- We used substantive analytical procedures to identify and investigate unusual trading patterns and performing additional audit procedures where actual results are not in line with our expectations.
- We tested the appropriateness of accounting treatment for a sample of revenue accrued and deferred at year end, including performing cut-off testing procedures.

Specifically in addition for shipyard revenues we:

- reviewed a sample of contracts assessing the most significant and complex contract estimates, which are incorporated within forecast contract out-turn costs.
- obtained the detailed project budget/forecast from the Company to support the estimates made, and inquired senior operational, commercial and financial management personnel and challenged the judgements applied.
- evaluated the financial performance of the contracts as compared with the budget and historical trends to assess historical forecasting accuracy.
- undertook a site visit to physically inspect the stage of completion of individual projects in progress at the balance sheet date including discussion with site personnel.
- we tested, on a sample basis, actual costs incurred

Key observations communicated to the Finance Committee

We did not identify any significant matters with respect to control deficiencies or misstatements, service revenues would appear to be appropriately recognised in the correct accounting period. With regard shipbuilding contracts we consider that the estimates and assumptions used to determine the percentage of completion, resultant revenue and profits recognised, as well as the related disclosures, are reasonable.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Risk

Impairment risk to goodwill and intangible assets relating to business combinations.

(US$30.3m goodwill and US$17.9m lease rights respectively, 2016 US$30.6m goodwill and lease rights US$18.6m respectively).

Refer to the Finance Committee Report (page 23); Accounting policies (page 41); and Note 13 of the Financial Statements (page 53).

The group's investment in Tecon Rio Grande, Tecon Salvador and Brasco (Caju location) all gave rise to goodwill and intangibles on acquisition. The recoverable amount of group's goodwill and intangibles assets acquired from the acquisitions is tested at CGU level annually or when there is an indication of impairment. Due to inherent uncertainty involved in forecasting and discounting future cash flows, which are basis of assessing recoverability, this is one of the key judgemental areas that our audit is concentrated on.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group over the impairment review, but we did not test the operating effectiveness of the controls, adopting a substantive approach.
- We obtained managements impairment model and reviewed and challenged the forecast discounted cash flows and assumptions.
- We sensitised the assumptions to ascertain the most sensitive assumptions and as expected noted the future forecast revenues and the discount rate used to discount the cash flows to be the most sensitive assumptions. In doing so ascertained the extent of changes that individually, or in combination, would be required for goodwill to be impaired.
- We tested whether the forecasts are in line with current approved budgets and forecasts.
- We considered and assessed differences between past cash flow projections and actual cash flows (estimation reliability record) which might indicate management bias or excessive optimism in forecasting cash flows.
- We involved our business valuation specialists to assist us in our impairment testing, including assessing specific inputs into the determination of the discount rate. Such inputs were benchmarked against those observable in the markets in which the group operates.
- We tested the mathematical accuracy of the impairment models.
- We reviewed the completeness of required disclosures.

Key observations communicated to the Finance Committee

Based on the results of the audit procedures, we consider that the estimates criteria and assumptions used to derive the recoverable amount of goodwill and intangible assets are reasonable. There is significant headroom when we compare the value in use with the carrying value of the assets. We determined based on sensitivity analysis that no reasonable change in the key assumptions (being discount rate and forecast revenues) could give rise to an impairment. The valuation models used by the group have not been subject to change. We have also assessed adequacy of the disclosures made by management in the financial statements and found them to be appropriate.

Risk

Provisions

(US$18m, 2016 US$20m).

Refer to the Finance Committee Report (page 23); Accounting policies (page 43); and Note 26 of the Financial Statements (page 66).

In the normal course of business the Company receives legal claims from general civil proceedings, labour claims, changing tax legislation and environmental issues. Such claims are particularly prevalent in Brazil. The amounts involved are material and potentially material for un-provided amounts. The application of accounting standards to determine the amount, if any, to be provided or disclosed as a liability or potential liability is inherently subjective and requires management to make judgements and estimates.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group over claims and litigation, but we did not test the operating effectiveness of the controls, adopting a substantive approach.
- We obtained a listing of all live claims and litigation, including details of quantum, appointed advisors, provided and disclosed amounts.
- We obtained an understanding from management and in-house legal counsel of the basis for their judgements and best estimates of financial amounts. We challenged the basis of those judgements and estimates with reference to the latest available corroborative information, and assessed correspondence with the Company's external counsel on all significant legal cases and held discussions with them when further clarity was deemed necessary.
- We obtained direct formal confirmations from the Company's external counsel for all litigation.
- We engaged EY tax specialists to assist with assessing the reasonableness of the Company's material tax positions including reviewing correspondence with the relevant tax authorities and determination of quantum.
- We considered cases settled or litigation concluded in the year and whether management's previous judgements and estimates were proven to be reasonable and materially correct.
- We tested and reviewed the accuracy and completeness of disclosures in the financial statements.

Key observations communicated to the Finance Committee

Based on the results of our audit procedures performed, we consider that the judgements made and estimates prepared by the Company and the related disclosures in are acceptable and in accordance with IFRS. We consider the claims provided and disclosed are supported by evidence and capable of reasonably reliable estimation.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Risk	Our response to the risk	Key observations communicated to the Finance Committee
Valuation of Level 2 and 3 investments. **(2017: US$258m, 2016: US$229m).** *Refer to the Finance Committee Report (page 23); Accounting policies (page 43); and Notes 18 and 36 of the Financial Statements (pages 60 and 73)* Valuation of the Level 2 and 3 investments requires significant judgements and estimates by management and external inputs. Any input inaccuracies or unreasonable basis used in these judgements could result in a misstatement of the income statement and balance sheet.	• We walked through and understood the controls designed and implemented by the group over valuation of level 2 and 3 investments, but we did not test the operating effectiveness of the controls, adopting a substantive approach. • We assessed the accounting policy for investment valuation for compliance with IFRS and performed testing to check that investment valuation had been accounted for in accordance with the stated accounting policy had been consistently applied. • We have determined and challenged the appropriateness of the valuation methodology and techniques applied to the unquoted level 2 and 3 investments and where available obtained independent support to corroborate the stated values for the same. • We have agreed the valuation inputs to supporting documentation and tested the arithmetical accuracy of the Company's calculation for its unquoted investments. • Where appropriate we tested the mathematical accuracy of any models used. • We tested and reviewed the accuracy and completeness of disclosures in the financial statements.	Based on the results of our audit procedures performed, we consider that the judgements made and estimates prepared by the Company in valuing level 2 and level 3 investments are acceptable. Management provide disclosures in the financial statements related to level 3 investments to comply with the requirements of IFRS.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 26 reporting components of the Group, we selected 16 components covering entities in Bermuda, Panama and Brazil, which represent the principal business units within the Group.

Of the 16 components selected, we performed an audit of the complete financial information of 11 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The components where we performed full or specific scope audit procedures accounted for 95% of the Group's Profit before tax, 88% of the Group's Revenue and 95% of the Group's Total assets. For the current year, the full scope components contributed 95% of the Group's Profit before tax, 81% of the Group's Revenue and 92% of the Group's Total assets. The specific scope components contributed 7% of the Group's Revenue and 3% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 10 components that together represent 5% of the Group's Profit before tax, none are individually greater than 5% of the Group's Profit before tax. For these components, we performed other procedures, including risk focused analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements. The table below illustrates the coverage obtained from the work performed by our audit teams:

Group audit scope	Number of locations	% of Profit before tax	% of Revenue	% of Total assets
Full	11	95%	81%	92%
Specific scope	5	0%	7%	3%
Other procedures	10	5%	12%	5%
Total coverage	(total 26 locations)	100%	100%	100%

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 11 full scope components, audit procedures were performed on 2 of these directly by the primary audit team, for the remaining 9 full scope components and the 4 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team followed a programme of planned visits that has been designed to ensure that the primary auditor engagement team visits Brazil, being the key country of operation, three times during the audit process. During the current year's audit cycle, visits were undertaken by the primary audit team to the principal component team in Rio de Janeiro. These visits included involvement in planning and discussing the audit approach with the component team and any issues arising from their work, meetings with local management, attending planning and closing meetings, and reviewing key audit working papers on risk areas. In addition the primary team visited 2 of the operational locations in Brazil during the audit process, being Brasco and Tecon Rio Grande in addition to the head office in Rio De Janeiro. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$6.5 million, which is 5% of profit before tax. During the course of our audit, we reassessed initial materiality and increased materiality from original assessment at planning to US$7.3m due to higher than anticipated actual results for the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely US$3.65m. We have set performance materiality at this percentage due to this being an initial audit. We did not revise performance materiality upwards in line with our final assessment of materiality noted above.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$0.6m to US$1.9m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Finance Committee that we would report to them all uncorrected audit differences in excess of US$0.36m which is set at 5% of final materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 16 including: Highlights, Chairman's Statement, Financial Review, Wilson Sons Limited, Investment Portfolio and Investment Manager's Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 25 – the statement given by the directors that they consider 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Finance committee reporting set out on pages 21 to 24 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 19 to 24 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 24 and 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:

  - those that relate to the form and content of the financial statements, such as the Group accounting policies, International Financial Reporting Standards (IFRS), Brazilian and Bermuda Company Law and the UK Corporate Governance Code;

  - those that relate to the taxation law, labour law, and civil and environmental law in Brazil where the Group has the majority of its operations;

- We understood how Ocean Wilsons Holdings Limited is complying with those frameworks by considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by making an assessment of the key fraud risks to the group and the manner in which such risks may manifest themselves in practice, including considering management incentive schemes, areas of judgement and estimation, and internal controls. Based on this understanding we designed our audit

procedures to identify non-compliance with such laws and regulations. Our procedures included testing journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud. We also considered performance targets and their influence on efforts made by management to manage earnings.

- No instances of non-compliance or alleged non-compliance with laws were communicated by components teams other than those dealt with in note 26 to the financial statements, in responding to those matters the details of our audit work are set out earlier in this report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 31 August 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ended 31 December 2017.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting the audit.

- The audit opinion is consistent with the additional report to the Finance Committee.

Steven Lunn
for and on behalf of Ernst & Young LLP
London
16 March 2018

Notes:

1. The maintenance and integrity of the Ocean Wilsons Holdings Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	**Year to 31 December 2017 US$'000**	Year to 31 December 2016 US$'000
Revenue	3	**496,340**	457,161
Raw materials and consumables used		**(37,679)**	(37,741)
Employee benefits expense	6	**(166,395)**	(144,274)
Depreciation & amortisation expense	5	**(57,481)**	(52,585)
Other operating expenses		**(122,310)**	(126,470)
(Loss)/profit on disposal of property, plant and equipment		**(2,930)**	745
Operating profit		**109,545**	96,836
Share of results of joint venture	17	**3,366**	8,073
Investment income	7	**19,004**	15,065
Other gains and losses	8	**32,775**	(4,134)
Finance costs	9	**(21,976)**	(599)
Foreign exchange gains on monetary items		**2,750**	2,286
Profit before tax	5	**145,464**	117,527
Income tax expense	10	**(36,056)**	(36,836)
Profit for the year	5	**109,408**	80,691
Other comprehensive income:			
Items that will never be reclassified subsequently to profit and loss			
Employee benefits		**(374)**	1,130
Items that are or may be reclassified subsequently to profit and loss			
Effective portion of changes in fair value of derivatives		**557**	1,513
Exchange differences arising on translation of foreign operations		**(6,485)**	32,679
Other comprehensive (expense)/income for the year		**(6,302)**	35,322
Total comprehensive income for the year		**103,106**	116,013
Profit for the period attributable to:			
Equity holders of parent		**78,315**	45,060
Non-controlling interests		**31,093**	35,631
		109,408	80,691
Total comprehensive income for the period attributable to:			
Equity holders of parent		**74,667**	65,576
Non-controlling interests		**28,439**	50,437
		103,106	116,013
Earnings per share			
Basic and diluted	12	**221.5c**	127.4c

Consolidated Balance Sheet

as at 31 December 2017

	Notes	**As at 31 December 2017 US$'000**	As at 31 December 2016 US$'000
Non-current assets			
Goodwill	13	**30,319**	30,607
Other intangible assets	14	**30,592**	30,444
Property, plant and equipment	15	**634,881**	646,926
Deferred tax assets	23	**28,639**	29,055
Trade and other receivables	21	**58,104**	55,070
Investment in joint venture	17	**26,644**	22,230
Other non-current assets	26	**9,535**	13,408
		818,714	827,740
Current assets			
Inventories	19	**13,773**	15,427
Trading investments	18	**305,070**	276,181
Trade and other receivables	21	**98,570**	81,265
Cash and cash equivalents		**83,827**	77,314
		501,240	450,187
Total assets		**1,319,954**	1,277,927
Current liabilities			
Trade and other payables	25	**(64,465)**	(68,257)
Derivatives	36	**(1,108)**	(712)
Current tax liabilities		**(3,201)**	(3,299)
Obligations under finance leases	24	**(846)**	(1,211)
Bank overdrafts and loans	22	**(54,288)**	(49,780)
		(123,908)	(123,259)
Net current assets		**377,332**	326,928
Non-current liabilities			
Bank loans	22	**(300,436)**	(325,750)
Derivatives	36	**(395)**	(1,182)
Employee benefits		**(1,083)**	(648)
Deferred tax liabilities	23	**(51,531)**	(48,974)
Provisions	26	**(18,232)**	(20,037)
Obligations under finance leases	24	**(309)**	(1,085)
		(371,896)	(397,676)
Total liabilities		**(495,894)**	(520,935)
Net assets		**824,060**	756,992
Capital and reserves			
Share capital	27	**11,390**	11,390
Retained earnings		**578,126**	521,878
Capital reserves		**31,760**	31,760
Translation and hedging reserve		**(33,115)**	(29,685)
Equity attributable to equity holders of the parent		**588,161**	535,343
Non-controlling interests		**235,899**	221,649
Total equity		**824,060**	756,992

The accounts on pages 34 to 82 were approved by the Board on 16 March 2018. 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 2017

For the year ended 31 December 2016	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 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
For the year ended 31 December 2017							
Balance at 1 January 2017	**11,390**	**521,878**	**31,760**	**(29,685)**	**535,343**	**221,649**	**756,992**
Currency translation adjustment	**–**	**–**	**–**	**(3,754)**	**(3,754)**	**(2,731)**	**(6,485)**
Employee benefits (note 37)	**–**	**(218)**	**–**	**–**	**(218)**	**(156)**	**(374)**
Effective portion of changes in fair value of derivatives	**–**	**–**	**–**	**324**	**324**	**233**	**557**
Profit for the year	**–**	**78,315**	**–**	**–**	**78,315**	**31,093**	**109,408**
Total income and expense for the period	**–**	**78,097**	**–**	**(3,430)**	**74,667**	**28,439**	**103,106**
Dividends	**–**	**(22,279)**	**–**	**–**	**(22,279)**	**(16,836)**	**(39,115)**
Share options exercised in subsidiary	**–**	**430**	**–**	**–**	**430**	**316**	**746**
Share based payment expense	**–**	**–**	**–**	**–**	**–**	**2,331**	**2,331**
Balance at 31 December 2017	**11,390**	**578,126**	**31,760**	**(33,115)**	**588,161**	**235,899**	**824,060**

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 2017

	Notes	**Year to 31 December 2017 US$'000**	Year to 31 December 2016 US$'000
Net cash inflow from operating activities	29	**102,968**	93,812
Investing activities			
Acquisition of non-controlling interest	38	**–**	(1,855)
Interest received		**7,008**	7,460
Dividends received from trading investments		**9,289**	4,811
Proceeds on disposal of trading investments		**81,161**	63,664
Purchase of trading investments		**(77,275)**	(67,101)
Proceeds on disposal of property, plant and equipment		**1,431**	3,174
Purchase of property, plant and equipment		**(30,746)**	(96,209)
Purchase of intangible assets		**(4,196)**	(5,277)
Net cash used in investing activities		**(13,328)**	(91,333)
Financing activities			
Dividends paid	11	**(22,279)**	(22,279)
Dividends paid to non-controlling interests in subsidiary		**(16,836)**	(15,235)
Repayments of borrowings		**(54,690)**	(40,965)
Repayments of obligations under finance leases		**(847)**	(1,086)
New bank loans raised		**12,611**	46,604
Derivative paid		**(529)**	(1,016)
Net cash inflow arising from sale of non-controlling interest	28	**746**	–
Net cash used in financing activities		**(81,824)**	(33,977)
Net increase/(decrease) in cash and cash equivalents		**7,816**	(31,498)
Cash and cash equivalents at beginning of year		**77,314**	97,561
Effect of foreign exchange rate changes		**(1,303)**	11,251
Cash and cash equivalents at end of year		**83,827**	77,314

Notes to the Accounts

for the year ended 31 December 2017

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 17. The nature of the Group's operations and its principal activities are set out in the operating and financial review on pages 1 to 16.

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$83.8 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 16. 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.

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.

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.

2 Significant accounting policies and critical accounting judgements (continued)

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.

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.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)
The calculation of the liability of the defined health benefit plan is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined health benefit obligation, which include: actuarial gains and losses, are immediately recognised in other comprehensive income. The Group determines the net interest on the net amount of defined benefit liabilities for the period by multiplying them by the discount rate used to measure the defined health benefit obligation. Defined benefit liabilities 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 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.

When the benefits of a plan are increased, the portion of the increased benefit relating to past services rendered by employees is recognised immediately in income. The Group recognises gains and losses on the settlement of a defined health benefit plan when settlement occurs.

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.

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.

2 Significant accounting policies and critical accounting judgements (continued)

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 and borrowing costs 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 Group 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.

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.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

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.

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.

2 Significant accounting policies and critical accounting judgements (continued)

- *Investments: (Financial assets at fair value through profit and loss*) 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 instruments traded in active markets are based on their quoted price (bid price for long only positions) without any deduction for transaction costs. 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. The financial assets held by the company are categorised as financial instruments designated as at FVPL upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

- *Cash and Cash Equivalents:* Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments with an original maturity of less than 3 months 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 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.

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. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, has been agreed with the customer and consequently is considered probable.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

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 income

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

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

Provisions for tax, labour and civil risks - Judgement

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.

2 Significant accounting policies and critical accounting judgements (continued)

Impairment of goodwill – Judgement and Estimation

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The recoverable amount calculation requires the entity's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was US$30.3 million (2016: US$30.6 million). Details are disclosed in Note 13. There are no impairment losses recognised for the years presented.

Fair value of derivatives – Estimation

The Company may use derivative contracts to manage risk. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments.

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

The Group has listed all new standards and interpretations issued by the IASB, but not yet effective, regardless of whether these have any material impact on the Group's financial statement. Based on a preliminary assessment made by the Company, the impacts are detailed below:

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

Overall, the Group expects no significant impact on its statement of financial position and equity.

Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

The assessment of financial assets and the comparative between classification applied to IAS 39 and IFRS 9 are detailed in the table below:

Financial Assets	FS Group	Asset category IAS 39	Asset category IFRS 9
Cash and bank	Cash and cash equivalents	Loans and receivables	Amortised Cost
Fixed income investments	Cash and cash equivalents	FVPL	FVPL
Exchange funds	Cash and cash equivalents	FVPL	FVPL
Time deposits	Short-term investments	Loans and receivables	Amortised Cost
Time deposits	Cash and cash equivalents	Loans and receivables	Amortised Cost
Receivable for services rendered	Operational trade receivables	Loans and receivables	Amortised Cost
Related parties loans	Other trade receivables	Loans and receivables	Amortised Cost

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all debt securities, loans and trade receivables.

The Group assessed changes introduced by IFRS 9 with respect to the loss allowance and concluded that potential impacts will not be material.

Hedge accounting

The Group has chosen to defer applying the IFRS 9 general hedging model until the standard resulting from the IASB's project on accounting for dynamic risk management is completed.

The Group will continue to apply IAS 39's hedge accounting requirements in their entirety to all of their hedging relationships.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

The Group assessed the principles and changes introduced by the new standard and concluded that its adoption will not bring significant impacts on the timing for the revenue recognition from contracts with customers, as well on the measurement.

The existing impacts are related to requirements of the presentation and disclosure in the financial statements. Further considerations about these impacts are detailed below:

Disaggregation of revenue

The Group will disaggregate revenue recognised from contracts with customers into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows. In addition, the Group will provide information about the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment.

2 Significant accounting policies and critical accounting judgements (continued)

Considering the currently available information, the Group summarises a proposal of disaggregated revenue as below:

Current disclosure	Proposed disclosure (IFRS 15)	Segment information
Sales of services	Container Handling	Port Terminals
Sales of services	Warehousing	Port Terminals
Sales of services	O&G Support Base	Port Terminals
Sales of services	Harbour Manoeuvres	Towage and agency services
Sales of services	Special Operations	Towage and agency services
Sales of services	Ship Agency	Towage and agency services
Sales of services	Logistics	Logistics
Sales of services	Other services	Several segments
Construction contracts	Ship construction contracts	Shipyards

Performance obligations

The Group will disclose information about its performance obligations in contracts with customers, including a description of the following items: (i) when the entity typically satisfies its performance obligations, (ii) the significant payment terms, (iii) the nature of the goods or services that the entity has promised to transfer, (iv) obligations for returns, refunds and other similar obligations and (v) types of warranties and related obligations.

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.

The assessment is being conducted in several areas of the Group in order to identify the existing contracts, as well as the environment of internal controls and systems impacted by the adoption of the new standard. The Group expects a potential impact in the consolidated financial statement, but Group has not yet quantified the impact of adopting IFRS 16 on its assets and liabilities.

The quantitative effect of the adoption of IFRS 16 will depend specifically on the Group's decision related to the method of transition, the use of practical expedients approach and exemptions for recognition, and any additional leases that Company will hold.

The Group expects to disclose its transition approach and quantitative information prior to adoption, planned for 1 January 2019.

Other amendments

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

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Insurance Contracts (IFRS 17);
- Transfers of Investment Property (Amendments to IAS 40);
- Foreign Currency Transactions and Advance Consideration (IFRIC 22);
- Uncertainty over Income Tax Treatments (IFRIC 23);
- Amendments to IFRS 9;
- Amendments to IAS 19; and
- Annual Improvement of IFRS 2015 to 2017 cycle.

Notes to the Accounts

3 Revenue

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

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Sales of services	**475,106**	430,753
Revenue from construction contracts (note 20)	**21,234**	26,408
	496,340	457,161
Investment income (note 7)	**19,004**	15,065
	515,344	472,226

All revenue is derived from continuing operations.

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 2017

	Maritime Services Year ended 31 December 2017 US$'000	Investment Year ended 31 December 2017 US$'000	Unallocated Year ended 31 December 2017 US$'000	Consolidated Year ended 31 December 2017 US$'000
Revenue	**496,340**	**–**	**–**	**496,340**
Result				
Segment result	**114,875**	**(2,949)**	**(2,381)**	**109,545**
Share of results of joint ventures	**3,366**	**–**	**–**	**3,366**
Investment revenue	**9,687**	**9,294**	**23**	**19,004**
Other gains and losses	**–**	**32,775**	**–**	**32,775**
Finance costs	**(21,976)**	**–**	**–**	**(21,976)**
Foreign exchange losses on monetary items	**2,876**	**(63)**	**(63)**	**2,750**
Profit/(loss) before tax	**108,828**	**39,057**	**(2,421)**	**145,464**
Tax	**(36,056)**	**–**	**–**	**(36,056)**
Profit/(loss) after tax	**72,772**	**39,057**	**(2,421)**	**109,408**
Other information				
Capital additions	**(55,345)**	**–**	**–**	**(55,345)**
Depreciation and amortisation	**(57,480)**	**–**	**(1)**	**(57,481)**
Balance Sheet				
Assets				
Segment assets	**1,042,782**	**274,659**	**2,513**	**1,319,954**
Liabilities				
Segment liabilities	**(495,134)**	**(388)**	**(372)**	**(495,894)**

4 Business and geographical segments (continued)

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)

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 2017 US$'000	31 December 2016 US$'000	**Year ended 31 December 2017 US$'000**	Year ended 31 December 2016 US$'000
Brazil	**990,689**	985,329	**55,345**	102,418
Bermuda	**329,265**	292,598	**–**	–
	1,319,954	1,277,927	**55,345**	102,418

Notes to the Accounts

5 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Depreciation of property, plant and equipment	**53,851**	47,337
Amortisation of intangible assets	**3,630**	5,248
Operating lease rentals	**19,231**	17,178
Auditor's remuneration for audit services (see below)	**653**	460
Non-executive directors emoluments	**536**	491

2016 auditors remuneration was paid to KPMG LLP and 2017 remuneration paid to Ernst & Young LLP.

6 Employee benefits expense

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Aggregate remuneration comprised:		
Wages and salaries	**133,524**	117,597
Share based payments	**2,386**	3,420
Social security costs	**29,405**	22,253
Other pension costs	**1,080**	1,004
	166,395	144,274

7 Investment income

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Interest on bank deposits	**5,916**	7,919
Income from underlying investment vehicles	**9,289**	4,811
Other interest	**3,799**	2,335
	19,004	15,065

8 Other gains and losses

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Unrealised gains/(losses) on trading investments held at year end	**25,886**	(6,030)
Profit on disposal of trading investments	**6,889**	1,896
	32,775	(4,134)

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

9 Finance costs

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Interest on bank overdrafts and loans	**13,274**	12,277
Exchange loss/(gain) on foreign currency borrowings	**774**	(12,806)
Interest on obligations under finance leases	**200**	414
Other interest	**7,728**	714
	21,976	599

In 2017 other interest includes US$7.4 million of fines and interest relating to taxes.

Borrowing costs incurred on qualifying assets of US$0.4 million (2016: US$0.8 million) were capitalised in the year at an average interest rate of 3.38% (2016: 3.12%).

10 Taxation

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Current		
Brazilian taxation		
Corporation tax	**27,794**	26,900
Social contribution	**9,978**	10,924
Total current tax	**37,772**	37,824
Deferred tax		
Charge for the year in respect of deferred tax liabilities	**19,933**	20,661
Credit for the year in respect of deferred tax assets	**(21,649)**	(21,649)
Total deferred tax	**(1,716)**	(988)
Total taxation charge	**36,056**	36,836

Brazilian corporation tax is calculated at 25% (2016: 25%) of the assessable profit for the year. Brazilian social contribution tax is calculated at 9% (2016: 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 2017 US$'000	Year ended 31 December 2016 US$'000
Profit before tax	**145,464**	117,527
Tax at the aggregate Brazilian tax rate of 34% (2016: 34%)	**49,458**	39,959
Utilisation of net operating losses	**(11,367)**	(2,363)
Net operating losses in the period	**7,932**	7,442
Amortisation of goodwill	**(1,818)**	(1,672)
Exchange variance on loans	**(454)**	14,397
Tax effect of share of results of joint ventures	**(1,144)**	(2,745)
Tax effect of foreign exchange gain or losses on monetary items	**(454)**	(2,325)
Retranslation of non-current asset valuation	**(1,372)**	(22,376)
Share option scheme	**793**	1,159
Non-deductible expenses	**1,340**	638
Termination of tax litigation	**3,290**	(138)
Other	**2,209**	3,190
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(12,357)**	1,670
Tax expense for the year	**36,056**	36,836
Effective rate for the year	**25%**	31%

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 2017 US$'000	Year ended 31 December 2016 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2016 of 63c (2015: 63c) per share	**22,279**	22,279
Proposed final dividend for the year ended 31 December 2017 of 70c (2016: 63c) per share	**24,754**	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 2017 US$'000	Year ended 31 December 2016 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**78,315**	45,060
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 2017 US$'000	31 December 2016 US$'000
Cost and carrying amount attributed to:		
Tecon Rio Grande	**15,587**	15,821
Brasco	**12,252**	12,306
Tecon Salvador	**2,480**	2,480
Total	**30,319**	30,607

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, the carrying value of goodwill has been assessed with reference to its value in use reflecting the projected discounted cash flows of each cash-generating unit 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 the remaining period of the concession.

The key assumptions used in determining value in use relate to growth rate, discount rate, inflation 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 cash-generating unit is assessed for impairment annually. Having completed the annual impairment test, the level of head room of the business unit is significant and no reasonable change in any of the forecast assumptions would give rise to any impairment.

The estimated average growth rate used does not exceed the historical average for Tecon Rio Grande and Tecon Salvador. Growth rate of 6% has been estimated for Brasco, and a discount rate of 7.3% for all business units has been used. These growth rates reflect the products, industries and country in which the businesses operate. These medium to long-term growth rates have been reviewed by management during the annual impairment test for 2017 and are considered to be appropriate for the period.

Notes to the Accounts

14 Other intangible fixed assets

	US$'000
Cost	
At 1 January 2016	53,949
Additions	5,277
Write off	(292)
Exchange differences	5,988
At 1 January 2017	**64,922**
Additions	**4,196**
Write off	**(84)**
Exchange differences	**(644)**
At 31 December 2017	**68,390**
Amortisation	
At 1 January 2016	27,675
Charge for the year	5,248
Write off	(291)
Exchange differences	1,846
At 1 January 2017	**34,478**
Charge for the year	**3,630**
Write off	**(84)**
Exchange differences	**(226)**
At 31 December 2017	**37,798**
Carrying amount	
31 December 2017	**30,592**
31 December 2016	30,444

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) and (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 2017 US$'000	31 December 2016 US$'000
Lease right – Brasco	**13,133**	13,853
Lease right – Tecon Salvador	**4,825**	5,049
Computer software – SAP	**1,042**	1,970
Other computer software	**11,484**	9,371
Other intangibles	**108**	201
Total	**30,592**	30,444

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 15.

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 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 1 January 2017	**301,138**	**457,875**	**233,985**	**–**	**992,998**
Additions	**8,250**	**5,717**	**34,011**	**3,171**	**51,149**
Transfers	**265**	**588**	**(442)**	**(411)**	**–**
Exchange differences	**(3,692)**	**–**	**(4,573)**	**–**	**(8,265)**
Disposals	**(4,655)**	**(2,075)**	**(3,463)**	**–**	**(10,193)**
At 31 December 2017	**301,306**	**462,105**	**259,518**	**2,760**	**1,025,689**
Accumulated depreciation and impairment					
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 1 January 2017	**85,607**	**143,900**	**116,565**	**–**	**346,072**
Charge for the year	**9,417**	**24,644**	**19,790**	**–**	**53,851**
Elimination on construction contracts	**–**	**81**	**–**	**–**	**81**
Exchange differences	**(1,352)**	**–**	**(2,012)**	**–**	**(3,364)**
Disposals	**(1,753)**	**(1,467)**	**(2,612)**	**–**	**(5,832)**
At 31 December 2017	**91,919**	**167,158**	**131,731**	**–**	**390,808**
Carrying Amount					
At 31 December 2017	**209,387**	**294,947**	**127,787**	**2,760**	**634,881**
At 31 December 2016	215,531	313,975	117,420	–	646,926

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$2.6 million (2016: US$3.2 million) in respect of assets held under finance leases.

Land and buildings with a net book value of US$0.2 million (2016: US$0.2 million) and tugs with a value of US$0.2 million (2016: US$0.3 million) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$279.7 million (2016: US$290.5 million) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2017 is US$0.4 million (2016: US$0.8 million) at an average interest rate of 3.38% (2016: 3.12%).

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. The useful life of the ship to shore cranes is 20 years, according to management's expectation and builder's technical specifications.

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	58.19%**	Consolidation
Holding company			
WILSON SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA	Brazil	58.19%	Consolidation
Holding company			
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA	Brazil	58.19%	Consolidation
Tug operators			
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÊNCIA DE NAVEGAÇÃO LTDA	Brazil	58.19%	Consolidation
Shipbuilders			
WILSON, SONS ESTALEIRO LTDA	Brazil	58.19%	Consolidation
Shipbuilders			
WILSON SONS AGENCIA MARÍTIMA LTDA	Brazil	58.19%	Consolidation
Ship Agents			
WILSON, SONS NAVEGAÇÃO LTDA	Brazil	58.19%	Consolidation
Ship Agents			
WILSON, SONS LOGÍSTICA LTDA	Brazil	58.19%	Consolidation
Logistics			
WILSON, SONS TERMINAIS DE CARGAS LTDA	Brazil	58.19%	Consolidation
Transport services			
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA	Brazil	58.19%	Consolidation
Bonded warehousing			
WS PARTICIPAÇÕES S.A.	Brazil	58.19%	Consolidation
Holding company			
WS PARTICIPACIONES S.A.	Uruguay	58.19%	Consolidation
Holding company			
TECON RIO GRANDE S.A.	Brazil	58.19%	Consolidation
Port operator			
WILSON, SONS APOIO MARITIMO LTDA	Brazil	58.19%	Consolidation
Tug operator			
BRASCO LOGÍSTICA OFFSHORE LTDA	Brazil	58.19%	Consolidation
Port operator			
TECON SALVADOR S.A.	Brazil	58.19%	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 58.19% 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 2017	31 December 2016
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.

Joint operations

The following amounts are included in the Group's financial information as a result of proportional consolidation of joint operations listed above:

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Income	**18,126**	14,190
Expenses	**(8,792)**	(7,315)
Net income	**9,334**	7,175

	31 December 2017 US$'000	31 December 2016 US$'000
Property, plant and equipment	**2,841**	2,798
Intangible assets	**35**	47
Inventories	**353**	340
Trade and other receivables	**2,054**	2,615
Cash and cash equivalents	**904**	614
Total assets	**6,187**	6,414
Trade and other payables	**(6,153)**	(6,362)
Deferrred tax liabilities	**(34)**	(52)
Total liabilities	**(6,187)**	(6,414)

Notes to the Accounts

17 Joint ventures (continued)

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

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Revenue	**146,453**	141,728
Raw materials and consumables used	**(9,152)**	(7,522)
Employee benefits expense	**(47,001)**	(41,382)
Depreciation and amortisation expenses	**(39,606)**	(34,912)
Other operating expenses	**(18,881)**	(17,063)
Loss on disposals of property, plant and equipment	**(1)**	(2,202)
Results from operating activities	**31,812**	38,647
Finance income	**2,930**	2,661
Finance costs	**(20,408)**	(21,218)
Foreign exchange (losses)/gains on monetary items	**(1,129)**	9,591
Profit before tax	**13,205**	29,681
Income tax expense	**(6,473)**	(13,535)
Profit for the year	**6,732**	16,146
Participation	**50%**	50%
Equity result	**3,366**	8,073

	31 December 2017 US$'000	31 December 2016 US$'000
Property, plant and equipment	**647,659**	674,476
Long-term investment	**2,142**	2,066
Other assets	**4,740**	3,752
Trade and other receivables	**26,302**	42,494
Derivatives	**381**	261
Cash and cash equivalents	**30,575**	10,859
Total assets	**711,799**	733,908
Bank overdrafts and loans	**500,987**	533,771
Other non-current liabilities	**35,604**	30,295
Trade and other payables	**82,654**	82,114
Equity	**92,554**	87,728
Total liabilities	**711,799**	733,908

We have not given separated disclosure of our material Joint Ventures because they belong to the same economic group. Wilson, Sons Limited holds a non-controlling interest in Wilson, Sons Ultratug Particpações S.A and Atlantic Offshore S.A. Wilson, Sons Ultratug Participações S.A is a controlling shareholder of Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A, while the Atlantic Offshore S.A. is a controlling shareholder of South Patagonia S.A.

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.

17 Joint ventures (continued)

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 S.A. 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 2017, 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 is in compliance with all loan covenants.

Provisions for tax, labour and civil risks

In the normal course of business in Brazil, the joint ventures remain 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.

Wilson, Sons Ultratug Participações S.A booked provisions related to labour claims amounting to US$0.2 million (2016: US$0.02 million), whose probability of loss was estimated as probable.

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$17.5 million (2016: US$13.9 million), whose probability of loss was estimated by the legal counsel as possible.

The breakdown of aggregated possible losses is described as follows:

	31 December 2017 US$'000	31 December 2016 US$'000
Tax cases	**10,639**	10,066
Labour claims	**5,625**	3,784
Civil cases	**1,230**	–
Total	**17,494**	13,850

	US$'000
At 1 January 2016	18,301
Share of result of joint ventures	8,073
Elimination on construction contracts	(4,278)
Derivatives	134
At 1 January 2017	**22,230**
Share of result of joint ventures	**3,366**
Capital increase	**847**
Elimination on construction contracts	**145**
Derivatives	**56**
At 31 December 2017	**26,644**

Notes to the Accounts

18 Investments

	2017 US$'000	2016 US$'000
Trading investments		
At 1 January	**276.181**	276,878
Additions, at cost	**77,275**	67,101
Disposals, at market value	**(81,161)**	(63,664)
Increase/(decrease) in fair value of trading investments held at year end	**25,886**	(6,030)
Profit on disposal of trading investments	**6,889**	1,896
At 31 December	**305,070**	276,181
Ocean Wilsons (Investment) Limited Portfolio	**273,434**	238,781
Wilson Sons Limited	**31,636**	37,400
Trading investments held at fair value at 31 December	**305,070**	276,181

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 on observable market data (unobservable inputs).

19 Inventories

	31 December 2017 US$'000	31 December 2016 US$'000
Operating materials	**9,618**	10,278
Raw materials and spare parts	**4,155**	5,149
Total	**13,773**	15,427

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

20 Construction contracts

	31 December 2017 US$'000	31 December 2016 US$'000
Contract costs incurred plus recognised profits less recognised losses to date	**3,178**	3,925
Less progress billings	**(5,323)**	(8,505)
Amounts due to contract customers included in trade and other payables	**(2,145)**	(4,580)

21 Trade and other receivables

	31 December 2017 US$'000	31 December 2016 US$'000
Trade and other receivables		
Recoverable taxes and levies	**28,067**	24,250
Related party loans (note 35)	**29,472**	28,995
Other trade receivables	**565**	1,825
Total other non-current trade receivables	**58,104**	55,070
Amount receivable for the sale of services	**58,945**	55,434
Allowance for doubtful debts	**(958)**	(1,187)
Total current trade receivables	**57,987**	54,247
Income taxation recoverable	**6,752**	7,466
Other recoverable taxes and levies	**18,260**	12,321
Prepayments	**7,323**	4,031
Other receivables	**8,248**	3,200
Total other current trade receivables	**40,583**	27,018
Total	**156,674**	136,335

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 has a plan to use its tax credits 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$12.7 million (2016: US$9.2 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 2017 US$'000	31 December 2016 US$'000
From 0 – 30 days	**10,450**	6,177
From 31 – 90 days	**1,368**	2,178
From 91 – 180 days	**929**	844
More than 180 days	**–**	–
Total	**12,747**	9,199

The average credit period taken on services ranges from zero to 30 days. Generally, interest of one percent per month plus a two-percent penalty is charged on overdue balances. 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. There are no expected material changes in the allowance for bad debts recognition due to the applicaton of IFRS 9 in January 2018. Details are disclosed in Note 2.3.

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with a balance of US$1.0 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.

Notes to the Accounts

21 Trade and other receivables (continued)

The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables	**31 December 2017 US$'000**	31 December 2016 US$'000
From 0 – 30 days	**–**	–
From 31 – 90 days	**–**	–
From 91 – 180 days	**–**	–
More than 180 days	**(958)**	1,187
Total	**(958)**	1,187

Movement in the allowance for doubtful debts	**2017 US$'000**	2016 US$'000
Balance at 1 January 2017	**1,187**	846
Amounts written off as uncollectable	**(4,322)**	(3,128)
Increase in allowance recognised in profit or loss	**4,096**	3,291
Exchange differences	**(3)**	178
Balance at 31 December 2017	**958**	1,187

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 2017 US$'000**	31 December 2016 US$'000
Secured borrowings			
BNDES – FMM linked to US Dollar[1]	2.07% to 6%	**156,831**	168,385
BNDES – Real	7.50% to 9.19%	**20,982**	25,466
BNDES – FINAME Real	4.50% to 12.90%	**1,834**	1,133
BNDES – FMM Real[1]	8.40% to 10.21%	**1,635**	1,838
BNDES – linked to US Dollar	5.07% to 5.36%	**–**	5,069
Total BNDES		**181,282**	201,891
Banco do Brasil – FMM linked to US Dollar[1]	2.00% – 3.00%	**90,750**	85,576
IFC – US Dollar	7.00%	**35,640**	48,571
Santander – US Dollar	3.59%	**31,173**	14,005
China Construction Bank – US Dollar	5.11%	**12,708**	19,047
Eximbank – US Dollar	3.36%	**3,171**	5,270
Finimp – US Dollar	4.81%	**–**	1,170
Total others		**173,442**	173,639
Total		**354,724**	375,530

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

22 Bank loans and overdrafts (continued)

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

	31 December 2017 US$'000	31 December 2016 US$'000
Within one year	**54,288**	49,780
In the second year	**52,123**	49,029
In the third to fifth years (inclusive)	**93,745**	105,953
After five years	**154,568**	170,768
Total	**354,724**	375,530
Amounts due for settlement within 12 months	**54,288**	49,780
Amounts due for settlement after 12 months	**300,436**	325,750

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 2017				
Bank loans	**24,451**	**247,581**	**82,692**	**354,724**
Total	**24,451**	**247,581**	**82,692**	**354,724**
31 December 2016				
Bank loans	28,437	259,030	88,063	375,530
Total	28,437	259,030	88,063	375,530

Guarantees

Loans with BNDES and Banco do Brasil 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.

The loans that Tecon Salvador holds with the 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 2017, the Group had available US$51.0 million of undrawn borrowing facilities. For each disbursement there is a set of conditions precedent that must be satisfied.

Covenants

Wilson, Sons de Administração e Comércio Ltda. ("WSAC") as corporate guarantor has to comply with annual loan covenants for both Wilson Sons Estaleiros and Brasco Logística Offshore in respect of loan agreements signed with BNDES.

Tecon Salvador S.A. has to comply with loan covenants including the maintenance of specific liquidity and capital structure ratios in respect of its loan agreement with the International Finance Corporation (IFC).

Tecon Rio Grande S.A. has to comply with loan covenants from Santander, including a minimum liquidity ratio and capital structure.

At 31 December 2017, the Company was in compliance with all clauses in the above mentioned loan contracts.

Notes to the Accounts

22 Bank loans and overdrafts (continued)

Fair value

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

	31 December 2017 US$'000	31 December 2016 US$'000
Bank loans		
BNDES	**181,282**	201,891
Banco do Brasil	**90,750**	85,576
IFC	**35,640**	48,571
Santander	**31,173**	14,005
China Construction Bank	**12,708**	19,047
Eximbank China	**3,171**	5,270
Finimp	**–**	1,170
Total	**354,724**	375,530

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 2016	(19,087)	41,047	22,935	(68,688)	(20,503)
(Charge)/credit to income	(10,124)	(14,305)	(727)	22,376	988
Exchange differences	(900)	1,437	(1,841)	–	(404)
At 1 January 2017	**(30,111)**	**28,179**	**28,325**	**(46,312)**	**(19,919)**
(Charge)/credit to income	**(8,743)**	**(1,175)**	**10,263**	**1,371**	**1,716**
Compensation of tax losses	**–**	**–**	**(5,023)**	**–**	**(5,023)**
Exchange differences	**746**	**(320)**	**(92)**	**–**	**334**
At 31 December 2017	**(38,108)**	**26,684**	**33,473**	**(44,941)**	**(22,892)**

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 2017 US$'000	31 December 2016 US$'000
Deferred tax liabilities	**(51,531)**	(48,974)
Deferred tax assets	**28,639**	29,055
	(22,892)	(19,919)

At the balance sheet date the Group had unused tax losses of US$47.6 million (2016: US$42.5 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$6.8 million (2016: US$12.4 million) due to the unpredictability of future profit streams. In Brazil a tax asset of one entity in the Group cannot be offset against a tax liability of another entity in the Group as there is no legally enforceable right to offset tax assets and liabilities between Group companies.

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.

23 Deferred tax (continued)

Deferred taxes over the utilization of unrecognised net operating losses

On 31 May 2017, the Brazilian Internal Revenue Service ("IRS") and the Brazilian Attorney General of National Treasury ("PGFN") published the Provisional Measure 783/2017 concerning a special tax amnesty programn known as PERT. Under this program, taxpayers are allowed to settle Federal tax debts. However as a condition they must abstain from administrative and judicial disputes with the Brazilian IRS regarding the tax debts settled in the PERT.

The Group applied to the program under the following conditions: (i) a down payment in cash of 7.5% of the total tax debt; (ii) 90% reduction in late payment interest; (iii) 50% reduction in fines, and (iv) the balance by utilising the Group's 31 December 2015 net operating losses carried forwards for companies that are directly or indirectly controlled and domiciled in Brazil.

In 2017 the Group paid US$1.0 million in cash; obtained tax relief of US$7.2 million and used US$6.9 million of unrecognised tax losses to settle US$15.1 million in disputed federal tax debts.

24 Obligations under finance leases

	Minimum lease payments	
	31 December 2017 US$'000	31 December 2016 US$'000
Amounts payable under finance leases		
Within one year	**1,178**	1,669
In the second to fifth years inclusive	**434**	1,721
After five years	**–**	–
	1,612	3,390
Less future finance charges	**(457)**	(1,094)
Present value of lease obligations	**1,155**	2,296
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(846)**	(1,211)
Amount due for settlement after 12 months	**309**	1,085

	Present value of Minimum lease payments	
	31 December 2017 US$'000	31 December 2016 US$'000
Amounts payable under finance leases		
Within one year	**846**	1,211
In the second to fifth years inclusive	**309**	1,085
After five years	**–**	–
Present value of lease obligations	**1,155**	2,296
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(846)**	1,211
Amount due for settlement after 12 months	**309**	1,085

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 2017 was 20 months.

For the year ended 31 December 2017, the average effective borrowing rate was 9.79% (2016: 16.43%). 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 9.12% to 11.29%.

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.

Notes to the Accounts

25 Trade and other payables

	31 December 2017 US$'000	31 December 2016 US$'000
Trade creditors	**42,290**	44,664
Amounts due to construction contract customers (note 20)	**2,145**	4,580
Other taxes	**11,992**	12,583
Accruals and deferred income	**7,250**	6,327
Share based payment liability	**158**	103
Total	**64,465**	68,257

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

The average credit period for trade purchases is 50 days (2016: 58 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 2016	13,922
Increase in provisions in the year	7,348
Utilisation of provisions	(3,987)
Exchange difference	2,754
At 1 January 2017	**20,037**
Increase in provisions in the year	**6,946**
Utilisation of provisions	**(8,402)**
Exchange difference	**(349)**
At 31 December 2017	**18,232**

The increase in provisions in the year was principally related to labour claims (US$6.1 million) and tax claims (US$0.9 million). Utilisation of provisions in the year relate to labour claims (US$4.5 million) and tax claims (US$3.3 million).

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

Analysis of provisions by type:

	31 December 2017 US$'000	31 December 2016 US$'000
Labour claims	**14,942**	13,612
Tax cases	**2,468**	4,816
Civil and environmental cases	**822**	1,609
	18,232	20,037

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 liabilities can take a significant amount of time to resolve.

Other non-current assets of US$9.5 million (2016: US$13.4 million) represent legal deposits required by the Brazilian legal authorities as security to contest legal actions.

In addition to the cases for which the Group booked the provision, there are other tax, civil and labour disputes amounting to US$137.6 million (2016: US$129.9 million) where the probability of loss was estimated by the legal counsels as possible.

26 Provisions (continued)

The analysis of possible losses by type:

	31 December 2017 US$'000	31 December 2016 US$'000
Tax cases	**96,890**	93,271
Labour claims	**28,931**	25,232
Civil and environmental cases	**14,686**	11,411
	140,507	129,914

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 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.

Management are not able to give an indication when provisions are likely to be utilised as the majority of provisions involve litigation where the timing of resolution is highly uncertain.

As a consequence of the application to the PERT (Tax Amnesty Program), as disclosed at note 23, there was a reduction of possible claims of US$14.2 million and probable claims of US$0.2 million in the year.

27 Share capital

	2017 US$'000	2016 US$'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 Exercise of stock options in subsidiary

During 2017 participants of the Wilson Sons Limited stock option scheme exercised 75,900 options. As a result the non-controlling interest in Wilson Sons Limited increased from 41.75% at 31 December 2016 to 41.81% at 31 December 2017.

	US$'000
The following amounts have been recognised in equity	
Movement attributable to equity holders of parent	430
Movement attributable to non-controlling interest	316

Notes to the Accounts

29 Notes to the cash flow statement

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**145,464**	117,527
Share of results of joint venture	**(3,366)**	(8,073)
Investment income	**(19,004)**	(15,065)
Other gains and losses	**(32,775)**	4,134
Finance costs	**21,976**	599
Foreign exchange losses on monetary items	**(2,750)**	(2,286)
Operating profit	**109,545**	96,836
Adjustments for:		
Depreciation of property, plant and equipment	**53,851**	47,337
Amortisation of intangible assets	**3,630**	5,248
Share based payment credit	**2,386**	3,420
Gain/(loss) on disposal of property, plant and equipment	**2,930**	(745)
(Decrease)/increase in provisions	**(7,064)**	6,456
Operating cash flows before movements in working capital	**165,278**	158,552
Decrease in inventories	**1,654**	12,858
Increase in receivables	**(22,967)**	(17,853)
Decrease in payables	**(1,699)**	(7,187)
Decrease/(increase) in other non-current assets	**3,873**	(5,390)
Cash generated by operations	**146,139**	140,980
Income taxes paid	**(29,698)**	(34,412)
Interest paid	**(13,473)**	(12,756)
Net cash from operating activities	**102,698**	93,812

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 an exclusive investment fund called Hydrus Fixed Income Private Credit Investment Fund managed by Itaú bank that is consolidated in this financial information. The fund portfolio is marked to fair value on a daily basis against current earnings. This fund's 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 is subjected to 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$59.6 million (2016: US$52.7 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$0.0 million (2016: US$0.2 million) were financed by new finance leases. Additions to plant and equipment during the year amounting to US$21.1 million (2016: US$0.0 million) were financed by bank loans paid direct to the supplier.

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 2017 are US$140.5 million (2016: US$129.9 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 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 Stock Option Plan is detailed below:

Options series	Grant date	Original vesting date	Expiry date	Exercise price (R$)	Number	Expired	Exercised	Vested	Outstanding not Vested	Total Subsisting
07 ESO – 3 Year	10/1/2014	10/1/2017	10/1/2024	31.23	961,653	(178,695)	(21,417)	761,541	–	761,541
07 ESO – 4 Year	10/1/2014	10/1/2018	10/1/2024	31.23	961,653	(178,695)	(21,417)	–	761,541	761,541
07 ESO – 5 Year	10/1/2014	10/1/2019	10/1/2024	31.23	990,794	(184,110)	(22,066)	–	784,618	784,618
07 ESO – 3 Year	13/11/2014	13/11/2017	13/11/2024	33.98	45,870	(12,870)	(3,630)	29,370	–	29,370
07 ESO – 4 Year	13/11/2014	13/11/2018	13/11/2024	33.98	45,870	(12,870)	(3,630)	–	29,370	29,370
07 ESO – 5 Year	13/11/2014	13/11/2019	13/11/2024	33.98	47,260	(13,260)	(3,740)	–	30,260	30,260
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
07 ESO – 3 Year	16/05/2017	16/05/2020	15/05/2027	38.00	20,130	–	–	–	20,130	20,130
07 ESO – 4 Year	16/05/2017	16/05/2021	15/05/2027	38.00	20,130	–	–	–	20,130	20,130
07 ESO – 5 Year	16/05/2017	16/05/2022	15/05/2027	38.00	20,740	–	–	–	20,740	20,740
07 ESO – 3 Year	09/11/2017	09/11/2020	09/11/2027	40.33	23,760	–	–	–	23,760	23,760
07 ESO – 4 Year	09/11/2017	09/11/2021	09/11/2027	40.33	23,760	–	–	–	23,760	23,760
07 ESO – 5 Year	09/11/2017	09/11/2022	09/11/2027	40.33	24,480	–	–	–	24,480	24,480
Total					**3,436,100**	**(580,500)**	**(75,900)**	**790,911**	**1,988,789**	**2,779,700**

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	2,331
10 January 2018	1,303
10 January 2019	370
10 January 2020	206
10 January 2021	99
10 January 2022	27
Total	**13,867**

Notes to the Accounts

31 Share options (continued)

	10 January 2014	13 November 2014	11 August 2016	16 May 2017	9 November 2017
Closing share price (in Real)	R$30.05	R$33.50	R$32.15	R$38.00	R$38.01
Expected volatility	28.00%	29.75%	31.56%	31.82%	31.82%
Expected life	10 years	10 years	10 years	10 years	10 years
Risk free rate	10.8%	12.74%	12.03%	10.17%	10.17%
Expected dividend yield	1.7%	4.8%	4.8%	4.8%	4.8%

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 lease payments under operating leases recognised in net income at 31 December 2017 was US$19.2 million (2016: US$17.2 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$19.4 million (2016: $17.0 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 a 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 S.A signed the second amendment to the lease agreement which extends the term of the lease for an additional period of 25 years until March 2050. The Company is obligated to complete minimum expansion and maintenance capital expenditure through to the end of the concession. Minimum expansion civil work investments were budgeted at approximately R$398 million (US$122 million) using values of base date December 2013. These investments will be completed in three phases expanding the terminal's dynamic capacity to 925,000 TEUs per year. The first phase construction is expected to commence as soon as the environmental licenses are granted after the Amendment signature and will be completed within twenty-four months after the commencement of the works (total gross investment of R$255 million (US$78 million) using values of base date December 2013). The limit for the second phase of construction is 2030 (total gross investment of R$29 million (US$9 million) using values of base date December 2013). And the third phase construction limit is by 2034 (total gross investment of R$114 million (US$35 million) using values of base date December 2013). Additionally, there are investments totalling R$317 million (US$97 million) related to the maintenance of the operating area and replacement of equipment 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 tonne of non-containerized cargo handled based on minimum forecast volumes.

Brasco

Brasco lease commitments mainly relate to a 30-year lease right to operate a sheltered area at Guanabara Bay, Rio de Janeiro, Brazil with privileged location to attend Campos and Santos oil producing basins.

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

	2017 US$'000	2016 US$'000
Within one year	**19,447**	16,968
In the second to fifth year inclusive	**61,667**	54,136
After five years	**201,939**	198,725
	283,053	269,829

33 Commitments

At 31 December 2017 the Group had entered into commitment agreements with respect to trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the oustanding commitments in question may be analysed as follows:

	2017 US$'000	2016 US$'000
Within one year	**4,250**	1,044
In the second to fifth year inclusive	**8,792**	4,638
After five years	**22,579**	28,274
	35,621	33,956

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.

At 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$14.1 million (2016: US$20.4 million). The amount mainly refers to investments in Tecon Salvador, Tecon Rio Grande and raw materials for shipyard construction.

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$1.1 million (2016: 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:

	Revenue from services		Amounts paid/ Cost of services	
	31 December 2017 US$'000	31 December 2016 US$'000	**31 December 2017 US$'000**	31 December 2016 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**1**	9	**(19)**	(108)
2. Consórcio de Rebocadores Barra de Coqueiros	**–**	–	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**444**	623	**–**	(5)
4. Wilson Sons Ultratug and subsidiaries	**1,379**	19,640	**–**	–
5. Atlantic offshore S.A.	**–**	–	**–**	–
Others				
6. Hanseatic Asset Management LBG	**–**	–	**(2,597)**	(2,385)
7. Gouvêa Vieira Advogados	**–**	–	**(73)**	(79)
8. CMMR Intermediacão Comercial Limitada	**–**	–	**(157)**	(182)
9. Jofran Services	**–**	–	**(173)**	(169)
10. Hansa Capital GMBH	**–**	–	**(93)**	(85)

Notes to the Accounts

35 Related party transactions (continued)

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2017 US$'000	31 December 2016 US$'000	**31 December 2017 US$'000**	31 December 2016 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**–**	5	**(2)**	–
2. Consórcio de Rebocadores Barra de Coqueiros	**77**	145	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**2,483**	2,483	**–**	–
4. Wilson Sons Ultratug	**11,848**	15,529	**–**	–
5. Atlantic offshore S.A.	**17,767**	13,622	**–**	–
Others				
6. Hanseatic Asset Management LBG	**–**	–	**(347)**	(202)
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 LBG. Fees were paid to Hanseatic Asset Management LBG 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.
7. Related parties loan with Wilson, Sons Ultratug (interest - 0.3% per month with no maturity) and other trade payables and receivables from Wilson, Sons Offshore and Magallanes.
8. Related parties loan with Atlantic Offshore S.A. (with no interest and with no maturity).

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 2017 US$'000	Year ended 2016 US$'000
Short-term employee benefits	**11,674**	10,897
Other long-term employee benefits	**1,671**	1,470
Share options issued	**2,331**	3,410
Share-based payment	**55**	10
	15,731	15,787

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 2017 US$'000**	Year ended 2016 US$'000
Financial assets		
Designated as fair value through profit or loss	**273,434**	238,781
Receivables (including cash and cash equivalents)	**212,457**	233,594
Financial liabilities		
Financial instruments classified as amortised cost	**(408,352)**	(433,500)
Financial instruments classified as cash flow hedge (Derivatives)	**(1,503)**	(1,894)

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.

Credit risk

The Group's principal financial assets are cash, trade and other receivables, related party loans and trading investments. The Group's credit risk is primarily attributable to its bank balances, trade receivables, related party loans 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.

Notes to the Accounts

36 Financial instruments (continued)

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	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Real	**180,468**	206,286	**212,457**	233,594
Sterling	**18**	17	**10,934**	1,430
Euro	**–**	–	**21,177**	17,576
	180,486	206,303	**244,568**	252,600

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 2017, 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.

					31 December 2017 **Exchange rates**	
Operation	Risk	Amount US Dollars	Result	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
				3.34	**4.17**	**5.01**
				US$'000	**US$'000**	**US$'000**
Total assets	BRL	244,568	Exchange Effects	**(2,545)**	**(55,209)**	**(98,306)**
Total liabilities	BRL	180,468	Exchange Effects	**1,729**	**37,477**	**61,309**
			Net Effect	**(816)**	**(17,732)**	**(36,997)**

					31 December 2016 Exchange rates	
Operation	Risk	Amount US Dollars	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
				3.50	4.37	5.25
				US$'000	US$'000	US$'000
Total assets	BRL	252,600	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)

36 Financial instruments (continued)

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 Group's Brazilian 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.

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.

		31 December 2017	
Transaction	Probable scenario	Possible scenario 25%	Remote scenario 50%
Loans – LIBOR	**2.17%**	**2.72%**	**3.26%**
Loans – Selic	**6.90%**	**8.61%**	**10.34%**
Loans – TJLP	**7.00%**	**8.75%**	**10.50%**
Investments – LIBOR	**2.17%**	**2.71%**	**3.25%**
Investments – CDI	**6.89%**	**8.61%**	**10.34%**

Notes to the Accounts

36 Financial instruments (continued)

Transaction	Risk	Amount US Dollars	Result	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
				US$'000	**US$'000**	**US$'000**
Loans – LIBOR	LIBOR	**47,052**	Interest	**(71)**	**(157)**	**(243)**
Loans – Selic	Selic	**321**	Interest	**–**	**(4)**	**(8)**
Loans – TJLP	TJLP	**23,422**	Interest	**–**	**(254)**	**(505)**
Loans – Fixed	N/A	**283,929**	None	**–**	**–**	**–**
Total loans		**354,724**		**(71)**	**(415)**	**(756)**
Investments – LIBOR	LIBOR	**45,080**	Income	**–**	**236**	**471**
Investments – CDI	CDI	**56,987**	Income	**(1,274)**	**(582)**	**111**
Total investments		**102,067**		**(1,274)**	**(346)**	**582**
			Net Income	**(1,345)**	**(761)**	**(174)**

1. LIBOR – Information source: Bloomberg, report from 16 January 2018.
2. CDI – Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 15 January 2018.
3. Selic – Information source: BC (Banco Central do Brasil), report from 16 January 2018.

The net effect was obtained by assuming a 12-month period starting 31 December 2017 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the weighted scenario rate and actual rate.

Transaction	Probable scenario	31 December 2016 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

1. Information source: Bloomberg, report 11 January 2017.
2. Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 10 January 2017.

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 weighted scenario rate and actual rate.

36 Financial instruments (continued)

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 to hedge a portion of its outstanding floating-rate debt with IFC. On 31 December 2017 the notional amount was US$35.6 million. This swap converts floating interest rate based on the London Interbank Offered Rate (LIBOR) into fixed-rate interest and expires in March 2020. The derivatives were entered into with Santander Brasil as counterparty and its Standard & Poor's credit rating was AA at 31 December 2017.

Tecon Salvador is required to pay the counterparty interest at 4.250%, according to the schedule agreement and 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	(1,108)	(1,108)
In the second year	(337)	(337)
In the third to fifth years (including)	(58)	(58)
After five years	–	–
Fair Value	(1,503)	(1,503)

The swap fair value was estimated based on the yield curve at 31 December 2017 and represents its carrying value. On 31 December 2017 the interest rate swap liability was US$1.5 million and the balance in accumulated other comprehensive income on the consolidated balance sheet was US$1.9 million. The net change in fair value of the interest rate swap recorded as other comprehensive income for the period ended 31 December 2017 was an after tax loss of US$0.5 million.

31 December 2017	**Amount US$'000's**	**Maturity**	**Fair Value US$'000's**
Financial Liability			
Interest Rates Swap	**35,640**	**Mar/2020**	**(1,503)**
Total			**(1,503)**

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 2017	
	Probable scenario US$'000	**Possible scenario (25%) US$'000**	**Remote scenario (50%) US$'000**
	(1,500)	**(1,748)**	**(2,004)**

Notes to the Accounts

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 2017. There was no hedge ineffectiveness recognised in profit or loss for the year ended 31 December 2017.

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.

	2017	2016
	US$'000	US$'000
Profit or loss	**27,343**	23,878
Total equity	**27,343**	23,878

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.

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 2017					
Non-interest bearing	**–**	**67,666**	**–**	**–**	**67,666**
Finance lease liability	**9.79%**	**846**	**399**	**–**	**1,155**
Variable interest rate instruments	**3.72%**	**19,090**	**47,192**	**4,513**	**70,795**
Fixed interest rate instruments	**3.29%**	**35,198**	**98,676**	**150,055**	**283,929**
		122,800	**146,177**	**154,568**	**423,545**
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

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 financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on 31 December 2017. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

Notes to the Accounts

36 Financial instruments (continued)

Fair value measurements recognised in the statement of financial position

IFRS 13 requires the disclosure of fair value measurements by the level of the following fair value measurement hierarchy:

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.

The following table provides an analysis of financial instruments recognised in the statement of financial position by the level of hierarchy:

31 December 2017	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	**15,831**	**145,515**	**112,088**	**273,434**

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

Valuation Process

Investments whose values are based on quoted market prices in active markets and are classified within Level 1 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:

When considering the values of managed funds, including private equity funds, that are not quoted in an active market and that may be subject to restrictions or redemptions such as lock up periods, redemption gates and side pockets, the company's Investment Manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate. Therefore, the NAV of these funds is used as an input into measuring their fair value. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Company classifies these funds as either level 2 or level 3.

Our intention is to hold level 3 investments to maturity however in the unlikely event that we are required to liquidate these investments then the proceeds received may be less than the carrying value due to their illiquid nature. The following table summarises the sensitivity of the Company's level 3 investments to changes in fair value due to illiquidity at 31 December. The analysis is based on the assumptions that the proceeds realised will be decreased by 10%, with all other variables held constant. This represents management's best estimate of a reasonable possible impact that could arise from a disposal and illiquidity.

36 Financial instruments (continued)

	2017 US$'000	2016 US$'000
Profit or loss	**11,208**	10,052
Total equity	**11,208**	10,052

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.

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 market prices had been 10% higher or lower at the end of the financial year.

Reconciliation of Level 3 fair value measurements of financial assets:	2017 US$'000	2016 US$'000
Balance at 1 January	**100,524**	94,170
Total profits/(losses) in the Statement of Comprehensive Income	**4,281**	(2,264)
Purchases and drawdowns of financial commitments	**15,358**	10,372
Sales and repayments of capital	**(8,075)**	(1,754)
Balance at 31 December	**112,088**	100,524

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 2017 US$'000	31 December 2016 US$'000
Present value of actuarial liabilities	**1,100**	600

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 2017	31 December 2016
Annual interest rate	**10.46%**	11.35%
Estimated inflation rate in the long-term	**4.75%**	5.00%
Ageing Factor	**2.50% p.a.**	2.50% p.a.
Medical cost trend rate	**2.50% p.a.**	2.50% p.a.

Notes to the Accounts

37 Post-employment benefits (continued)

Biometric and Demographic Assumptions

	31 December 2017	31 December 2016
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

38 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.

The following amounts have been recognised in equity in 2016:

	US$'000
Movement attributable to equity holders of parent	2,988
Movement attributable to non-controlling interest	2,411

Statistical Statement (Unaudited)

2013 – 2017 (in US$'000)

	Year to 31 December 2017 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$'000
Closing rates of exchange – R$ to US$	**3.31**	3.26	3.90	2.66	2.34
Income Statement					
Group revenue	**496,340**	457,161	509,268	633,520	660,106
Raw materials and consumables used	**(37,679)**	(37,741)	(55,760)	(100,588)	(94,330)
Employee benefits expense	**(166,395)**	(144,274)	(147,279)	(195,893)	(209,459)
Depreciation & amortisation expense	**(57,481)**	(52,585)	(53,214)	(65,120)	(58,674)
Other operating expenses	**(122,310)**	(126,470)	(142,175)	(182,819)	(188,569)
(Loss)/profit on disposal of property, plant and equipment	**(2,930)**	745	(1,294)	326	9,966
Group operating profit	**109,545**	96,836	109,546	89,426	119,040
Share of results of joint venture	**3,366**	8,073	4,843	7,090	2,392
Investment revenue	**19,004**	15,065	16,908	16,975	17,838
Other gains and losses	**32,775**	(4,134)	(1,388)	6,233	13,684
Finance costs	**(21,976)**	(599)	(45,403)	(23,607)	(21,863)
Foreign exchange losses on monetary items	**2,750**	2,286	(15,792)	(17,621)	(30,589)
Profit before tax	**145,464**	117,527	68,714	78,496	100,502
Income tax expense	**(36,056)**	(36,836)	(39,455)	(41,928)	(42,216)
Profit for the year	**109,408**	80,691	29,259	36,568	58,286
Profit for the period attributable to:					
Equity holders of parent	**78,315**	45,060	15,470	23,182	37,873
Non-controlling interests	**31,093**	35,631	13,789	13,386	20,413
	109,408	80,691	29,259	36,568	58,286
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance Sheet					
Net assets					
Brazilian interests	**494,745**	464,988	394,807	474,127	476,626
Investments held for trading	**273,434**	238,781	236,155	236,491	244,969
Other net assets	**55,881**	53,223	49,520	56,726	48,480
	824,060	756,992	680,482	767,344	770,075
Attributable net assets – per share					
Brazilian interests – book amount	**13.99**	13.15	11.16	13.41	13.48
Other assets – book and market amount	**9.31**	8.26	8.08	8.29	8.30
	23.30	21.41	19.24	21.70	21.78
Key Statistics					
Earnings per share	**221.5c**	127.4c	43.7c	65.6c	107.1c
Cash dividends per share paid	**63c**	63c	63c	60c	42c
Mid-market quotation at end of period	**£10.95**	£10.22	£7.65	£10.00	£10.42
Mid-market quotation at end of period in US Dollars	**$14.79**	$12.50	$11.27	$15.58	$17.25

Notice of Annual General Meeting

Notice is hereby given that the 25th 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 4 June 2018 at 9:30 am for the following purposes.

1 To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2017.
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 C Townsend as a Director.
5 To re-elect Mr A Berzins as a Director.
6 To re-appoint Ernst & Young LLP as the Auditor and the Directors to determine 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 2017.

By Order of the Board
Malcolm Mitchell
Company Secretary
Clarendon House, Church Street, Hamilton HM 11, Bermuda
16 March 2018

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 ______________________________

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being a Member of Ocean Wilsons Holdings Limited, hereby appoint Mr J F Gouvêa Vieira, or failing him any Director 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 4 June 2018 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 4 June 2018 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 2017.			
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 C Townsend as a Director.			
5 To re-elect Mr A Berzins as a Director.			
6 To re-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 2017.			

Signature ______________________ Dated ______________________ 2018

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, Link 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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