Ocean Wilsons
Holdings Limited

Annual Report 2018

Cover: A white stepped roof, a feature of the architecture of Bermuda.

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Ocean Wilsons Holdings Limited

Highlights

- Revenue in Brazilian Real terms grew 6%. In US dollars reported sales were 7% lower at US$460.2 million (2017: US$496.3 million).
- Operating profit fell 9.1% to US$99.5 million (2017: US$109.5 million) mainly due to lower revenue and softer operating margins at our towage business.
- Operating margins* were a healthy 21.6%, albeit slightly lower than the prior year (2017: 22.1%) due to poorer towage margins.
- Net cash inflow from operating activities for the year of US$113.7 million (2017: US$103.0 million).
- The Investment portfolio (including cash under management) decreased US$15.8 million to US$258.9 million (2017: US$274.7 million).
- Proposed dividend unchanged at 70 cents per share (2017: 70 cents per share).
- EPS fell to 37.6 cents per share (2017: 221.5 cents per share) due to a fall in value of the investment portfolio, lower operating profit, foreign exchange losses and a reduction in the share of results from joint ventures.

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

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 58.17% interest in Wilson Sons which is fully consolidated in the Group accounts with a 41.83% non-controlling interest. Wilson Sons is one of the largest providers of maritime services in Brazil, with over four thousand employees and activities including harbour and ocean towage, container terminal operation, offshore oil and gas support services, small vessel construction, logistics and ship agency. Ocean Wilsons (Investments) Limited is a wholly owned Bermuda investment company and 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 Manager to make investment decisions that create long-term capital growth.

Chairman's Statement

Introduction

In a highly competitive environment the Group's overall performance in 2018 has been robust. Revenue in Brazilian Real "BRL" terms grew 6% in the year however revenue growth was affected by lower towage revenue and the higher average US Dollar "USD" USD/BRL exchange rate. The key operational indicators at our container terminals increased against 2017 comparative while our towage and offshore businesses both fell due to strong market competition and the weak offshore oil and gas market.

Operating volumes	2018	2017	% Change
Container Terminals (container movements in TEU '000s)*	**1,072.7**	1,068.1	0.4%
Towage (number of harbour manoeuvres performed)	**56,114**	59,796	(6.2%)
Offshore Vessels (days in operation)	**5,126**	6,035	(15.1%)

*TEUs stands for "twenty-foot equivalent units".

In 2016, the Group signed an amendment to the Tecon Salvador container terminal concession agreement extending the term of the concession until March 2050. Under the terms of the extension, the Group is required to complete a minimum level of expansion and maintenance capital expenditure. Following receipt of the necessary environmental licenses we started work on the expansion of Tecon Salvador in the fourth quarter of 2018 with civil works to extend the principal quay from 377 metres to 800 metres, which will allow the simultaneous berthing of two super-post-Panamax ships. In December, the Group signed an agreement with the Brazilian Economic and Social Development Bank to provide BRL263.1 million in financing for the civil works during the first stage of the terminal's expansion. The expansion of Tecon Salvador reflects the Group's ongoing commitment to improve operational efficiency and will promote the development of the port of Salvador, creating jobs and reinforcing economic growth in the state of Bahia. Container volumes handled at Tecon Salvador in 2018 grew 5% over the prior year to 322,700 TEUs (2017: 307,100 TEUs) driven principally by higher cabotage and transhipment movements. Container volumes handled at our other container terminal, Tecon Rio Grande, at 750,000 TEUs, were marginally lower than the prior year, (2017: 760,900 TEUs) mainly due to lower transhipment and cabotage volumes. Albeit from a low base, our oil and gas support base Brasco posted strong revenue growth against the backdrop of a continuing constrained oil sector.

The number of harbour towage manoeuvres performed in the year declined 6% to 56,114 (2017: 59,796), due to increased competition in some ports and a 1% decrease in the total number of vessel calls in Brazil, driven by the market trend towards larger vessels. Strong competition in harbour towage continues to affect both volumes and prices due to market over-capacity as tugboats, previously supplying services to the oil and gas industry entered the harbour towage market. The Wilson Sons Group retains its position as the leading supplier of towage services in Brazil with a fleet of seventy-six tugboats operating in the principal ports and terminals of the country. We continue to invest in our tugboat fleet with the largest and most powerful tugboat operating in Brazil, WS Sirius (90 tons bollard pull) built at the Wilson Sons shipyards in Guarujá, São Paulo state, delivered in 2018. With the addition of Sirius the three most powerful tugboats and the only ones classified as escort tugs in Brazil are operated by Wilson Sons. (WS Sirius incorporates design changes from the WS Titan built by the Group in 2015, which permits a greater bollard pull while using the same engines and fuel consumption). WS Sirius is currently operating in the port of Açu in the state of Rio De Janeiro. Demand for towage special operations improved with ocean towage, shipyard support and a salvage assistance performed in the year. In addition to the WS Sirius, our shipyard successfully delivered two tugboats to third parties and continued to perform maintenance for both third parties and on our own tugboat and offshore fleets.

Weak demand from the offshore oil and gas industry resulted in operating days at our offshore joint venture, Wilson Sons Ultratug Offshore decreasing 15% in the year as eight long-term vessel contracts ended during 2018. Our joint venture continues to explore alternative revenue streams for our off-hire vessels. During the year the platform supply vessel ("PSV") Fragata commenced work with Fendercare to provide logistics support for ship-to-ship crude oil transfers in Brazilian territorial waters. Following modification at our shipyard, the PSVs Mandrião and Pardela began new three-year contracts with Petrobras for shallow-water diving support services and the PSV Gaivota entered a new two-year contract with Petrobras for oil spill recovery services. Wilson Sons Ultratug Offshore was also awarded two new three-year contracts for the PSVs Fulmar and Ostreiro to provide shallow-water diving support services forecast to commence in March 2019. At the year end, the joint venture operated a fleet of 23 offshore support vessels ("OSVs") of which 15 were under long-term contract, with the remainder available in the Brazilian spot market or laid up until market conditions improve.

As at 31 December 2018, the investment portfolio including cash under management was valued at US$258.9 million, representing US$7.32 per share (2017: US$274.7 million and US$7.73 per share).

Group Results

Operating profit at US$99.5 million was US$10.0 million lower than prior year (2017: US$109.5 million) largely due to a decrease in revenue and softer operating margins at our towage business. Group operating margins for the year remained healthy at 21.6% although lower than prior year (2017: 22.1%) principally due to the poorer margins at our towage business. In BRL terms revenue for the year grew 6% however due to the impact of lower towage revenue and a higher average USD/BRL exchange rate, group revenue in USD terms fell 7% to US$460.2 million (2017: US$496.3 million). Profit before tax for the year decreased US$85.3 million to US$60.2 million compared to US$145.5 million in 2017. The decrease in profit before tax resulted from a US$50.0 million negative movement in returns on the investment portfolio at fair value through the profit and loss, a US$8.5 million foreign exchange loss on monetary items (2017: US$2.8 million gain), the US$10.0 million decrease in operating profit and a US$7.5 million negative movement in share of results from joint ventures. Earnings per share for the year were 37.6 cents compared with 221.5 cents in 2017.

Investment portfolio performance

The investment portfolio as at 31 December 2018 was US$258.9 million (2017: US$274.7 million) a fall of US$15.8 million after paying dividends of US$4.75 million to Ocean Wilsons Holdings Limited during the year, management and other fees of US$2.9 million. The fall in the portfolio returns

in the period were mainly due to the poor performance of global equity markets, which fell 9.4% in the year (MSCI ACQI +FM NR Index) and in particular emerging markets, towards which the portfolio has an over-weight bias, decreasing by 14.6% (MSCI Emerging Markets NR Index). We are not proposing any changes to our investment strategy which we consider sound in the context of what was a difficult year given our long-term investment horizon. Emerging markets account for 33% of the investment portfolio net asset value at year end. The investment portfolio remains weighted towards global equities, which at year end accounted for 52% of the portfolio valuation (US$134.8 million), with private equity investments accounting for 36% (US$78.1 million) and the balance invested in diversifying hedge funds, cash and bonds. The principal sector exposures in the portfolio are information technology (18%), consumer discretionary (14%) and financials (13%).

During the year, our private equity investments returned US$13.7 million in capital and profit distributions with a net cash inflow to the portfolio of US$3.6 million after deducting new capital drawdowns of US$10.1 million. In the three years to 31 December 2018 private equity returned US$29.6 million with the majority of contributions coming from emerging markets and technology sectors.

At 31 December 2018, the top ten investments account for 38% of the investment portfolio valuation (US$98.9 million).

Investment Manager

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

Investment management fee

The Investment Manager receives an investment management fee 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 the 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.

In 2018 the investment management fee paid was US$2.7 million (2017: US$2.6 million) and no performance fee became payable to the Investment Manager (2017: US$0.1 million).

Net asset value

At the close of business on 31 December 2018, the Wilson Sons' share price was R$40.00, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.17% of Wilson Sons) totalling approximately US$428.4 million which is the equivalent of US$12.11 (£9.50) per Ocean Wilsons share.

Adding the market value per share of Wilsons Sons of US$12.11 and the investment portfolio at 31 December 2018 per share of US$7.32 results in a net asset value per Ocean Wilsons Holdings Limited share of US$19.43 (£15.24) per share. The Ocean Wilsons Holdings Limited share price of £11.75 at 31 December 2018 represented an implied discount of 23% which is lower than the historic long-term discount.

Dividend

The Board is recommending an unchanged dividend of 70 cents per share to be paid on 7 June 2019, to shareholders of the Company as of the close of business on 10 May 2019. At the current exchange rate this represents approximately a 5% increase in Sterling terms over the 2017 dividend. Shareholders will receive dividends in Sterling by reference to the exchange rate applicable to the USD on the dividend record date (10 May 2019) 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 an attractive 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.

Strategic review

On 17 July 2018 we announced that our principal operating subsidiary, Wilson Sons Limited made the following announcement to the Brazilian and Luxembourg Stock Exchanges.

"Wilson Sons Limited (B3: WSON33) ("Wilson Sons" or "Company") informs the market that the Board of Directors of the Company approved on 16 July 2018 the start of a formal process involving its investments in container terminal and logistics assets. The process is part of the evaluation of strategic alternatives that is being carried out by the management of the Company which may include the divestment of such assets, as well as attracting strategic partners. The Company informs that no final decision has yet been taken with respect to pursuing any such alternatives and there can be no certainty that any transaction will occur.

The Company will keep its shareholders and the market informed about the development of such analysis, in compliance with the provisions of Law 6,404, dated 15 December 1976, as amended, and the Resolution 358 issued by the Brazilian Securities and Exchange Commission ("CMV"), dated 3 January 2002, as amended.

As can be seen from the Wilson Sons announcement, no agreement has been entered into by Wilson Sons in relation to the container terminal and logistics assets and there can be no certainty that any transaction will be entered into. A further announcement will be made in due course, "if it is appropriate to do so."

Chairman's Statement

The Company advises that no final decision has yet been taken by Wilson Sons Limited with respect to pursuing any such alternatives and there can be no certainty that any transaction will occur.

Charitable donations and corporate sponsorship

The Group's subsidiary Wilson Sons continues to support several local charities and causes in Brazil. Group donations for charitable and sponsorship purposes in the year amounted to US$670,000 (2017: US$715,000). Wilson Sons sponsors a number of projects through the Brazilian sports incentive and Brazilian cultural incentive laws. The Group's objective is to promote private social investment in projects, actions and social programmes related to respecting and valuing life with a focus on young people, promoting social inclusion and development.

Health, safety and environmental practices (HSE)

The Group manages the areas of Occupational Health, Safety, and Environment ("HSE") in a strategic manner as the Board consider it of fundamental importance for the development of a sustainable business. This is reflected in the Group's corporate values which gives great importance to people's safety, the environment and communities. HSE has a formal agenda within the Wilson Sons Limited executive committee, with monthly meetings to deal exclusively with issues related to the topic which is supported by dedicated committees and subcommittees for each business unit.

The Group has run the WS+ safety programme in partnership with DuPont since 2011 to promote improved safety throughout the Wilson Sons Group. HSE guidelines are based on the concepts of continuous improvement, relationship with stakeholders, emergency response, risk management, training, legal compliance, leadership and responsibility. The success of this programme is shown by the continued improvement in our lost-time injury frequency rate which has decreased by 95% to 0.37 per one million man-hours worked since the programme was implemented. In 2018 Wilson Sons reduced its lost-time injury frequency rate for the eighth consecutive year. Despite achieving a world-class level of safety, the Group continues to work on improving safety performance and work practices to prevent future accidents. Our long-term goal is to maintain the lost-time injury frequency rate below or equal to 0.5 and achieve an interdependent safety management culture in which everyone is aware of the safety agenda and concerned not only with their own safety but also with those around them.

Excellence in environmental management is part of the Group's strategic objectives. In this context, excellence means using resources rationally and efficiently, managing environmental risks and liabilities, understanding and engaging with environmental interests of stakeholders with integrity, as well as planning and achieving financial performance targets aligned with environmental commitments.

In order to improve the understanding of the environmental aspects and impacts of its activities, the Wilson Sons Group has developed its Environmental Management Index ("EMI") based on current best practices. The EMI's key themes (solid waste, water resources, environmental damage, licensing, stakeholders and atmospheric emissions) use established criteria to promote continuous improvement in environmental management and achieve excellence.

The Group looks to use advanced technology to reduce our greenhouse gas emissions. Some examples of these measures include: updating conventional diesel-powered maritime support ships to more efficient diesel-electric systems; using RTG (Rubber-Tyred Gantry) electric cranes with a lower environmental impact in container terminals; and expanding the Towage Operations Centre, making it possible to reduce fuel consumption by optimising the movement of vessels.

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. The Board is considering the 2018 UK Corporate Governance Code and its application to the Group.

Outlook

Economists are expecting the economic recovery in Brazil to accelerate in 2019 as the new government's more pro-business stance helps boost economic growth. Following receipt of the necessary environmental licenses, we started work on the expansion of the Tecon Salvador container terminal in 2018 which is forecast for completion in the second half of 2020. The completed terminal expansion will further develop and improve this important asset and enhance our operational capability. Demand at our container terminals business remains firm with volumes expected to be in line with 2018. Competition in the Brazilian towage market remains strong, however we remain confident in the strength of our business to face these challenges. The Brazilian offshore oil and gas market is expected to face another difficult year with demand for both offshore vessel hire and new vessel construction remaining sluggish although we continue to explore alternative revenue streams for our off-hire supply vessels. Two new contracts for the PSVs Fulmar and Ostreiro to provide shallow-water diving support services are scheduled to start in March 2019. The shipyard orderbook consists of one 90-tonne bollard pull tugboat for our fleet to be delivered in 2019. There are also 22 scheduled dry-dockings consisting of 11 tugboats for Wilson Sons, 10 tugboats for third parties and one PSV for our offshore joint venture. While the Group faces a number of challenges in 2019 we are confident in the resilience of our Brazilian businesses and the solid performances delivered over many years gives us encouragement that we are well placed to face the coming challenges and take advantage of business opportunities as they arise.

2018 was a poor year for world stock markets with global equity prices falling across the board. In contrast, stocks have rallied in 2019 on growing optimism that a trade agreement between the U.S. and China may be imminent, as well as news that the US Federal Reserve has paused any further interest rate hikes, as they have adopted a "wait-and-see" approach. While growth is

slowing, at this point we do not see the factors in place which are normally associated with recession. Unemployment is low, but in general economies still appear to be operating below full capacity. Inflation has started to pick-up but the structural deflationary forces that have kept inflation low for so long look unlikely to go away anytime soon. Moreover, markets have already priced in a significant amount of bad news in 2018. We continue to see better value in a number of the emerging markets with attractive valuations by historic standards. However if global economies do slip into recession, emerging markets are typically some of the worst hit being trading based economies.

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. Following nine years of service Mr Andres Rozental is retiring from the Board at the next Annual General Meeting. On behalf of your Board I would like to acknowledge and express our gratitude for his valued contribution to the Group.

J F Gouvêa Vieira
Chairman
14 March 2019

Financial Review

Operating profit
Operating profit at US$99.5 million was US$10.0 million lower than prior year (2017: US$109.5 million) largely due to the decrease in towage revenue and slightly lower operating margins. Group operating margins for the year declined to 21.6% (2017: 22.1%) principally due to poorer margins at the Group's towage business.

Raw materials and consumables used in the year at US$38.1 million were in line with 2017 (US$37.7 million). Employee expenses were 12% lower at US$146.3 million (2017: US$166.4 million) due to the effect of the higher average USD/BRL exchange rate plus the prior year figure included redundancy costs associated with corporate restructuring and additional provisions to cover potential labour claims. Employee costs were negatively impacted by the rollback in the year of temporary payroll tax exemptions granted to some business sectors in Brazil. Headcount was in line with prior year. Other operating expenses were 2% lower at US$119.8 million (2017: US$122.3 million) because of the strengthening of the US Dollar versus BRL. The prior year comparative benefitted from a US$4.9 million tax credit and a non-recurring US$3.9 million provision reversal. The depreciation and amortisation expense at US$56.2 million was US$1.3 million lower than the comparative period (2017: US$57.5 million). The impact of the higher average USD/BRL exchange rate was partially offset by capital investment made in 2017.

The loss on disposal of property, plant and equipment in 2017 included a US$2.3 million write down on leasehold improvements no longer used by the Group.

Revenue from Maritime Services
Group revenue for the year was 6% higher in BRL terms although in USD terms revenue was 7% lower at US$460.2 million (2017: US$496.3 million), principally due to a decrease in towage revenue and the higher average USD/BRL exchange rate used to convert revenue into our reporting currency. Towage revenue was US$41.2 million lower than prior year at US$165.6 million (2017: US$206.8 million) as stronger competition impacted both pricing and harbour towage volumes. Harbour towage manoeuvres performed in the period were 6% lower at 56,114 (2017: 59,796). Towage special operations revenue in the year increased US$1.9 million to US$13.2 million (2017: US$11.3 million) with ocean towage, shipyard support and salvage assistance performed during the year. Ship agency revenue at US$10.0 million was 12% lower than the prior year (2017: US$11.3 million).

Port terminals and logistics revenue in BRL terms grew 16% although due to the higher average USD/BRL exchange rate during the year, revenue in USD terms was flat at US$203.8 million (2017: US$203.1 million). Container volumes handled were marginally ahead of prior year at 1,072,700 TEUs (2017: 1,068,100 TEUs) while container terminal revenue was 2% lower at US$183.0 million (2017: US$187.4 million) impacted by the higher average USD/BRL exchange rate as the majority of container terminal revenue is BRL denominated. Warehouse revenue at our container terminals continued to grow driven by a rise in import cargo volumes. Higher import cargo volumes also contributed to a 4% increase in our logistics revenue to US$56.9 million (2017: US$54.7 million). Brasco revenue increased US$5.1 million to US$20.8 million (2017: US$15.7 million) on the back of increased vessel turnarounds with the beginning of new contracts during the year.

Third-party shipyard revenue at US$24.0 million (2017: US$21.2 million) reflected an increase in third party vessel construction and dry-docking operations.

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. Operating profit for a 50% share in the joint venture in the year was US$4.3 million compared to US$15.9 million in 2017 from revenue of US$58.5 million (2017: US$73.2 million). Revenue fell principally due to fewer operating days which were 15% lower at 5,126 days against 6,035 days in 2017. The lower operating profit, finance charges and higher exchange losses on monetary items resulted in a loss for the year of US$4.1 million (2017: US$3.4 million profit). At the year end, our joint venture had 15 offshore support vessels under contract out of a total fleet of 23 vessels.

Change in presentation
"Income from underlying investment vehicles" and "Other gains and losses" are now shown on the face of the Statement of Comprehensive Income under "Returns on investments held at fair value through profit and loss". The change was made in order to improve presentation of items of similar nature.

Returns on the investment portfolio at fair value through profit and loss
Losses on the investment portfolio of US$7.9 million arose from the Group's portfolio of investments (2017: US$42.1 million profit) and comprise realised profits on the disposal of financial assets at fair value through profit or loss of US$8.6 million (2017: US$8.5 million), income from underlying investment vehicles of US$2.1 million (2017: US$3.4 million) and unrealised losses on financial assets at fair value through profit or loss of US$18.7 million (2017: US$30.2 million gain).

Other investment income
Other investment income for the year fell US$5.5 million to US$4.2 million (2017: US$9.7 million) due to lower interest on bank deposits of US$3.6 million (2017: US$5.9 million) and lower other interest of US$0.6 million (2017: US$3.8 million). Interest on bank deposits fell due to the lower average cash balances held during the year. Other interest in 2017 also included US$2.6 million in interest relating to successful tax decisions.

Finance costs
Finance costs for the year at US$23.0 million were slightly higher than prior year (2017: US$22.0 million). Within this exchange losses on foreign currency borrowings were US$9.2 million higher at US$10.0 million (2017: US$0.8 million) due to the higher BRL/USD exchange rate at year end. Other interest of US$0.6 million was US$7.1 million lower than prior year (2017: US$7.7 million) because 2017 other interest included US$7.4 million of fines and interest relating to outstanding tax balances settled under a Brazilian tax amnesty programme. Interest on overdrafts and loans were US$1.0 million lower than the prior year at US$12.3 million (2017: US$13.3 million).

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.

WS Sirius, a 90 ton bollard pull tugboat built at the Wilson Sons shipyards in Guarujá, São Paulo state, delivered in 2018. WS Sirius is the most powerful tugboat currently operating in Brazil.

Financial Review

During 2018 the BRL depreciated 17% against the USD from R$3.31 at 1 January 2018 to R$3.87 at the year end. In 2017 the BRL depreciated 2% against the USD from R$3.26 at 1 January 2017 to R$3.31 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:

	2018 US$ million	2017 US$ million
Exchange gains on monetary items (i)	**(8.5)**	2.8
Exchange losses/gains on foreign currency borrowings	**(10.0)**	(0.8)
Deferred tax on retranslation of fixed assets (ii)	**(9.8)**	1.4
Deferred tax on exchange variance on loans (iii)	**10.1**	(1.2)
Total	**(18.2)**	2.2

(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 2018 resulted in a negative impact of US$18.2 million on the income statement in the year compared with a US$2.2 million positive impact in 2017.

A currency translation adjustment loss of US$39.4 million (2017: US$6.5 million) on the translation of operations with a functional currency other than USD is included in other comprehensive expense for the year and recognised directly in equity.

The average USD/BRL exchange rate during 2018 was 15% higher than prior year at 3.66 (2017: 3.19). A higher average exchange rate negatively affects BRL denominated revenues and positively impacts BRL denominated costs when converted into our USD reporting currency.

Profit before tax

Profit before tax for the year fell US$85.2 million to US$60.2 million compared to US$145.5 million in 2017. The decrease in profit before tax was principally due to the US$50.0 million negative movement in returns from the investment portfolio, the US$11.2 million negative movement in foreign exchange losses on monetary items, a US$10.0 million decrease in operating profit and a US$7.5 million negative movement in share of results from joint ventures. Also finance costs were US$1.0 million lower and investment revenues US$6.8 million lower.

Taxation

The tax charge for the year at US$26.4 million was US$9.7 million lower than last year (2014: US$36.1 million).

This represents an effective tax rate for the period of 43.9% (2017: 24.8%) compared with the corporate tax rate prevailing in Brazil of 34%. The difference in the effective tax rate is principally due to deferred tax items and expenses that are not included in determining taxable profit in Brazil and expenses or income at our Bermudian companies that are not subject to income tax. The current year effective tax rate is higher than prior year mainly due to losses at our Bermudian companies that are not deductible for income tax (in 2017 there were net profits at our Bermudian companies) and an increase in net expenses that are not included in determining taxable profit. The increase in net expenses is mainly due to foreign exchange losses on monetary items and losses at our joint ventures.

The principal impacts from these items on the tax charge in the income statement are set out in the table below

	2018 US$ million	2018 % of taxable profit	2017 US$ million	2017 % of taxable profit
Deferred tax items not included in determining taxable profit (i)	**(4.6)**	**(7.4%)**	(5.3)	(3.6%)
Income/expenses not included in determining taxable profit (ii)	**5.8**	**9.2%**	3.4	2.4%
Net (income)/expenses incurred outside Brazil	**4.8**	**8.0%**	(11.6)	(7.9%)
Total	**6.0**	**9.9%**	(13.4)	(9.2%)

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 for the year is US$13.3 million (2017: US$78.3 million) after deducting profit attributable to non-controlling interests of US$20.5 million (2017: US$31.1 million). Non-controlling interests at 61% are a higher percentage of the Group profit for the period (2017: 28%) because the profits or losses from the investment portfolio accrue solely to the equity holders of the parent company.

Earnings per share

Earnings per share for the year were 37.6 cents compared with 221.5 cents in 2017.

Cash flow

Net cash inflow from operating activities increased by US$10.7 million to US$113.7 million in 2018 (2017: US$103.0 million) as the decrease in operating profit was offset by better working capital movements in the year. Capital expenditure in the year was US$28.8 million higher at US$59.6 million (2017: US$30.7 million) principally due to the start of civil works for the Tecon Salvador quay extension, increased vessel construction and programmed drydocking. The Group drew down new loans of US$9.4 million (2017: US$12.6 million) to finance capital expenditure. While loan repayments of US$54.2 million (2017: US$54.7 million) were made. Dividends paid to shareholders in the period were US$24.8 million (2017: US$22.3 million) with a further US$17.9 million paid to non-controlling interests in our subsidiaries (2017: US$16.8 million).

Tecon Salvador in Salvador, Bahia. In 2018 we started work on the expansion of Tecon Salvador with civil works to extend the principal quay from 377 metres to 800 metres, which will allow the simultaneous berthing of two super-post-Panamax ships.

Financial Review

At 31 December 2018, the Group had US$43.8 million in cash and cash equivalents (2017: US$83.8 million) of which US$28.2 million was denominated in Brazilian Real (2017: US$59.6 million). Financial assets at fair value through profit or loss includes US$29.1 million (2017: US$31.6 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.

Balance sheet

At 31 December 2018 equity attributable to shareholders of the parent company was US$554.2 million, a decrease of US$33.9 million from 2017 (US$588.2 million). The main movements in equity in the year were profits for the period of US$13.3 million, less dividends paid of US$24.8 million and a negative currency translation adjustment of US$22.8 million. The currency translation adjustment arises from exchange differences on the translation of operations with a functional currency other than USD. On a per share basis, equity attributable to shareholders was the equivalent of US$15.67 per share (31 December 2017: US$16.63 per share).

Net debt and financing

All debt at the year end was held in the Wilson Sons Limited Group with 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 of up to 18 years. At year end 80% of the Group's total debt is long-term. The Group's borrowings are principally USD related with 95% of borrowings USD denominated or linked to the USD. A significant portion of the Group's pricing is denominated in USD which acts as a natural hedge to our long-term exchange rate exposure. Net debt at 31 December 2018 was US$234.4 million (2017: US$239.2 million) as set out in the following table:

	2018 US$ million	2017 US$ million
Debt		
Short-term	**60.2**	54.3
Long-term	**247.1**	300.4
Total debt	**307.3**	354.7
Cash and cash equivalents*	**(72.9)**	(115.5)
Net debt	**234.4**	239.2

* Included in cash and cash equivalents are US$29.1 million of short-term investments held by Wilson Sons Limited which are intended to fund Wilson Sons Limited operations in Brazil.

The Group's reported borrowings do not include US$242.0 million of debt from the Company's 50% share of borrowings in our Offshore Vessel joint venture.

Keith Middleton
Finance Director
14 March 2019

Night-time operations at Tecon Rio Grande in Rio Grande, Rio Grande do Sul.

Wilson Sons Limited

The Wilson Sons 2018 Earnings Report released on 14 March 2019 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

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

"Wilson Sons 2018 EBITDA of US$160 million was down 6.8% against the comparative period (2017: US$172.4 million), despite solid results in container terminals. Tecon Rio Grande improved its net average productivity to 77 movements per hour, 22% higher than 2017. In the fourth quarter Tecon Salvador commenced civil works to extend the principal quay from 377 metres to 800 metres, which will allow the simultaneous berthing of two super-post-Panamax ships. The terminal signed a US$67.9 million financing agreement denominated in Brazilian Real with BNDES for the first stage of the expansion.

Towage results continued to be pressured by a very competitive environment affecting volumes and prices. In November the division received the largest and most powerful escort tug in Brazil, WS Sirius, with 90 tonnes of bollard pull.

Offshore support vessel results were negatively affected by the end of eight long-term contracts in 2018 due to weaker demand. The Company continues to seek alternative vessel solutions including four vessels under contract for shallow-water diving support, and one employed to support oil spill recovery.

Workplace safety continued to improve with an 18% year-on-year reduction in the lost-time injury frequency rate to 0.37 in 2018, in line with global best practice.

The Company remains focused on increasing cash flow and improving capacity utilisation across all businesses in order to maximise stakeholder value, maintaining our continued commitment to safety."

The Wilson Sons Strategy is:
The Wilson Sons strategy is to grow utilising our skills and 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 services we provide to customers. The strategy comprises:

Expanding and utilising capacity at our container terminals. In order to meet demand from domestic and international trade, we have expanded both our container terminals since the beginning of the concessions. By maximising installed capacity utilisation, we are able to improve productivity and levels of service to our clients through economies of scale. We will diligently pursue this objective. The early renewal of the Salvador terminal concession through to 2050 includes investments in quay extension and equipment, further enhancing terminal productivity. Additionally, we will evaluate new concessions and the possible development of new terminals to provide a strong return on shareholders' equity. As noted in the Chairman's statement Wilson Sons is undertaking an evaluation of strategic alternatives that is being carried out by the management of the company which may include the divestment of such assets, as well as attracting strategic partners.

Maximising capacity utilisation of our oil & gas support terminals (Brasco). Our bases in Niterói and Rio de Janeiro have a total capacity of eight berths to provide logistics support for offshore vessels. With excellent access to the Campos and Santos petroleum basins, and close to the pre-salt region, Brasco is strategically positioned as one of the largest operators of offshore support terminals in Brazil. We continuously monitor offshore exploration and production activities along the Brazilian coast to meet the demand for such services.

Strengthening our position as the leading provider of towage services in Brazil. We 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 also look to contribute to the expansion of activities in Brazilian ports, offering state-of-the-art vessels that are suitable for operating new classes of ships, as well as for the oil and gas industry. We regularly review our fleet deployment to optimise efficiency and to seek out new market niches where we can 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, conversion, and dry-docking services to meet the demand of local and international ship owners operating in Brazil.

Solidifying our offshore support vessel services to oil and gas platforms. Using our knowledge and experience, we intend to continue to consolidate our activities maintaining our position amongst the leading suppliers of services to the offshore oil and gas industry in Brazil. We look to explore alternative revenue streams to increase utilisation of our offshore supply vessel fleet.

Exploring new opportunities and strategies to provide the best and most complete set of services to our customers. We are always looking to provide innovative services to our customers, as well as to anticipate their needs. Through a solid nationwide footprint, we will continue our strategy of providing comprehensive logistics solutions to support domestic and international trade activities, as well as the oil and gas industry. We also seek to make our services more efficient and cost-effective, in order to maintain our strong customer base and strengthen our relationships.

Increasing economies of scale and productivity, synergies and cost savings across our businesses. We continuously seek to optimise our operations, productivity and reduce costs through synergies and knowledge exchange among our businesses and administrative areas. We will continue to be focused on integrating similar activities, especially in our branch offices, to achieve economies of scale and reduce costs wherever possible. We continually develop new strategies to improve our operations and explore new businesses.

Health, Safety and the Environment ("HSE") are part of our overall strategy of sustainable and ethical businesses. We continue to promote HSE best practices throughout the Group to achieve and maintain excellence in these areas.

Investment Portfolio

Investment objective

Ocean Wilsons is run with a long-term outlook. The objective of the investment portfolio is to make investments that create long-term capital growth without pressure to produce short-term results at the expense of long-term value creation.

Investment Policy

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. 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

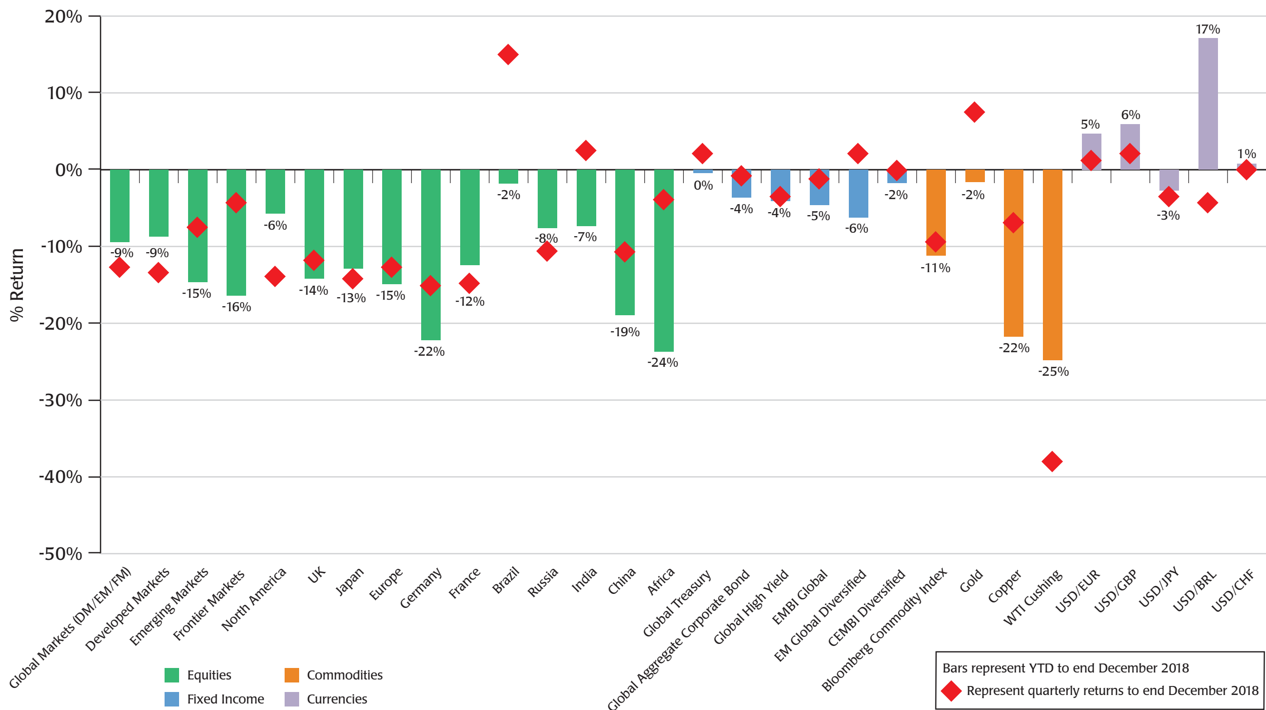
The portfolio has several similarities to the 'endowment model'. These similarities include an emphasis on generating real returns, a perpetual time horizon and broad diversification, whilst avoiding asset classes with low expected returns (such as government bonds in the current environment). This diversification 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

Having started robustly, 2018 proved to a very poor year for world stock markets. Global equities fell by some 9.4% over the year. The US, despite the weakness exhibited at the end of the year, was the best performing major developed market, although it fell by 5.7%. Amongst the other major developed markets Japan declined by 12.9%, Europe by 14.8% and the UK by 14.1%. The emerging and frontier markets were even worse, falling by 14.6% and 16.4% respectively. A number of individual emerging markets hit bear market territory during the year, a fall of 20% or more, and notably China fell by 18.9% as it battled with slowing growth and trade wars.

Asset Class performance (in USD)



Source: Bloomberg.

Whilst these numbers are disappointing, in practice sporadic periods of weakness in equity markets are quite normal. What is not normal are falls across all asset classes and this is what we saw in 2018. The blend of deteriorating economic growth, shifting sands in monetary policy and the geo-political machinations impacted equities, bonds, real assets and commodities.

This nightmare scenario for multi-asset investors resulted in their worst performance in many years. The table below highlights just how unusual this is and the stark contrast between 2018 and 2017 with the latter almost entirely positive across all asset classes for the year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REITS	MSCI EM	MSCI China	MSCI China	US 10Yr	MSCI EM	REITS	US 10Yr	MSCI China	Russell 2000	REITS	MSCI Japan	Commodities	MSCI China	REITS
MSCI EM	Commodities	REITS	MSCI EM	US 2Yr	MSCI China	Russell 2000	Inflation Bonds	MSCI Europe	S&P 500	S&P 500	REITS	Russell 2000	MSCI EM	S&P 500
MSCI Europe	MSCI Japan	MSCI Europe	Commodities	US Agg. Bond	Global HY	Commodities	EM$Sov Credit	Global HY	MSCI Japan	US 10Yr	US 10Yr	US HY	MSCI Europe	US 2Yr
Russell 2000	MSCI China	MSCI EM	MSCI Europe	EM Local Debt	US HY	MSCI EM	US IG	REITS	MSCI Europe	MSCI China	EM$Sov Credit	Global HY	MSCI Japan	US HY
MSCI Japan	EM$Sov Credit	Russell 2000	Inflation Bonds	US IG	Commodities	MSCI Japan	US Agg. Bond	MSCI EM	US HY	US IG	S&P 500	S&P 500	S&P 500	US Agg. Bond
Inflation Bonds	REITS	S&P 500	US 10Yr	Inflation Bonds	MSCI Europe	US HY	REITS	EM$Sov Credit	Global HY	EM$Sov Credit	US 2Yr	MSCI EM	Russell 2000	Russell 2000
Global HY	MSCI Europe	Commodities	US 2Yr	EM$Sov Credit	EM$Sov Credit	S&P 500	US HY	Russell 2000	MSCI China	US Agg. Bond	US Agg. Bond	EM$Sov Credit	EM Local Debt	Commodities
Commodities	S&P 500	Global HY	US Agg. Bond	US HY	REITS	Global HY	Global HY	S&P 500	REITS	Russell 2000	US IG	REITS	Global HY	US 10Yr
EM$Sov Credit	Russell 2000	US HY	EM$Sov Credit	Global HY	Russell 2000	EM Local Debt	S&P 500	US HY	US 2Yr	Inflation Bonds	MSCI Europe	US IG	EM$Sov Credit	Global HY
US HY	Global HY	EM$Sov Credit	S&P 500	Commodities	S&P 500	EM$Sov Credit	US 2Yr	EM Local Debt	US IG	US HY	Global HY	EM Local Debt	REITS	US IG
S&P 500	EM Local Debt	Inflation Bonds	US IG	MSCI Japan	US IG	US 10Yr	EM Local Debt	US IG	US Agg. Bond	US 2Yr	Russell 2000	Inflation Bonds	Inflation Bonds	Inflation Bonds
US IG	US HY	MSCI Japan	EM Local Debt	Russell 2000	EM Local Debt	US IG	Russell 2000	Inflation Bonds	MSCI EM	Global HY	US HY	MSCI Japan	Commodities	EM Local Debt
US 10Yr	US Agg. Bond	US Agg. Bond	Global HY	S&P 500	Inflation Bonds	US Agg. Bond	Commodities	MSCI Japan	Inflation Bonds	MSCI EM	Inflation Bonds	US Agg. Bond	US HY	EM$Sov Credit
US Agg. Bond	US 10Yr	US IG	US HY	REITS	MSCI Japan	MSCI China	MSCI Europe	US Agg. Bond	EM Local Debt	EM Local Debt	MSCI China	MSCI China	US IG	MSCI Japan
EM Local Debt	US IG	US 2Yr	Russell 2000	MSCI Europe	US Agg. Bond	MSCI Europe	MSCI Japan	US 10Yr	EM$Sov Credit	MSCI Japan	EM Local Debt	US 10Yr	US Agg. Bond	MSCI Europe
MSCI China	US 2Yr	US 10Yr	MSCI Japan	MSCI China	US 2Yr	Inflation Bonds	MSCI EM	Commodities	US 10Yr	MSCI Europe	MSCI EM	US 2Yr	US 10Yr	MSCI EM
US 2Yr	Inflation Bonds	EM Local Debt	REITS	MSCI EM	US 10Yr	US 2Yr	MSCI China	US 2Yr	Commodities	Commodities	Commodities	MSCI Europe	US 2Yr	MSCI China

Positive   Negative

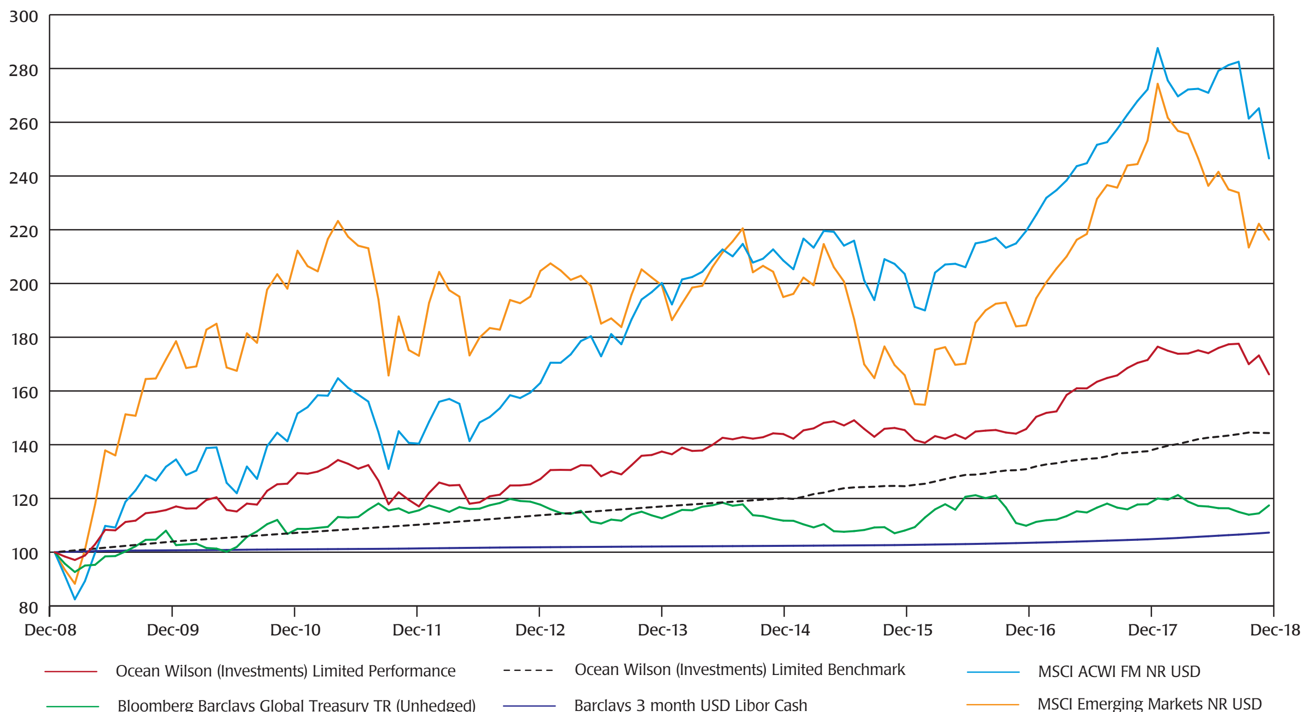
Source: Bloomberg.

Cumulative portfolio returns

	2018	3 years p.a.	5 years p.a.	10 years p.a.
OWIL (Gross time-weighted)	-3.1%	4.6%	3.9%	5.2%
OWIL (Net)[1]	-4.1%	3.5%	2.8%	4.1%
Performance benchmark[2]	4.9%	5.0%	4.3%	3.7%
MSCI ACWI + FM NR	-9.4%	6.6%	4.3%	9.4%
MSCI Emerging Markets NR	-14.6%	9.3%	1.6%	8.0%

1. The OWIL net performance is net of investment management and performance fees.
2. 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.

10 Year Cumulative Indexed Returns



Source: Barclays, Bloomberg, MSCI.

Investment Manager's Report

Portfolio Commentary

The investment portfolio was down 4.1% on a net basis over the past 12 months, underperforming its benchmark over the same period which rose by 4.9%. 2018 was a difficult year for the global economy with most markets declining which was reflected in the portfolio.

A significant contributor to performance over the year was **Hudson Bay International Fund**, which rose by 5.9%. This fund seeks to achieve superior risk-adjusted returns with low correlation to equity and bond markets. It is part of the diversifying silo of the portfolio and it performed its role well in 2018. There are four different strategies within this silo that are intended to produce a stable, low correlated return. The fund's convertible strategy performed particularly strongly during the year with no positions significantly detracting. The convertible positions benefited from the increased volatility the market experienced over the course of the year.

Another strong performer was **LF Odey Absolute Return Fund** which was up 8.6% for the year. The performance of this UK focused hedge fund was driven mainly by its short book, partly offset by negative returns in the long book and currency hedges. The top contributor from the long book was a position in **Plus500** that operates in the CFD trading space. The company continued to win market share and new tighter regulations were thought likely to benefit it more than its peers. However following the year end the share price of **Plus500** fell significantly after it was forced to clarify statements in its 2017 annual report. This has detracted from the fund's performance in early 2019 although the manager maintains confidence in the holding.

Indus Japan Long Only Fund was one of the weaker performers, ending down 26.4% for the year. This poor performance was mainly due to a very difficult month in December with a position in **Showa Denko** being one of the main negative contributors. The manager believes that the market is fundamentally overestimating the threat of a supply and/or demand shock in the chemical industry and that the company's earnings will grow in 2019. **Takeda Pharmaceutical** was also a negative performer as price volatility increased significantly ahead of the closure of its acquisition of Shire PLC in January 2019.

We continued to add some lower risk investments to the portfolio, with a position added in **Apollo Total Return Fund** which is a long-only core fixed income strategy, with low correlation to traditional fixed income. The manager has consistently produced stable returns in multiple market environments. During the year we completed the switch of the **Japan holdings (Goodhart Partners: Hanjo Fund and Indus Japan Long Only Fund)** from the hedged share class into the unhedged share class.

On the private asset side of the portfolio it was generally a positive year. One of the top contributors during the year was **Navegar I**. The Philippine focused fund has made five investments, two of which are now realised. The strong performance during the year was mainly due to the realisation of an investment in **TaskUs**, a technical support outsourcer for US technology companies. This business was sold in 2018 to the Blackstone Group for a 7.77x gross multiple of the investment cost with the majority of the proceeds already returned to limited partners. This has taken the total amount distributed to over 150% of invested capital and the total fund multiple to 2.1x investment cost. The remaining three businesses are all food related with two of them, **Bo's Coffee** and **Bistronomia**, proving to be more difficult investments with both currently valued below cost.

Greenspring Global Partners ("GGP") IV and **GGP VI** were also strong performers, being held at total fund multiples of 2.5x and 1.8x of investment cost respectively. GGP IV, a 2008 vintage fund, is now mature and is producing significant distributions. Positions in **Benchmark Capital VII**, which has investments in **WeWork** and **Uber**, and **Bessemer Venture Partners VII Special Opps**, with an investment in **Pinterest**, have been strong performers. The manager's base case expectation for this fund is a 2.9x multiple of investment cost with the potential that it could be significantly higher than that. In GGP VI, a significant proportion of the underlying funds increased in value over the course of the year. This fund of funds is a 2014 vintage and so many of the early investments are now starting to see growth in values. There have also been several realisations in the direct portfolio including **Chewy** which earned a gross multiple of 8.7x investment cost following its acquisition by **PetSmart**.

In terms of new commitments, a €2.2m investment was made to **Five Arrows Principal Investments III** at the end of 2018. This is a fund from a highly experienced team within the Rothschild & Co network and will target lower middle market European companies. Other new commitments made in 2018 were to **Triton Fund V** (€2.14m), **PAI Europe VII** (€2.5m), **GGP IX** ($1.0m), **Baring Asia Private Equity Fund VII** ($4.0m) and **Reverence Capital Partners Opportunities Fund II** ($2.5m).

Outlook

Clearly market sentiment has taken a significant knock in recent months. In the short-term this likely makes share prices particularly sensitive to newsflow, especially that which confirms investors' worst fears. However, any signs of normalisation are likely to lead to investors questioning whether this is indeed the end of the current stock market cycle and with it, to reassess the outlook for equity markets.

That's not to say we are raging bulls. What we have been experiencing in recent months is classic late cycle performance where volatility is the norm – undoubtedly the best of the current cycles returns are behind us with returns almost certainly lower now than earlier in the cycle. Hence we remain flexible and believe a balanced approach seems appropriate albeit with upside still on offer through judicious country, sector and thematic investment selection.

Investment Portfolio at 31 December 2018

	Market value US$000	% of NAV	Primary Focus
Findlay Park American Fund	21,706	8.4	US equities – long only
Adelphi European Select Equity Fund	11,709	4.5	Europe equities – long only
Egerton Long – Short Fund Limited	11,344	4.4	Europe/US equities – hedge
BlackRock European Hedge Fund	9,511	3.7	Europe equities – hedge
NTAsian Discovery Fund	9,011	3.5	Asia ex-Japan equities – long only
Goodhart Partners: Hanjo Fund	8,958	3,5	Japan equities – long only
Pangaea II, LP	7,043	2.7	Private Assets – GEM
Lansdowne Developed Markets Fund	6,654	2.6	Europe/US equities – hedge
Helios Investors II, LP	6,595	2.5	Private Assets – Africa
GAM Star Fund PLC – Technology	6,395	2.5	Technology – long only
Top 10 Holdings	**98,926**	**38.3**	
NG Capital Partners II, LP	6,254	2,4	Private Assets – Latin America
Schroder ISF Asian Total Return Fund	6,188	2.4	Asia ex-Japan equities – long only
Select Equity Offshore, Ltd	6,163	2.4	US equities – long only
Greenspring Global Partners IV, LP	6,128	2.4	Private Assets – US Venture Capital
Hony Capital Fund V, LP	5,730	2.2	Private Assets – China
L Capital Asia 2, LP	5,674	2.2	Private Assets – Asia (Consumer)
Vulcan Value Equity Fund	5,535	2.1	US equities – long only
Global Event Partners Ltd	5,400	2.1	Global equities – long/short
Hudson Bay International Fund Ltd	5,334	2.1	Market Neutral – multi-strategy
Indus Japan Long Only Fund	5,333	2.1	Japan equities – long only
Top 20 Holdings	**156,665**	**60.7**	
Prince Street Opportunities Fund	5,048	1.9	Emerging Markets equities – long only
Silver Lake Partners IV, LP	4,215	1.6	Private Assets – Global Technology
Greenspring Global Partners VI, LP	4,011	1.5	Private Assets – US Venture Capital
Gramercy Distressed Opportunity Fund II, LP	3,930	1.5	Private Assets – distressed debt
Primary Capital IV, LLP	3,862	1.5	Private Assets – Europe
African Development Partners, LLC	3,464	1.3	Private Assets – Africa
AMED Fund, SICAR	3,441	1.3	Private Assets – Africa
L Capital Asia, LP	3,394	1.3	Private Assets – Asia (Consumer)
China Harvest II, LP	3,114	1.2	Private Assets – China
MCP Private Capital Fund II, LP	3,069	1.2	Private Assets – European Credit
Top 30 Holdings	**194,213**	**75.0**	
37 Remaining Holdings	**57,117**	**22.1**	
Cash	**7,581**	**2.9**	
TOTAL	**258,911**	**100.0**	

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
M Mitchell

Profiles of Non-executive Directors
Mr J F Gouvêa Vieira is Brazilian, aged 69 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. 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 61 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 59 and joined the Group in 2014. He is British and resident in Singapore. He is a non-executive director of Aberdeen Global SICAV, Aberdeen Islamic SICAV, Aberdeen Liquidity Fund (Lux) SICAV and Aberdeen Alpha SICAV- FIS.

Mr C Maltby is aged 68 and joined the Group in 2013. He is British and resident in Switzerland. He is a Director of Abingworth BioEquities Fund Limited, B H Macro Limited and Chairman of the Supervisory Board of BBGI SICAV SA.

Mr A Rozental is Mexican and joined the Group in 2010. He is aged 73 and is the founding partner of Rozental & Asociados. He is a non-executive director of Wilson Sons Limited and HSBC Bank 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 45 and joined the Group in 2011. He is a solicitor and has an MBA from the London Business School. He is investment director of Hansa Capital GmbH.

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Bankers
HSBC Bank Bermuda Limited

Investment Manager
Hanseatic Asset Management LBG
Guernsey, Channel Islands

Report of the Directors

The Directors submit herewith their Report and Accounts for the year ended 31 December 2018.

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$13,308,000 (2017: US$78,315,000).

The Directors are recommending the payment of a dividend for the year of 70c (2017: 70c) per share. The dividend will be paid on 7 June 2019 to all shareholders who are on the register at close of business on 10 May 2019.

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 17.

Directors and Directors' Interests

The present Members of the Board are as shown on page 18.

In accordance with the Company's (Ocean Wilsons Holdings Limited) bye-laws, Mr J F Gouvea Vieira, Mr C Maltby and Mr A Rozental retire at the next Annual General Meeting and, being eligible Mr J F Gouvea Vieira and Mr C Maltby offer themselves for re-election until the following Annual General Meeting.

The Directors who held office at 31 December 2018 had the following interest in the Company shares:

	Interest	2018	2017
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$2,742,000 (2017: US$2,597,000) for acting as investment managers of the Group's investment portfolio. No performance fee is payable to the Investment Manager in 2018, (2017: US$113,000).

Service Contracts

Regarding the Directors proposed for re-election at the Annual General Meeting there are no service contracts between Mr J F Gouvea Vieira or Mr C Maltby and the Company.

Employees

The average number of persons, including Directors, employed by the Group was 4,103 (2017: 4,164).

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 authorised 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 32.

Report of the Directors

Auditor
Ernst & Young LLP were appointed auditor at the 2018 Annual General Meeting and have expressed their willingness to continue in 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 1 March 2019 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	2,019,344	5.71
Dynamo Administração de Recurso	1,728,854	4.89
Canaccord Genuity Group Inc	1,537,953	4.35

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 is considering the 2018 UK Corporate Governance Code which was published in July 2018 and takes effect for the financial year commencing 1 January 2019. The Board is considering the implications of the new code to the Group and taking action where appropriate.

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 C Maltby Mr A Rozental and Mr C Townsend and one executive director, Mr K Middleton. Mr Berzins, Mr Maltby and Mr Rozental 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 18.

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 J F Gouvêa Vieira and Mr C Maltby 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 18 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 Ocean Wilsons Holdings Limited.

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.

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 authorise 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 the 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 Ocean Wilsons (Investments) Limited.

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 2018, 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

Report of the Directors

to scheduled Board meetings if matters arise at short notice requiring urgent attention a telephone Board meeting is arranged. During 2018 one telephone Board meeting was held.

Directors' attendance at Board and finance committee meetings:

Director	Board Meetings attended	Finance Committee Meetings attended
Mr J F Gouvêa Vieira	5	4
Mr W Salomon	5	4
Mr K Middleton	5	–
Mr A Rozental	5	4
Mr C Townsend	5	4
Mr C Maltby	5	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 reviews 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 2018. The Board is satisfied that during 2018 four directors, Mr C Maltby, Mr W Salomon, Mr A Berzins and Mr A Rozental, have recent and relevant financial experience as all have served on the audit committees of other listed companies. Mr W Salomon also has considerable experience in finance and investment banking and Mr C Maltby and Mr A Berzins both hold accounting qualifications.

The Finance Committee met four times in 2018. 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 2018 the Finance Committee has:

- reviewed the December 2017 report and financial statements, the June 2018 half yearly financial report and the quarterly updates issued in May and November 2018. As part of the review of the December 2017 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. Based on these assumptions and sensitivities tested no impairment was made in 2018;
- reviewed a study carried out by the Group on impacts resulting from the application of IFRS 16 – Leases. As a result of the implementation of IFRS 16 on the 1 January 2019, the Group will recognise a right of use asset and a lease liability at a present value of US$176.4 million. The impact is principally due to the recognition of lease liabilities and associated right-of-use assets for leases previously recognised as operating leases;
- reviewed the impacts resulting from the application of IFRS 15 – Revenue from Contracts with Customers. The Group assessed the principles and changes introduced by the new standard and concluded that its adoption will not impact the timing for revenue recognition from contracts with customers, or on the measurement. The new standard impacted the presentation and disclosure in the financial statements, requiring the Group to disaggregate revenue recognition into categories and disclose information about its performance obligations from contracts with customers;
- reviewed the impacts resulting from the application of IFRS 9 – Financial Instruments. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables and contract assets, either on a 12-month or lifetime basis. The Group applied the simplified approach and records lifetime expected losses on all trade receivables.
- 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 2018 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 and;
- received a report on aspects of the Brazilian legal environment and labour market reforms enacted in November 2017 and the implications for the Wilson Sons Group.

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;

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- 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;

- The last audit tender process was performed in 2016 to select a new external auditor for 2017. The Finance Committee selected Ernst & Young LLP who were appointed by members at the Annual General Meeting held in June 2017;

- the external auditor provided non-audit services during the year to Wilson Sons Limited in relation to a remuneration structure analysis for logistics. Auditor objectivity and independence was safeguarded as the team performing the work was separate and independent of the audit team. No person involved in a financial reporting oversight role was covered by this assignment;

- The Committee has conducted its review of the performance of the external auditors and the effectiveness of the external audit process for the year ended 31 December 2018. The review was based on a survey of key stakeholders across the Group, the quality of the auditors' reporting to and interaction with the finance committee. Based on the information currently available and this review, the finance committee was satisfied with the performance of the auditors and the effectiveness of the audit process.

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 FRC's Guidance on Risk

Management, Internal Control and Related Financial and Business Reporting. The board of the principal operating subsidiary is responsible for identifying key business risks and establishing and reviewing internal control procedures.

The principal risks and uncertainties faced by the Company are described below and note 37 to the financial statements provides detailed explanations of the risks associated with the Company's financial instruments.

Description of risk	Summary of implication	Risk mitigation and management
There is the risk of increased competition across all our businesses as we operate in markets with significant competition.	The industries in which we operate are highly competitive. If competitors are able to supply services to our customers at a lower price, then we may have to reduce our rates which would reduce our revenues as our industry is sensitive to price discounting. Competitors may take steps aimed at improving the efficiency and competitiveness of their operations. Failure to invest in our businesses and the latest technology may result in lower demand, loss of market share and lower margins.	We maintain sustained levels of capital expenditure and investment in our assets and personnel to ensure we provide a high-quality service that meets our customers' requirements and continuously look to improve operational efficiency. We continue to invest in new technologies to enable us to maintain our competitiveness.
Our Brazilian businesses operate in a highly regulated environment and are subject to complex laws and regulations.	Our businesses and markets are subject to complex laws and regulations which significantly impact how we operate. It is possible that regulations or laws may change in the future and may increase our costs or affect the manner in which we operate which could have an adverse effect on us.	We dedicate a significant amount of time and resources to understanding laws and regulations and analyse the potential impacts of changes in laws or regulations on our business operations. This is so we can react in an efficient and timely manner and ensure compliance with laws and regulations.
Demand for the majority of our services is substantially dependent upon the overall volume of Brazilian domestic and international trade.	The majority of our revenue is derived from services linked to Brazilian trade volumes. Most of our Brazilian businesses are sensitive to the rate of growth in Brazilian GDP and trade flows. Decreases in Brazilian growth or trade volumes could adversely affect our financial condition or results of operations.	We are a market leader in many of our businesses which helps to protect market share. We also diversify our risk exposure by obtaining a significant portion of our revenue from the Brazilian offshore oil and gas industry.
We are partially dependent on the Brazilian offshore oil and gas industry.	Changes in the level of exploration and production expenditures and in oil and gas prices and industry perceptions about future oil and gas prices could materially decrease demand for our services.	The majority of our businesses are not exposed to the Brazilian offshore oil and gas industry. We aim to operate our offshore vessels under long-term contracts to reduce volatility in revenue streams.
Movements in the USD/BRL exchange rate.	We are exposed to foreign exchange risk by virtue of the fact that 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. A higher average exchange rate negatively affects BRL denominated revenues and positively impacts BRL denominated costs when converted into our USD reporting currency.	The Group's borrowings are principally USD related with 95% of borrowings USD denominated or linked to the USD. A significant portion of the Group's pricing is denominated in USD which acts as a natural hedge to our long-term exchange rate exposure.
Contingent liabilities	We are defendants in lawsuits where we understand, based on counsel's opinions, that there is a possibility of loss, and for which we have not made provision. Losing lawsuits for which we have not made provision may adversely affect our financial results.	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 substance or merit, and to manage such claims through its legal counsel.

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Description of risk	Summary of implication	Risk mitigation and management
The Group's investment portfolio is exposed to losses arising from equity price movements and changes to foreign exchange and interest rates.	The group's activities expose it to losses arising from movements in equity prices and changes to foreign exchange and interest rates.	The Board of Ocean Wilsons (Investments) Limited determines investment guidelines and restrictions in conjunction with the Investment Manager, these together with the Investment Managers reports are reviewed at the Ocean Wilsons (Investments) Limited board meetings. Investment guidelines are reviewed on a periodic basis by the Board. The investment portfolio is invested in a diversified range of asset classes and markets so the group is not exposed to one particular market or asset class.
Poor long-term investment performance.	Investment returns may not meet the group's investment objectives.	The Investment Manager performs due diligence on all potential investments prior to investing. The investment portfolio is managed by professional investment managers with extensive industry experience under agreed guidelines. The Board monitors the investment portfolio performance through the review of quarterly reports from the Investment Manager containing a detailed analysis of performance and comparison with relevant indices.
The group requires funding in order to support its business operations. The holding company is funded from dividends received from Wilson Sons and Ocean Wilsons (Investments) Limited.	The risk is that Wilson Sons or Ocean Wilsons (Investments) Limited will not have access to sufficient funding to finance their operational and investment activities	The Group remains soundly funded with sufficient cash resources, positive cash generation and access to borrowing to support its operations. The Board monitors the performance of Wilson Sons and the investment portfolio through the review of quarterly reports. The Group has two distinctly separate investments: Wilson Sons, 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.

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.

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. During the 2018 year end audit the external auditors noted a number of control deficiencies in IT controls which have been reported to the finance committee. These deficiencies relate to access management, change management and IT operations management in Brazil. These deficiencies and the improved controls implemented by management to address these issues were noted by the Committee.

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$43.8 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 17. The financial position, cash flows and borrowings of the Group are set out in the Financial review on pages 6 to 10. In addition, note 37 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 23. 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 2021, 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 2021.

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 2021 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 5% of the Group's revenue in 2018 (and including joint venture revenue, 16%). In addition, Wilson Sons has opportunities to mitigate any adverse impacts given the flexible cost base of some of their businesses.

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 2018 was US$258.9 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 to 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;
- 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; and

Report of the Directors

- 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
14 March 2019

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Opinion

In our opinion:

- Ocean Wilsons Holdings Limited group financial statements (the "financial statements") give a true and fair view of the state of the group's affairs as at 31 December 2018 and of the group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); and

We have audited the financial statements of Ocean Wilsons Holdings Limited (the "group") which comprise:

Consolidated statement of comprehensive income for the year then ended
Consolidated balance sheet as at 31 December 2018
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 IFRS as issued by the IASB.

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 group'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 group'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 group and the group'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, set out on page 25, that describe the principal risks and explain how they are being managed or mitigated;

- the directors' confirmation, set out on page 26, 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 27, 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 27, 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 • Provisions and contingencies • Valuation of Level 2 and Level 3 investments
Audit scope	• We performed an audit of the complete financial information of 10 components and audit procedures on specific balances for a further 15 components. • The components where we performed full or specific audit procedures accounted for 88% of Profit before tax adjusted for foreign exchange losses, 90% of Revenue and 95% of Total assets.
Materiality	• Overall group materiality was US$4.1m which represents 5% of Profit before tax adjusted for foreign exchange losses.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Risk

Revenue recognition risk
(2018: US$460.2 million; 2017: US$496.3 million)

Refer to the Finance Committee Report (page 24); Accounting policies (page 49); and Note 3 of the Financial Statements (pages 54 and 55).

Recognition of fictitious revenue or inappropriate revenue recognition for towage, containers handling and port operations services not yet rendered. The recognition of revenue could be susceptible to timing errors in determining when services or performance obligations have been provided or fulfilled, particularly given the group's many revenue streams and geographical spread and transactions in progress at year end.

The risk has a decrease in focus in some components in the current year due significantly reduced amounts of accrued unbilled revenues at the year end for agency, logistics, warehousing services. In addition, there was no revenue related to shipbuilding contracts in progress at the year end.

Our response to the risk

- We walked through an understood the controls designed and implemented by the group related to revenue recognition. However, we did not test the operating effectiveness of the controls, adopting a substantive audit approach;

- We have executed a data analytics revenue testing approach, analysing the relationship between revenue, accounts receivable and cash using the entire population of journal entries affecting the revenue accounts. We investigated and tested unusual postings between the above accounts and corroborated any exceptions to our expectations;

- We inspected significant new or renewed contracts, and/or changes to significant existing contracts;

- We have obtained direct confirmation from customers of contractual terms;

- 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 have tested the appropriateness of revenue recognition, particularly with regard to cargo and vessel movements around the year end particularly those recorded as unbilled (accrued income) and reviewed and challenged estimates which may impact revenue recognition; and

- 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.

Key observations communicated to the Finance Committee

Based on the procedures performed we did not identify any evidence of material misstatement in the revenues recognised in the year.

Risk

Impairment risk to goodwill and intangible assets

(2018: US$11.7 million goodwill and US$10.8 million lease rights respectively; 2017: US$12.3 million goodwill and lease rights US$13.1 million respectively)

Refer to the Finance Committee Report (page 24); Accounting policies (pages 46 and 50); and Note 13 of the Financial Statements (page 61)

The group's investment in Brasco (Caju location) gave rise to goodwill and intangibles on acquisition. We continue to view the impairment risk related to Brasco as elevated due to its operating results and the continued depressed oil and gas market which it serves.

The recoverable amount of the 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 the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of assessing recoverability, this is one of the key judgmental areas that our audit is concentrated on as there is a risk that future performance may not achieve the levels required to support their carrying value.

The risk has decreased in focus, compared to the prior year in relation to Tecon Rio Grande and Tecon Salvador as these assets have significant headroom in their impairment assessments. Therefore we have no longer considered the impairment of the assets of such components as an area of significant or higher inherent audit risk.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group over the impairment review. However, we did not test the operating effectiveness of the controls, adopting a substantive audit approach;
- We obtained management's impairment model and reviewed and challenged the forecast discounted cash flows and assumptions;
- We sensitised the assumptions to ascertain the most sensitive assumptions and noted the future forecast revenues, EBITDA margin and the discount rate used to discount the cash flows to be the most sensitive assumptions. In doing so we 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; and
- 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 and assumptions used to derive the recoverable amount of goodwill and intangible assets are reasonable and no impairment is required at the year end. There is significant headroom when we compare the value in use with the carrying value of the assets. We have also assessed adequacy of the disclosures made by management in the financial statements and found them to be appropriate.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

Risk

Provisions and contingencies

(2018: US$17.3 million, 2017: US$18.2 million) The unprovided amounts for possible losses are US$120.2 million (2017: US$140.5 million).

Refer to the Finance Committee Report (page 24); Accounting policies (page 50); and Note 27 of the Financial Statements (page 75)

In the normal course of business the group receives legal claims arising 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 provided and 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. However, we did not test the operating effectiveness of the controls, adopting a substantive audit 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 group'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 group's external counsel for all litigation;
- We engaged tax specialists to assist with assessing the reasonableness of the group's material uncertain 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; and
- 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, we consider that the judgements made and estimates prepared by the group and the related disclosures are materially correct and appropriate. We consider the claims provided and disclosed are supported by evidence and capable of reasonably reliable estimation.

Risk	Our response to the risk	Key observations communicated to the Finance Committee
Valuation of Level 2 and 3 investments **(2018: US$247.1 million, 2017: US$258.6 million)** *Refer to the Finance Committee Report (page 24); Accounting policies (page 51); and Notes 18 and 37 of the Financial Statements (pages 68 and 86)* 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. However, we did not test the operating effectiveness of the controls, adopting a substantive audit approach; • We assessed the accounting policy for investment valuation for compliance with accounting standards and performed testing to check that investment valuations were consistent with the stated accounting policy had been consistently applied; • We have determined and challenged the appropriateness of the valuation methodologies and techniques applied to the unquoted Level 2 and 3 investments and obtained independent support to corroborate the stated values for the same; • We have agreed valuation inputs to supporting documentation and tested the arithmetical accuracy of the group's valuation calculations for its unquoted investments; • Where appropriate we tested the mathematical accuracy of any models used; and • We tested and reviewed the accuracy and completeness of disclosures in the financial statements.	Based on the results of our audit procedures, we consider that the judgements made and estimates prepared by the group in valuing level 2 and level 3 investments are acceptable. Management provided appropriate disclosures in the financial statements related to level 3 investments.

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 group's financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 22 reporting components of the group, we selected 13 components covering entities in Bermuda, Brazil and Panama, which represent the principal business units within the group.

Of the 13 components selected, we performed an audit of the complete financial information of 10 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 3 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 reporting components where we performed full or specific scope audit procedures accounted for 88% of the group's Profit before tax adjusted for foreign exchange losses (2017: 95% of group's Profit before tax), 90% (2017: 88%) of the group's Revenue and 95% (2017: 95%) of the group's Total assets. For the current year, the full scope components contributed 88% of the group's Profit before tax adjusted for foreign exchange losses (2017: 95% of group's Profit before tax), 81% (2017: 81%) of the group's Revenue and 83% (2017: 92%) of the group's Total assets. The specific scope component contributed 9% (2017: 7%) of the group's Revenue and 9% (2017: 3%) of the group's Total assets. The audit scope of these components may not have

Independent Auditor's Report

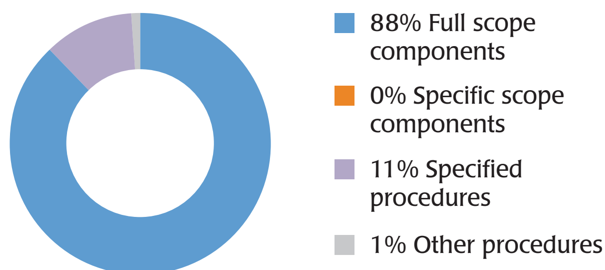
to the Members of Ocean Wilsons Holdings Limited Only

included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the group. We also performed specified procedures on 5 locations over certain aspects of their accounts, such as revenues, expenses and assets, when these were individually material to the group's financial statements.

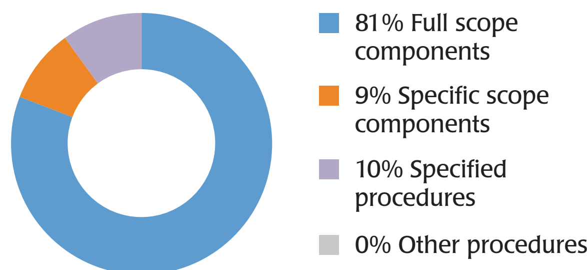
Of the remaining 4 components that together represent 1% of the group's Profit before tax adjusted for foreign exchange losses, none are individually greater than 1% of the group's Profit before tax adjusted for foreign exchange losses. For these components, we performed other procedures, including risk 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's financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

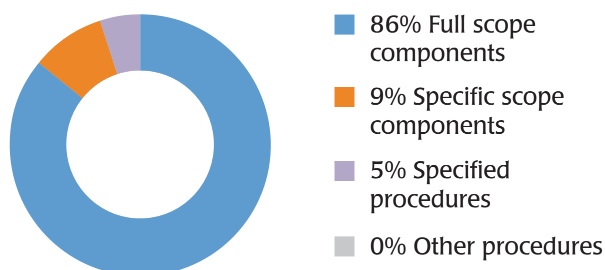
Profit before tax adjusted for foreign exchange losses



Revenue



Total assets



Involvement of the integrated team

All audit work performed for the purposes of the audit was undertaken by an audit team with individuals based out of United Kingdom (London and Guernsey) and Brazil (Rio de Janeiro).

The audit team continued to follow a programme of planned visits that has been designed to ensure that the Lead Audit Partner and the London based 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 London based team and the Lead Audit Partner to Brazil. These visits involved involvement in planning, determining and directing the audit approach, reviewing and understanding issues arising from the audit work performed, meeting with local management, attending planning and closing meetings and reviewing key audit working papers. In addition, the London based team and the Lead Audit Partner visited 1 operational location in Brazil during the audit process, being Tecon Salvador in addition to the head office in Rio de Janeiro. The London based team and the Lead Audit Partner interacted regularly with the other location based teams where appropriate during various stages of the audit, reviewing 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's 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$4.5 million (2017: US$7.3 million), which is 5% of group's Profit before tax adjusted for foreign exchange losses (2017: 5% of group's Profit before tax). During the course of the audit, we reassessed initial materiality and decreased materiality from original assessment determined at the planning stage to US$4.1 million due to lower than anticipated results for the year.

We believe that the group's Profit before tax adjusted for foreign exchange losses provides us with a more appropriate reflection of the group's activity and operational results in the year:

Profit before tax	• Profit before tax – US$60.2 million
Adjustments	• Foreign exchange losses – US$18.5 million • Correction of audit adjustments – US$2.6 million
Materiality	• Profit before tax adjusted for foreign exchange losses: US$81.3 million • Materiality of US$4.1 million (5% of materiality basis)

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 75% (2017: 50%) of our planning materiality, namely US$3.1 million (2017: US$3.7 million). We have set performance materiality at this percentage based on our understanding of the business, professional scepticism and prior year experience as we have reasonable assurance level of the low probability of material misstatement being present in the financial statements, unlike our first year audit.

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$0.9 million to US$2.3 million (2017: US$0.6 million to US$1.9 million).

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$0.21 million (2017: US$0.36 million), which is set at 5% of planning 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 28, including Highlights, Chairman's Statement, Financial Review, Wilson Sons Limited, Investment Portfolio, Investment Manager's Report and Report of the Directors, 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.

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 in the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 28 – 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;

- Finance Committee reporting set out on page 22 to 25 – the section describing the work of the Finance Committee does not appropriately address matters communicated by us to the Finance Committee; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 20 – the parts of the directors' statement required under the Listing Rules relating to the group'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 27 and 28, 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.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited Only

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 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.

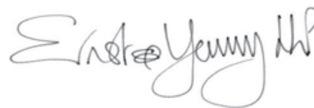
Our approach was as follows:

- 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; and
  - 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 identified other than those dealt with in note 27 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 group 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 2 years, covering the years ending 31 December 2017 to 31 December 2018.
- 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, Statutory Auditor
London
14 March 2019

Notes:

1. The maintenance and integrity of the Ocean Wilsons Holding 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 2018

	Notes	**Year to 31 December 2018 US$'000**	Year to 31 December 2017 US$'000
Revenue	3	**460,196**	496,340
Raw materials and consumables used		**(38,128)**	(37,679)
Employee benefits expense	6	**(146,327)**	(166,395)
Depreciation & amortisation expense	5	**(56,178)**	(57,481)
Other operating expenses		**(119,767)**	(122,310)
Loss on disposal of property, plant and equipment		**(296)**	(2,930)
Operating profit		**99,500**	109,545
Share of results of joint venture	17	**(4,062)**	3,366
Returns on investment portfolio at fair value through profit and loss	7	**(7,942)**	42,064
Other investment income	8	**4,152**	9,715
Finance costs	9	**(22,951)**	(21,976)
Foreign exchange (losses)/gains on monetary items		**(8,459)**	2,750
Profit before tax	5	**60,238**	145,464
Income tax expense	10	**(26,433)**	(36,056)
Profit for the year	5	**33,805**	109,408
Other comprehensive income:			
Items that will never be reclassified subsequently to profit and loss			
Post-employment benefits		**(187)**	(374)
Exchange differences arising on translation of foreign operations		**(39,336)**	(6,485)
Items that are or may be reclassified subsequently to profit and loss			
Effective portion of changes in fair value of derivatives		**542**	557
Other comprehensive expense for the year		**(38,981)**	(6,302)
Total comprehensive (expense)/income for the year		**(5,176)**	103,106
Profit for the period attributable to:			
Equity holders of parent		**13,308**	78,315
Non-controlling interests		**20,497**	31,093
		33,805	109,408
Total comprehensive (expense)/income for the period attributable to:			
Equity holders of parent		**(9,278)**	74,667
Non-controlling interests		**4,102**	28,439
		(5,176)	103,106
Earnings per share			
Basic and diluted	12	**37.6c**	221.5c

Consolidated Balance Sheet

as at 31 December 2018

	Notes	**As at 31 December 2018 US$'000**	As at 31 December 2017 US$'000
Non-current assets			
Goodwill	13	**27,515**	30,319
Other intangible assets	14	**25,468**	30,592
Property, plant and equipment	15	**602,451**	634,881
Deferred tax assets	24	**28,223**	28,639
Related party loans	36	**29,804**	29,472
Recoverable taxes	22	**25,603**	28,067
Investment in joint ventures	17	**26,528**	26,644
Other non-current assets	27	**7,446**	9,535
Other trade receivables	21	**483**	565
		773,521	818,714
Current assets			
Inventories	19	**10,875**	13,773
Financial assets at fair value through profit and loss	18	**287,298**	305,070
Trade and other receivables	21	**73,671**	73,558
Recoverable taxes	22	**23,283**	25,012
Cash and cash equivalents		**43,801**	83,827
		438,928	501,240
Total assets		**1,212,449**	1,319,954
Current liabilities			
Trade and other payables	26	**(57,640)**	(64,465)
Derivatives	37	**(422)**	(1,108)
Current tax liabilities		**(719)**	(3,201)
Obligations under finance leases	25	**(46)**	(846)
Bank overdrafts and loans	23	**(60,209)**	(54,288)
		(119,036)	(123,908)
Net current assets		**319,892**	377,332
Non-current liabilities			
Bank loans	23	**(247,097)**	(300,436)
Derivatives	37	**–**	(395)
Employee benefits	38	**(1,190)**	(1,083)
Deferred tax liabilities	24	**(50,023)**	(51,531)
Provisions	27	**(17,335)**	(18,232)
Obligations under finance leases	25	**(59)**	(309)
		(315,704)	(371,896)
Total liabilities		**(434,740)**	(495,894)
Net assets		**(777,709)**	824,060
Capital and reserves			
Share capital	28	**11,390**	11,390
Retained earnings		**566,678**	578,126
Capital reserves		**31,760**	31,760
Translation and hedging reserve		**(55,603)**	(33,115)
Equity attributable to equity holders of the parent		**554,225**	588,161
Non-controlling interests		**223,484**	235,899
Total equity		**777,709**	824,060

The accounts on pages 38 to 92 were approved by the Board on 14 March 2019. 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 2018

For the year ended 31 December 2017	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 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 38)	–	(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
For the year ended 31 December 2018							
Balance at 1 January 2018	**11,390**	**578,126**	**31,760**	**(33,115)**	**588,161**	**235,899**	**824,060**
Currency translation adjustment	**–**	**–**	**–**	**(22,803)**	**(22,803)**	**(16,533)**	**(39,336)**
Employee benefits (note 38)	**–**	**(98)**	**–**	**–**	**(98)**	**(89)**	**(187)**
Effective portion of changes in fair value of derivatives	**–**	**–**	**–**	**315**	**315**	**227**	**542**
Profit for the year	**–**	**13,308**	**–**	**–**	**13,308**	**20,497**	**33,805**
Total income and expense for the period	**–**	**13,210**	**–**	**(22,488)**	**(9,278)**	**4,102**	**(5,176)**
Dividends	**–**	**(24,754)**	**–**	**–**	**(24,754)**	**(17,914)**	**(42,668)**
Share options exercised in subsidiary	**–**	**96**	**–**	**–**	**96**	**94**	**190**
Share based payment expense	**–**	**–**	**–**	**–**	**–**	**1,303**	**1,303**
Balance at 31 December 2018	**11,390**	**566,678**	**31,760**	**(55,603)**	**554,225**	**223,484**	**777,709**

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 2018

	Notes	**Year to 31 December 2018 US$'000**	Year to 31 December 2017 US$'000
Net cash inflow from operating activities	30	**113,710**	102,968
Investing activities			
Interest received		**5,031**	7,008
Dividends received from trading investments		**2,133**	3,361
Proceeds on disposal of trading investments		**63,922**	87,089
Purchase of trading investments		**(56,225)**	(77,275)
Proceeds on disposal of property, plant and equipment		**600**	1,431
Purchase of property, plant and equipment		**(59,554)**	(30,746)
Purchase of intangible assets		**(2,033)**	(4,196)
Capital increase - WSUT	17	**(4,003)**	–
Net cash used in investing activities		**(50,129)**	(13,328)
Financing activities			
Dividends paid	11	**(24,754)**	(22,279)
Dividends paid to non-controlling interests in subsidiary		**(17,914)**	(16,836)
Repayments of borrowings		**(54,223)**	(54,690)
Repayments of obligations under finance leases		**(665)**	(847)
New bank loans raised		**9,381**	12,611
Derivative paid		**(771)**	(529)
Net cash inflow arising from sale of non-controlling interest	29	**190**	746
Net cash used in financing activities		**(88,756)**	(81,824)
Net (decrease)/increase in cash and cash equivalents		**(25,175)**	7,816
Cash and cash equivalents at beginning of year		**83,827**	77,314
Effect of foreign exchange rate changes		**(14,851)**	(1,303)
Cash and cash equivalents at end of year		**43,801**	83,827

Notes to the Accounts

for the year ended 31 December 2018

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

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 value. 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$43.8 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 17. 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 37 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 23. 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 jointly controlled (joint ventures) ventures.

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 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.

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.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

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.

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes or includes 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 current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences and tax losses (i.e. differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profits will be available against which those assets can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets current tax assets against current tax liabilities when these items are in the same entity and 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items charged or credited directly to equity, in which case the tax is also taken directly to equity. 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.

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 30 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.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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 as follows.

Lease rights:	10 to 33 years
Computer software:	3 to 5 years

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

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

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

Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

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

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

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 liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a. Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (OCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2 Significant accounting policies and critical accounting judgements (continued)

Financial assets at amortised cost

The following instruments have been classified and measured at amortised cost using the effective interest method, less any impairment loss:

- Cash and Cash Equivalents/Investments: Cash and cash equivalents comprise cash on hand and other short-term highly liquid cash equivalents with maturities of less than 90 days which are subject to an insignificant risk of changes in value; and Investments comprise cash in hand and other investments with more than 90 days of maturity.

- Trade Receivables: Trade receivables and other amounts receivable are stated at the present value of the amounts due, reduced by any impairment loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Changes in fair value are recognised in the profit or loss under "financial income" or "financial expenses", depending on the results obtained.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;

- Default or delinquency in interest or principal payments;

- It becoming probable that the borrower will enter bankruptcy or financial re-organisation, or

- The disappearance of an active market for that financial asset due to financial difficulties.

For trade receivables, the Group applies a simplified approach in calculation an allowance for expected credit losses (ECLs). Details are disclosed in Note 21.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

b. Financial liabilities

Financial liabilities are classified as either "FVTPL" or "other financial liabilities".

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortisation cost, using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

There are no financial liabilities classified at FVTPL.

Other financial liabilities

- Bank loans: Interest-bearing bank loans, obligations under finance leases are recorded at 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 the accruals basis to the income statement 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.

- Trade Payables: Trade payables and other amounts payable are measured at fair value, net of transaction costs.

Derivatives

One of the Group's subsidiaries holds derivatives to hedge foreign currency exposure arising from capital expenditure denominated in Real. These derivatives are marked to market at the end of every month.

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 income statement. The Group does not have embedded derivatives for the periods presented.

Hedge Accounting (Cash flow hedge)

The Group seeks to apply hedge accounting (cash flow hedge) in order to manage volatility in profit or loss. 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 derivatives reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment purchases) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2 Significant accounting policies and critical accounting judgements (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Shipyard revenue

Revenue related to services and construction contracts is recognised throughout the period of the project when the work in proportion to the stage of completion of the transaction contracted has been performed.

Port terminals revenue

Revenue from providing container movement and associated services is recognised on the date that the services have been performed.

O&G Support Base revenue

Revenue from providing vessel turnarounds is recognised on the date that the services have been performed.

Towage revenue

Revenue from towage services is recognised on the date that the services have been performed.

Ship agency and logistics revenues

Revenue from providing agency and logistics services is recognised when the agreed services have been performed.

Interest income

Interest income 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.

Dividend income

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

Construction contracts

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. When 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.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent it is probable contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress are presented as part of trade and other payables and trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses.

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.

The Group as lessee:

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, at 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.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets.
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

2.1 Finance income and finance costs

Finance income comprises interest income on funds invested; fair value gains on financial assets recognised through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, fair value losses on financial assets at fair value through profit or loss and contingent consideration, losses on hedging instruments that are recognised in profit or loss.

2.2 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 as mentioned below.

a. 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.

The amount of provisions for tax, labour and civil risks at the end of the reporting period was US$17.3 million (2017: US$18.2 million). Details are disclosed in Note 27.

b. 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$27.5 million (2017: US$30.3 million). Details are disclosed in Note 13. There are no impairment losses recognised for the years presented.

2 Significant accounting policies and critical accounting judgements (continued)

c. 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.

The amount of fair value of derivates at the end of the reporting period was US$0.4 million (2017: US$1.5 million). Details are disclosed in note 37.

d. Provision for expected credit losses of trade receivables and contract assets - Estimation

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate, when appropriate, the matrix to adjust the historical credit loss experience with forward-looking information.

The Group's management will update the default rate per business every six months.

The amount of provision for expected credit losses of trade receivables and contract assets at the end of the reporting period was US$1.5 million (2017: US$1.0 million). Details are disclosed in note 21.

e. Valuation of unquoted investments – Judgement and estimation

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 (note 37).

The amount of Level 3 assets at the end of the reporting period was US$111.3m (2017: US$112.1m). Details are disclosed in note 37.

2.3 Changes in accounting policies and disclosures

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The Company's main revenues are related to services. An evaluation was carried out in the prior year of the five steps of the requirements of IFRS 15, the Company did not identify changes or impacts in the current recognition of its income, since they are recognised through transfer of control upon the delivery of the service.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

In relation to the Shipyard revenue, management's review concluded that the timing of revenue recognition is over time, since the client has the right to suggest changes on the initial design throughout the period of the project and the customer derives benefits from the work completed (after a certain point in the construction process) and controls the asset, conceptually the customer could move the vessel to another shipyard to continue construction, subject to agreeing appropriate compensation with the Group.

Therefore, in 2018, the Group did not present effects and changes in income recognition and there were no adjustments needed to be made to the opening balance of retained earnings. Only revenue disaggregation disclosures adjustments were made and are detailed in Note 3.

Change in presentation

"Trade and other receivables", "Recoverable taxes" and "Related party loans" are now shown as separate line items on the face of the balance sheet (they were previously included in one line, "Trade and other receivables"). The change was made in order to improve presentation.

"Income from underlying investment vehicles" and "Other gains and losses" are now shown on the face of the profit and loss under "Returns on investments held at fair value through profit and loss". The change was made in order to improve presentation of items of similar nature.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information which continues to be reported under IAS 39.

There were no material effects of adopting IFRS 9 as at 1 January 2018.

a. Classification and measurement

Loans as well as trade receivables are held to collect contractual cash flows and 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.

The assessment of financial assets under the IFRS 9 is detailed in the table below:

Financial Assets	FS Group	Asset category
Cash and bank	Cash and cash equivalents	Amortised Cost
Fixed income investment	Cash and cash equivalents	FVPL
Exchange funds	Cash and cash equivalents	FVPL
Time deposit	Short-term investments	Amortised Cost
Time deposit	Cash and cash equivalents	Amortised Cost
Receivable for services rendered	Operational trade receivables	Amortised Cost
Related parties' loans	Other trade receivables	Amortised Cost
Insurance indenisation receivable	Other trade receivables	Amortised Cost
Other trade receivables	Other trade receivables	Amortised Cost

b. Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

2 Significant accounting policies and critical accounting judgements (continued)

c. Hedge accounting

At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. IFRS 9 provides an accounting policy choice: entities can either continue to apply the hedge accounting requirements of IAS 39, or they can apply IFRS 9 (with the scope exception only for fair value macro hedges of interest rate risk). This accounting policy choice will apply to all hedge accounting and cannot be made on a hedge-by-hedge basis. The Group continues applying the requirements of IAS 39. Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss.

If an entity initially decides to continue applying IAS 39 hedge accounting, it can subsequently decide to change its accounting policy and commence applying the hedge accounting requirements of IFRS 9 at the beginning of any reporting period (subject to the other transition requirements of IFRS 9).

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 16 – Leases

The pronouncement replaces IAS 17 – Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model that consists of: (a) initially recognising all leased assets (Right-of-use assets) and liabilities (Other liabilities) at present value; and (b) recognising depreciation of the right-of-use assets and interest from the lease separately in the profit and loss. This standard is effective for annual periods beginning on 1 January 2019. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

During 2018, the Group has performed a detailed impact assessment of IFRS 16 identifying existing contracts, as well as the environment of internal controls and systems impacted by the adoption of the new standard. The assessment was divided into stages, such as:

i) Identification of contracts;
ii) Transition approach;
iii) Effects of first-time adoption.

Identification of contracts

Management prepared a full lease contract inventory identifying the types of contracts that would be in the scope of the standard. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Transition approach

The modified retrospective transition method will be applied which does not require the presentation of comparative information and liabilities and the right-of-use asset are stated at present value of remaining instalments.

Effects in first-time adoption

Management concluded that lease's amounts which are currently recorded as operational leasing expenses will start to be recognised under "Depreciation" and "Financial expenses".

Although this new pronouncement does not introduce any change to total amount that shall be taken to net income over the contract's useful life, it is correct to state that a temporal effect will occur mainly in net income due to the method adopted for recognition of interest and monetary restatements associated to leases.

On 1 January 2019, the Group will recognise a right-of-use asset and a lease liability at present value of US$177.0 million. The impact will principally be due to the recognition of right-of-use assets previously recognised as operating leases in respect of the commitments expressed in Note 33.

Other standards or amendments

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

- Insurance Contracts (IFRS 17);
- Uncertainty over Income Tax Treatments (IFRIC 23);
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Long-term interests in associates and joint ventures (Amendments to IAS 28); and
- Annual Improvement of IFRS 2015 to 2017 cycle.

3 Revenue

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

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Sales of services	**446,158**	475,106
Revenue from construction contracts	**14,038**	21,234
	460,196	496,340
Income from underlying investment vehicles (note 7)	**2,133**	3,361
Other Investment income (note 8)	**4,152**	9,715
	466,481	509,416

The following is an analysis of the Group's revenue from continuing operations for the period (excluding investment income – note 7 and 8).

3.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Towage and agency services		
Harbour manoeuvres	**152,376**	195,479
Special operations	**13,212**	11,275
Ship agency	**9,950**	11,294
Total	**175,538**	218,048
Port terminals		
Container handling	**97,627**	106,391
Warehousing	**43,995**	38,387
Ancillary services	**24,432**	26,163
Oil & Gas support base	**20,813**	15,678
Other services	**16,920**	16,504
Total	**203,787**	203,123
Logistics		
Logistics	**56,908**	54,656
Total	**56,908**	54,656
Shipyard		
Shipyard construction contracts	**14,038**	17,747
Technical assistance/dry-docking	**9,939**	3,487
Total	**23,977**	21,234

3 Revenue (continued)

3.1 Disaggregated revenue information (continued)

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Other services		
Other services	**(14)**	(721)
Total	**(14)**	(721)
Total	**460,196**	496,340

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Timing of revenue recognition		
At a point of time	**436,219**	475,106
Over time	**23,977**	21,234
	460,196	496,340

3.2 Contract balance

Trade receivables are generally received between 30 and 45 days. The carrying amount of operational trade receivables at the end of reporting period was US$57.7 million (2017: US$58.0 million). These amounts including US$15.3 million (2017: US$18.3 million) of contract assets (unbilled accounts receivables). Details are disclosed in Note 21.

The balance of construction contracts are presented in Note 20. The contract liability balance as at the beginning of the period was recognised as revenue in the reporting period. There are no other contract assets and liabilities recognised for the years presented.

3.3 Performance obligations

Information about the Group's performance obligations are summarised below:

Performance obligation	**When performance obligation is typically satisfied**
Towage and agency services	
Harbour Manoeuvres	At a point in time
Special Operations	At a point in time
Ship Agency	At a point in time
Port Terminals	
Container Handling	At a point in time
Warehousing	At a point in time
Ancillary services	At a point in time
Oil & Gas Support Base	At a point in time
Other services	At a point in time
Logistics	
Logistics	At a point in time
Shipyard	
Ship construction contracts	Over time
Technical assistance/dry-docking	Over time

The majority of the Group's performance obligations are satisfied at a point in time, upon delivery of the service, and payment is generally due within 30 to 45 days upon completion of services.

The performance obligation of ship construction contracts is satisfied over time and the revenue related to services and construction contracts is recognised when the work in proportion to the stage of completion of transactions contracted has been performed.

There are no significant judgements in the determination of when performance obligations are typically satisfied.

All revenue is derived from continuing operations.

Notes to the Accounts

4 Business and geographical segments

Business segments

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

For the year ended 31 December 2018

	Maritime Services Year ended 31 December 2018 US$'000	Investment Year ended 31 December 2018 US$'000	Unallocated Year ended 31 December 2018 US$'000	Consolidated Year ended 31 December 2018 US$'000
Revenue	460,196	–	–	460,196
Result				
Segment result	104,453	(2,902)	(2,051)	99,500
Share of results of joint ventures	(4,062)	–	–	(4,062)
Return on investment portfolio at fair value through P&L	–	(7,942)	–	(7,942)
Other investment income	4,060	16	76	4,152
Finance costs	(22,951)	–	–	(22,951)
Foreign exchange losses on monetary items	(8,807)	(22)	370	(8,459)
Profit/(loss) before tax	72,693	(10,850)	(1,605)	60,238
Tax	(26,433)	–	–	(26,433)
Profit/(loss) after tax	46,620	(10,850)	(1,605)	33,805
Other information				
Capital additions	(61,706)	–	–	(61,706)
Depreciation and amortisation	(56,175)	–	(3)	(56,178)
Balance Sheet				
Assets				
Segment assets	950,272	258,985	3,192	1,212,449
Liabilities				
Segment liabilities	(434,151)	(256)	(333)	(434,740)

4 Business and geographical segments (continued)

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
Return on investment portfolio at fair value through P&L	–	42,064	–	42,064
Other investment income	9,687	5	23	9,715
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)

The prior year comparatives have been represented in order to match the current year presentation.

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 2018 US$'000	31 December 2017 US$'000	**Year ended 31 December 2018 US$'000**	Year ended 31 December 2017 US$'000
Brazil	**909,385**	990,689	**61,706**	55,345
Bermuda	**303,064**	329,265	**–**	–
	1,212,449	1,319,954	**61,706**	55,345

Notes to the Accounts

5 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Depreciation of property, plant and equipment	**52,757**	53,851
Amortisation of intangible assets	**3,421**	3,630
Operating lease rentals	**22,104**	19,231
Auditor's remuneration (see below)	**735**	653
Non-executive directors emoluments	**536**	536

A more detailed analysis of auditor's remuneration is provided below:

	2018	2017
Auditor's remuneration for audit services	**721**	653
Other services	**14**	–
	735	653

6 Employee benefits expense

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Aggregate remuneration comprised:		
Wages and salaries	**119,402**	133,524
Share based payments	**1,331**	2,386
Social security costs	**24,507**	29,405
Other pension costs	**1,087**	1,080
	146,327	166,395

7 Returns on investment portfolio at fair value through profit and loss

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Unrealised (losses)/gains on financial assets at fair value through profit or loss	**(18,654)**	30,196
Income from underlying investment vehicles	**2,133**	3,361
Profit on disposal of financial assets at fair value through profit or loss	**8,579**	8,507
	(7,942)	42,064

The prior year comparatives have been represented in order to match the current year presentation.

8 Other investment income

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on bank deposits	**3,565**	5,916
Other interest	**587**	3,799
	4,152	9,715

The prior year comparatives have been represented in order to match the current year presentation.

9 Finance costs

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Interest on bank overdrafts and loans	**12,300**	13,274
Exchange loss on foreign currency borrowings	**10,009**	774
Interest on obligations under finance leases	**62**	200
Other interest	**580**	7,728
	22,951	21,976

In 2017 other interest includes US$7.4 million of fines and interest relating to taxes (see note 24)

Borrowing costs incurred on qualifying assets of US$0.1 million (2017: US$0.4 million) were capitalised in the year at an average interest rate of 3.38% (2017: 3.38%).

10 Taxation

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Current		
Brazilian taxation		
Corporation tax	**20,764**	27,794
Social contribution	**8,270**	9,978
Total current tax	**29,034**	37,772
Deferred tax		
Charge for the year in respect of deferred tax liabilities	**16,044**	19,933
Credit for the year in respect of deferred tax assets	**(18,645)**	(21,649)
Total deferred tax	**(2,601)**	(1,716)
Total taxation charge	**26,433**	36,056

Brazilian corporation tax is calculated at 25% (2017: 25%) of the assessable profit for the year. Brazilian social contribution tax is calculated at 9% (2017: 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 2018 US$'000	Year ended 31 December 2017 US$'000
Profit before tax	**60,238**	145,464
Tax at the aggregate Brazilian tax rate of 34% (2017: 34%)	**20,481**	49,458
Utilisation of net operating losses	**(4,839)**	(11,367)
Net operating losses in the period	**1,336**	7,932
Amortisation of goodwill	**(1,093)**	(1,818)
Exchange variance on loans	**(10,988)**	(454)
Tax effect of share of results of joint ventures	**1,381**	(1,144)
Tax effect of foreign exchange gain or losses on monetary items	**3,397**	(454)
Retranslation of non-current asset valuation	**9,826**	(1,372)
Share option scheme	**443**	793
Non-deductible expenses	**952**	1,340
Leasing	**730**	–
Termination of tax litigation	**35**	3,290
Other	**404**	2,209
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,368**	(12,357)
Tax expense for the year	**26,433**	36,056
Effective rate for the year	**44%**	25%

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 2018 US$'000	Year ended 31 December 2017 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2017 of 70c (2016: 63c) per share	**24,754**	22,279
Proposed final dividend for the year ended 31 December 2018 of 70c (2017: 70c) per share	**24,754**	24,754

12 Earnings per share

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

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**13,308**	78,315
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 2018 US$'000	31 December 2017 US$'000
Cost and carrying amount attributed to:		
Tecon Rio Grande	**13,307**	15,587
Brasco	**11,728**	12,252
Tecon Salvador	**2,480**	2,480
Total	**27,515**	30,319

The goodwill associated with each cash-generating unit (Brasco, Tecon Salvador and Tecon Rio Grande) is attributed to the Maritime services segment. The movement in goodwill balances in the year is due to the depreciation of the Brazilian Real against the US Dollar.

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 and inflation 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.

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. Brazilian economy and Oil and Gas sector recovery drives volume increase during projected years for Tecon Rio Grande, Tecon Salvador and Brasco, until reaching operating capacity. The discount rate assumes the cost of capital, whereas the growth rate for perpetuity projection is based on inflation rate only.

The estimated average growth rate used does not exceed the historical average for Tecon Rio Grande and Tecon Salvador. Growth rate is equal to projected inflation (4.5%) for Brasco and discount rate of 10.6% for all business units has been used. These growth rates reflect the products, industries and countries in which the businesses operate.

Each cash-generating unit is assessed for impairment annually and whenever there is an indication of impairment.

Having completed the annual impairment test, the level of head room for each of the business unit is significant and no reasonable change in any of the forecast assumptions would give rise to any impairment.

Notes to the Accounts

14 Other intangible fixed assets

	Software US$'000	Lease-rights US$'000	Other US$'000	Total US$'000
Cost				
At 1 January 2017	39,052	25,797	73	64,922
Additions	4,192	2	2	4,196
Disposals	(84)	–	–	(84)
Exchange differences	(263)	(381)	–	(644)
At 1 January 2018	**42,897**	**25,418**	**75**	**68,390**
Additions	**2,033**	**–**	**–**	**2,033**
Disposals	**(553)**	**–**	**–**	**(553)**
Exchange differences	**(2,028)**	**(3,694)**	**(11)**	**(5,733)**
At 31 December 2018	**42,349**	**21,724**	**64**	**64,137**
Amortisation				
At 1 January 2017	27,657	6,821	–	34,478
Charge for the year	2,900	730	–	3,630
Disposals	(84)	–	–	(84)
Exchange differences	(101)	(125)	–	(226)
At 1 January 2018	**30,372**	**7,426**	**–**	**37,798**
Charge for the year	**2,784**	**637**	**–**	**3,421**
Disposals	**(551)**	**–**	**–**	**(551)**
Exchange differences	**(897)**	**(1,102)**	**–**	**(1,999)**
At 31 December 2018	**31,708**	**6,961**	**–**	**38,669**
Carrying amount				
31 December 2018	**10,641**	**14,763**	**64**	**25,468**
31 December 2017	12,525	17,992	75	30,592

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 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 1 January 2018	**301,306**	**462,105**	**259,518**	**2,760**	**1,025,689**
Additions	**16,827**	**12,620**	**8,856**	**21,370**	**59,673**
Transfers	**1,163**	**13,997**	**(1,163)**	**(13,997)**	**–**
Exchange differences	**(35,009)**	**–**	**(33,782)**	**–**	**(68,791)**
Disposals	**(1,781)**	**–**	**(2,865)**	**–**	**(4,646)**
At 31 December 2018	**282,506**	**488,722**	**230,564**	**10,133**	**1,011,925**
Accumulated depreciation and impairment					
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 1 January 2018	**91,919**	**167,158**	**131,731**	**–**	**390,808**
Charge for the year	**8,589**	**25,499**	**18,669**	**–**	**52,757**
Elimination on construction contracts	**–**	**163**	**–**	**–**	**163**
Exchange differences	**(11,968)**	**–**	**(17,461)**	**–**	**(29,429)**
Disposals	**(1,405)**	**–**	**(3,420)**	**–**	**(4,825)**
At 31 December 2018	**87,135**	**192,820**	**129,519**	**–**	**409,474**
Carrying Amount					
At 31 December 2018	**195,371**	**295,902**	**101,045**	**10,133**	**602,451**
At 31 December 2017	209,387	294,947	127,787	2,760	634,881

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$1.8 million (2017: US$2.6 million) in respect of assets held under finance leases.

Land and buildings with a net book value of US$0.2 million (2017: US$0.2 million) and plant and machinery with a value of US$0.2 million (2017: US$0.2 million) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$293.8 million (2017: US$279.7 million) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2017 is US$0.1 million (2017: US$0.4 million) at an average interest rate of 3.38% (2017: 3.38%).

Notes to the Accounts

16 Principal subsidiaries

	Place of incorporation and operation	Effective interest*	Method used to account for investment
OCEAN WILSONS (INVESTMENTS) LIMITED Investment holding and dealing company	Bermuda	100%**	Consolidation
WILSON SONS LIMITED Holding company	Bermuda	58.17%**	Consolidation
WILSON SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA Holding company	Brazil	58.17%	Consolidation
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA Tug operators	Brazil	58.17%	Consolidation
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÊNCIA DE NAVEGAÇÃO LTDA Shipbuilders	Brazil	58.17%	Consolidation
WILSON, SONS ESTALEIRO LTDA Shipbuilders	Brazil	58.17%	Consolidation
WILSON SONS AGENCIA MARÍTIMA LTDA Ship Agents	Brazil	58.17%	Consolidation
WILSON, SONS NAVEGAÇÃO LTDA Ship Agents	Brazil	58.17%	Consolidation
WILSON, SONS LOGÍSTICA LTDA Logistics	Brazil	58.17%	Consolidation
WILSON, SONS TERMINAIS DE CARGAS LTDA Transport services	Brazil	58.17%	Consolidation
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA Bonded warehousing	Brazil	58.17%	Consolidation
WS PARTICIPAÇÕES S.A. Holding company	Brazil	58.17%	Consolidation
WS PARTICIPACIONES S.A. Holding company	Uruguay	58.17%	Consolidation
TECON RIO GRANDE S.A. Port operator	Brazil	58.17%	Consolidation
WILSON, SONS APOIO MARITIMO LTDA Tug operator	Brazil	58.17%	Consolidation
BRASCO LOGÍSTICA OFFSHORE LTDA Port operator	Brazil	58.17%	Consolidation
TECON SALVADOR S.A. Port operator	Brazil	58.17%	Consolidation

* 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 58.17% 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 2018	31 December 2017
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 2018 US$'000	Year ended 31 December 2017 US$'000
Income	**14,598**	18,126
Expenses	**(7,544)**	(8,792)
Net income	**7,054**	9,334

	31 December 2018 US$'000	31 December 2017 US$'000
Property, plant and equipment	**2,688**	2,841
Intangible assets	**24**	35
Inventories	**385**	353
Trade and other receivables	**2,418**	2,054
Cash and cash equivalents	**796**	904
Total assets	**6,311**	6,187
Trade and other payables	**(6,172)**	(6,153)
Deferrred tax liabilities	**(139)**	(34)
Total liabilities	**(6,311)**	(6,187)

Notes to the Accounts

17 Joint ventures (continued)

Joint ventures

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

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Revenue	**117,055**	146,453
Raw materials and consumables used	**(9,758)**	(9,152)
Employee benefits expense	**(40,396)**	(47,001)
Depreciation and amortisation expenses	**(41,907)**	(39,606)
Other operating expenses	**(16,390)**	(18,881)
Loss on disposals of property, plant and equipment	**(26)**	(1)
Results from operating activities	**8,578**	31,812
Finance income	**302**	2,930
Finance costs	**(17,318)**	(20,408)
Foreign exchange (losses)/gains on monetary items	**(9,160)**	(1,129)
(Loss)/profit before tax	**(17,598)**	13,205
Income tax credit /(expense)	**9,474**	(6,473)
(Loss)/profit for the year	**(8,124)**	6,732
Participation	**50%**	50%
Equity result	**(4,062)**	3,366

	31 December 2018 US$'000	31 December 2017 US$'000
Property, plant and equipment	**628,135**	647,659
Long-term investment	**2,171**	2,142
Other assets	**8,821**	4,740
Trade and other receivables	**24,223**	26,302
Derivatives	**507**	381
Cash and cash equivalents	**18,145**	30,575
Total assets	**682,002**	711,799
Bank overdrafts and loans	**484,009**	500,987
Other non-current liabilities	**31,468**	35,604
Trade and other payables	**77,746**	82,654
Equity	**88,779**	92,554
Total liabilities and equity	**682,002**	711,799

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 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 Administração 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$2.2 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

On 31 December 2018, Wilson, Sons Ultratug Participações S.A.'s subsidiary was not in compliance with one of the covenants ratios. On the assumption of a non-compliance the joint venture's subsidiary has to increase its capital within a year, in the amount necessary to reach the ratio. As the capital will be increased, the management's understanding is that there is no breach of a clause or event that prompts negotiation or a waiver letter from the Banco do Brasil.

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". In December 2018 the subsidiary was not in compliance with the debt service coverage ratio of 115% on a forward four quarter rolling basis but had received forbearance letters until it signed the amendment to the financing renegotiating the service of the debt and obtaining a waiver for the debt service coverage ratio in February 2019. The subsidiary was in compliance with all other clauses in the loan agreements.

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$50,000 (2017: US$0.2 million), whose probability of loss was estimated as probable.

In addition to the cases for which the joint ventures have made a provision, there are other tax, civil and labour disputes amounting to US$14.5 million (2017: US$17.5 million), whose probability of loss was estimated by legal counsel as possible.

The breakdown of aggregated possible losses is as follows:

	31 December 2018 US$'000	31 December 2017 US$'000
Tax cases	**6,901**	10,639
Labour claims	**7,629**	5,625
Civil cases	**–**	1,230
Total	**14,530**	17,494

The reconciliation of the investment in joint ventures recognised in the balance sheet, including the impact of profit recognised by joint ventures:

	US$'000
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 1 January 2018	**26,644**
Share of result of joint ventures	**(4,062)**
Capital increase	**4,032**
Elimination on construction contracts	**(86)**
Post employment benefits	**(10)**
Derivatives	**58**
Exchange movements	**(48)**
At 31 December 2018	**26,528**

Notes to the Accounts

18 Financial assets at fair value through profit or loss

	2018 US$'000	2017 US$'000
Financial assets at fair value through profit or loss		
At 1 January	**305,070**	276,181
Additions, at cost	**56,225**	77,275
Disposals, at market value	**(63,992)**	(81,161)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss	**(18,654)**	30,196
Profit on disposal of financial assets at fair value through profit or loss	**8,579**	8,507
At 31 December	**287,298**	305,070
Ocean Wilsons (Investment) Limited Portfolio	**258,188**	273,434
Wilson Sons Limited	**29,110**	31,636
Financial assets at fair value through profit or loss held at 31 December	**287,298**	305,070

The prior year comparatives have been represented in order to match the current year presentation.

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.

Financial assets at fair value through profit or loss 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 financial assets at fair value through profit or loss 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 2018 US$'000	31 December 2017 US$'000
Operating materials	**8,906**	9,618
Raw materials and spare parts	**1,969**	4,155
Total	**10,875**	13,773

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

20 Construction contracts

	31 December 2018 US$'000	31 December 2017 US$'000
Contract costs incurred plus recognised profits less recognised losses to date	**–**	3,178
Less progress billings	**–**	(5,323)
Amounts due to contract customers included in trade and other payables	**–**	(2,145)

21 Trade and other receivables

	31 December 2018 US$'000	31 December 2017 US$'000
Trade and other receivables		
Other trade receivables	**483**	565
Total other non-current trade receivables	**483**	565
Amount receivable for the sale of services	**59,224**	58,945
Allowance for doubtful debts	**(1,490)**	(958)
Total current trade receivables	**57,734**	57,987
Prepayments	**10,917**	7,323
Insurance claim receivable	**3,314**	2,289
Other receivables	**1,706**	5,959
Total other current trade receivables	**15,937**	15,571
Total current trade and other receivables	**73,671**	73,558

Ageing of trade receivables	31 December 2018 US$'000	31 December 2017 US$'000
Current	**45,243**	45.240
From 0 – 30 days	**9,325**	10,450
From 31 – 90 days	**2,405**	1,368
From 91 – 180 days	**1,276**	929
More than 180 days	**973**	958
Total	**59,224**	58,945

Generally, interest of one percent per month plus a two percent penalty is charged on overdue balances. Allowances for bad debts are recognised as a reduction of receivables and are recognised whenever a loss is identified. As of 1 January 2018, due to the application of IFRS 9, the Group has recognised an allowance for bad debts taking into account an expected credit loss model that involves historical evaluation of effective losses over billing cycles. The period of review will be 3.5 years, being reassessed every 180 days. The measurement of the default rate shall consider the recoverability of receivables and will apply according to the payment profile of debtors. The Group will calibrate, when appropriate, the matrix to adjust the historical credit loss experience with forward-looking information. Until 2017, the Group recognised an allowance for bad debts considering all receivables over 180 days because historical experience had shown that receivables that were past due beyond 180 days were not recoverable.

Movement in the allowance for doubtful debts	2018 US$'000	2017 US$'000
Balance at 1 January 2018	**958**	1,187
Amounts written off as uncollectable	**(5,171)**	(4,322)
Increase in allowance recognised in profit or loss	**5,861**	4,096
Exchange differences	**(158)**	(3)
Balance at 31 December 2018	**1,490**	958

The directors consider that the carrying amount of trade and other receivables approximates their fair value and that no additional accrual is required for the allowance for bad debts.

Notes to the Accounts

22 Recoverable taxes

	2018 US$'000	2017 US$'000
PIS and COFINS recoverable	**17,306**	19,503
FUNDAF recoverable	**3,828**	4,287
Judiciary bond recoverable	**3,681**	4,274
Other recoverable taxes	**788**	3
Total recoverable taxes non-current	**25,603**	28,067
PIS and COFINS recoverable	**12,993**	12,939
Income tax and social contribution recoverable	**5,718**	6,852
FUNDAF recoverable	**2,819**	3,188
ISS recoverable	**1,303**	1,357
INSS recoverable	**409**	632
Other recoverable taxes	**41**	44
Total recoverable taxes current	**23,283**	25,012
Total	**48,886**	53,079

As a matter of routine, the Group reviews taxes and levies impacting its business to ensure that payments are accurately made. In the event that tax credits arise, the Group intends to use them in future years within their legal term. If the Company does not utilise the tax credit within their legal term, a reimbursement of such amounts will be requested from the Brazilian Internal Revenue Service ("Receita Federal do Brasil").

23 Bank loans and overdrafts

	Annual interest rate %	31 December 2018 US$'000	31 December 2017 US$'000
Secured borrowings			
BNDES – FMM linked to US Dollar[1]	2.07% to 5%	**152,002**	156,831
BNDES – Real	6.56% to 8.75%	**14,267**	20,982
BNDES – FMM Real[1]	10.44%	**1,250**	1,635
BNDES – FINAME Real	4.50% to 6.00%	**150**	1,834
Total BNDES		**167,669**	181,282
Banco do Brasil – FMM linked to US Dollar[1]	2.00% – 3.00%	**85,142**	90,750
Santander – US Dollar	4.64%	**25,523**	31,173
IFC – US Dollar	7.00%	**21,547**	35,640
China Construction Bank – US Dollar	6.14%	**6,364**	12,708
Eximbank – US Dollar	6.22%	**1,061**	3,171
Total others		**139,637**	173,442
Total		**307,306**	354,724

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

23 Bank loans and overdrafts (continued)

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

	31 December 2018 US$'000	31 December 2017 US$'000
Within one year	**60,209**	54,288
In the second year	**30,504**	52,123
In the third to fifth years (inclusive)	**79,460**	93,745
After five years	**137,133**	154,568
Total	**307,306**	354,724
Amounts due for settlement within 12 months	**60,209**	54,288
Amounts due for settlement after 12 months	**247,097**	300,436

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 2018				
Bank loans	**15,667**	**237,144**	**54,495**	**307,306**
Total	**15,667**	**237,144**	**54,495**	**307,306**
31 December 2017				
Bank loans	24,451	247,581	82,692	354,724
Total	24,451	247,581	82,692	354,724

Loan agreement for civil works

In December 2018, the subsidiary Tecon Salvador S.A. signed a US$67.9 million financing agreement with BNDES, to be used for civil works during the terminal's expansion. Due to the new financing contract, the loan agreement with the IFC was prepaid on 30 January 2019.

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 loan agreement for Tecon Salvador from International Finance Corporation ("IFC") was guaranteed by the totality of the subsidiary's shares, along with receivables, plant and equipment until its prepayment in full on 30 January 2019.

The loan agreement for Tecon Rio Grande from 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 a pledge on the equipment financed.

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

Undrawn credit facilities

At 31 December 2018, the Group had available US$116.2 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.

Notes to the Accounts

23 Bank loans and overdrafts (continued)

Wilport Operadores Portuários Ltda as corporate guarantor for loan agreements signed between the BNDES e Tecon Salvador S.A, has to comply with annual loan covenants including ratios of debt service coverage, net debt ratio over EBITDA and equity over total assets. For the same agreements Tecon Salvador has to comply with the debt service coverage ratio covenant.

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

At 31 December 2018, the Group was in compliance with all clauses in the above mentioned loan contracts.

Fair value

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

	31 December 2018 US$'000	31 December 2017 US$'000
Bank loans		
BNDES	**167,669**	181,282
Banco do Brasil	**85,142**	90,750
Santander	**25,523**	31,173
IFC	**21,547**	35,640
China Construction Bank	**6,364**	12,708
Eximbank China	**1,061**	3,171
Total	**307,306**	354,724

24 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 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 1 January 2018	**(38,108)**	**26,684**	**33,473**	**(44,941)**	**(22,892)**
(Charge)/credit to income	**(6,218)**	**10,137**	**8,508**	**(9,826)**	**2,601**
Compensation of tax losses	**–**	**–**	**(1,679)**	**–**	**(1,679)**
Exchange differences	**5,998**	**(4,647)**	**(1,181)**	**–**	**170**
At 31 December 2018	**(38,328)**	**32,174**	**39,121**	**(54,767)**	**(21,800)**

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 2018 US$'000	31 December 2017 US$'000
Deferred tax liabilities	**(50,023)**	(51,531)
Deferred tax assets	**28,223**	28,639
	(21,800)	(22,892)

At the balance sheet date the Group had unused tax losses of US$46.2 million (2017: US$47.6 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$4.4 million (2017: US$6.8 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.

24 Deferred tax (continued)

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.

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 program 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.

Subsequently, with the publication of Law 13.496/2017, in October 2017, the Group included in the programme new administrative and judicial disputes under the following conditions: (i) a down payment in cash of 5% of the total tax debt; (ii) 90% reduction in late payment interest; (iii) 70% reduction in fines, and (iv) the balance by utilising the Group's 31 December 2015 net operating loss carry 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.

25 Obligations under finance leases

	Minimum lease payments	
	31 December 2018 US$'000	31 December 2017 US$'000
Amounts payable under finance leases		
Within one year	**67**	1,178
In the second to fifth years inclusive	**86**	434
After five years	**–**	–
	153	1,612
Less future finance charges	**(48)**	(457)
Present value of lease obligations	**105**	1,155
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(46)**	(846)
Amount due for settlement after 12 months	**59**	309

	Present value of minimum lease payments	
	31 December 2018 US$'000	31 December 2017 US$'000
Amounts payable under finance leases		
Within one year	**46**	846
In the second to fifth years inclusive	**59**	309
After five years	**–**	–
Present value of lease obligations	**105**	1,155
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(46)**	(846)
Amount due for settlement after 12 months	**59**	309

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average original lease term is 60 months. The average outstanding lease term at 31 December 2018 was 26 months.

Notes to the Accounts

25 Obligations under finance leases (continued)

For the year ended 31 December 2018, the average effective borrowing rate was 10.80% (2017: 9.79%). All leases are denominated in Brazilian Real and include a fixed repayment and a variable finance charge linked to the Brazilian interest rate.

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 instalments of each contract.

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

26 Trade and other payables

	31 December 2018 US$'000	31 December 2017 US$'000
Trade creditors	**21,510**	23,437
Amounts due to construction contract customers (note 20)	**–**	2,145
Other taxes	**11,215**	11,992
Salaries, provisions and social contribution	**16,585**	19,483
Accruals and deferred income	**8,145**	7,250
Share based payment liability	**185**	158
Total	**57,640**	64,465

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

The average credit period for trade purchases is 26 days (2017: 29 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.

Taxes Payable

	2018 US$'000	2017 US$'000
INSS payable	**4,125**	2,001
PIS and COFINS payable	**2,768**	3,091
ISS payable	**1,956**	2,059
Income tax payable	**1,342**	1,866
FGTS payable	**643**	800
Other payable taxes	**381**	2,175
Total recoverable taxes non-current	**11,215**	11,992

27 Provisions for tax, labour and civil cases

	Labour claims US$'000	Tax cases US$'000	Civil cases US$'000	Total US$'000
Cost				
At 1 January 2017	13,612	4,816	1,609	20,037
Increase in provisions in the year	6,078	868	–	6,946
Utilisation of provisions	(4,475)	(3,259)	(668)	(8,402)
Exchange difference	(273)	43	(119)	(349)
At 1 January 2018	**14,942**	**2,468**	**822**	**18,232**
Increase in provisions in the year	**3,297**	**754**	**15**	**4,066**
Utilisation of provisions	**(2,197)**	**–**	**(14)**	**(2,211)**
Exchange difference	**(2,229)**	**(384)**	**(139)**	**(2,752)**
At 31 December 2018	**13,813**	**2,838**	**684**	**17,335**

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 substance or 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$7.4 million (2017: US$9.5 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$120.2 million (2017: US$140.5 million) where the probability of loss was estimated by the legal counsels as possible.

The analysis of possible losses by type:

	31 December 2018 US$'000	31 December 2017 US$'000
Tax cases	**86,204**	96,890
Labour claims	**18,839**	28,931
Civil and environmental cases	**15,156**	14,686
	120,199	**140,507**

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

Tax cases – The Group defends against government tax 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.

Procedure for classification of legal liabilities identifies claims as probable, possible or remote, as assessed by the external lawyers:

- Upon receipt of notices of new judicial lawsuits, external lawyers generally classify the claim as possible, recorded at the total amount involved. Wilson Sons uses the criteria of the estimated value at risk and not the total claim value 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 a 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 a probable loss or remote loss.
- When classifying the claim as a probable loss, the lawyer estimates the amount at risk for such claim.

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

Notes to the Accounts

28 Share capital

	2018 US$'000	2017 US$'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.

29 Exercise of stock options in subsidiary

During 2018 participants of the Wilson Sons Limited stock option scheme exercised 23,760 options. As a result the non-controlling interest in Wilson Sons Limited increased from 41.81% at 31 December 2017 to 41.83% at 31 December 2018.

	2018 US$'000	2017 US$'000
The following amounts have been recognised in equity		
Movement attributable to equity holders of parent	**96**	430
Movement attributable to non-controlling interest	**94**	316

30 Notes to the cash flow statement

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**60,238**	145,464
Share of results of joint venture	**4,062**	(3,366)
Returns on investment portfolio at FVTPL	**7,942**	(42,064)
Other investment income	**(4,152)**	(9,715)
Finance costs	**22,951**	21,976
Foreign exchange losses on monetary items	**8,459**	(2,750)
Operating profit	**99,500**	109,545
Adjustments for:		
Depreciation of property, plant and equipment	**52,757**	53,851
Amortisation of intangible assets	**3,421**	3,630
Share based payment credit	**1,331**	2,386
Gain on disposal of property, plant and equipment	**296**	2,930
Decrease in provisions	**(418)**	(7,064)
Operating cash flows before movements in working capital	**156,887**	165,278
Decrease in inventories	**2,898**	1,654
Increase in receivables	**1,228**	(22,967)
Decrease in payables	**(7,219)**	(1,699)
Decrease in other non-current assets	**2,089**	3,873
Cash generated by operations	**155,883**	146,139
Income taxes paid	**(30,079)**	(29,698)
Interest paid	**(12,094)**	(13,473)
Net cash from operating activities	**113,710**	102,698

30 Notes to the cash flow statement (continued)

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.

Exclusive investment fund

The Group has investments in an exclusive investment fund managed by Itaú BBA S.A. that is consolidated in this financial information. The fund portfolio is marked to fair value on a daily basis. 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 are subject to insignificant risk of changes in value.

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

Cash and cash equivalents held in Brazil amount to US$28.2 million (2017: US$59.6 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 (2017: US$21.1 million) were financed by bank loans paid direct to the supplier.

31 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 2018 are US$120.2 million (2017: US$140.5 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.

Notes to the Accounts

32 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 authorised 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)	(33,297)	749,661	–	749,661
07 ESO – 4 Year	10/1/2014	10/1/2018	10/1/2024	31.23	961,653	(178,695)	(33,297)	749,661	–	749,661
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)**	**(99,660)**	**1,558,062**	**1,197,878**	**2,755,940**

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**

32 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.

33 Operating lease arrangements

The lease payments under operating leases recognised in net income at 31 December 2018 was US$21.1 million (2017: US$19.2 million). At the balance sheet date, the minimum amount due in 2018 by the Group for future minimum lease payments under cancellable operating leases was US$20.0 million (2017: US$19.4 million).

Tecon Rio Grande

The Tecon Rio Grande lease was signed on 3 February 1997 for a period of 25 years renewable for a further 25 and, in view of the compliance with the contractual requirements and advanced investments in the expansion works of the terminal, construction of a third berth and the annual volume handled together with other considerations, Tecon Rio Grande was granted the right to renew the lease as set forth in the first amendment to the lease signed on 7 March 2006.

The Tecon Rio Grande guaranteed payments consist of two elements: a fixed rental, and fee per 1,000 containers moved based on minimum forecast volumes. 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 obliged 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 based on 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 of construction commenced during 2018 after the environmental licenses were granted and will be completed within twenty-four months following the commencement of work (total estimated gross investment is R$255 million (US$78 million) using values based on December 2013). The deadline for the second phase of construction to be completed is 2030 (total gross investment of R$29 million (US$9 million) using values based on December 2013). The deadline for the third phase of construction to be completed is by 2034 (total gross investment of R$114 million (US$35 million) using values based on 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.

Logistics

Logistics lease commitments mainly refer to the bonded terminals and distribution centres located in Santo André and Suape with terms between eighteen and twenty-four years.

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 a well situated location to service the Campos and Santos oil producing basins.

Notes to the Accounts

33 Operating lease arrangements (continued)

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

	2018 US$'000	2017 US$'000
Within one year	**21,763**	19,447
In the second to fifth year inclusive	**73,916**	61,667
After five years	**339,032**	201,939
	434,711	283,053

34 Commitments

At 31 December 2018 the Group had entered into commitment agreements with respect to the investment portfolio. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the outstanding commitments in question may be analysed as follows:

	2018 US$'000	2017 US$'000
Within one year	**4,416**	4,250
In the second to fifth year inclusive	**5,305**	8,792
After five years	**25,903**	22,579
	35,624	35,621

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 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$52.1 million (2017: US$14.1 million). The amount mainly refers to investments in Tecon Salvador, Tecon Rio Grande and raw materials for shipyard activities.

35 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 (2017: US$1.1 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan.

36 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 2018 US$'000	31 December 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada[1]	**8**	1	**(376)**	(19)
2. Consórcio de Rebocadores Barra de Coqueiros	**–**	–	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**26**	444	**–**	–
4. Wilson Sons Ultratug and subsidiaries[7]	**2,250**	1,379	**–**	–
5. Atlantic offshore S.A.[8]	**–**	–	**–**	–
Others				
6. Hanseatic Asset Management LBG[2]	**–**	–	**(2,742)**	(2,597)
7. Gouvêa Vieira Advogados[3]	**–**	–	**(66)**	(73)
8. CMMR Intermediacão Comercial Limitada[4]	**–**	–	**(87)**	(157)
9. Jofran Services[5]	**–**	–	**(173)**	(173)
10. Hansa Capital GMBH[6]	**–**	–	**(93)**	(93)

36 Related party transactions (continued)

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2018 US$'000	31 December 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada[1]	**–**	–	**(1)**	(2)
2. Consórcio de Rebocadores Barra de Coqueiros	**85**	77	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**2,199**	2,483	**–**	–
4. Wilson Sons Ultratug and subsidiaries[7]	**10,072**	11,848	**–**	–
5. Atlantic offshore S.A.[8]	**20,167**	17,767	**–**	–
Others				
6. Hanseatic Asset Management LBG[2]	**–**	–	**(256)**	(347)
7. Gouvêa Vieira Advogados[3]	**–**	–	**–**	–
8. CMMR Intermediacão Comercial Limitada[4]	**–**	–	**–**	–
9. Jofran Services[5]	**–**	–	**–**	–
10. Hansa Capital GMBH[6]	**–**	–	**–**	–

1. Mr A C Baião, a Director of Wilson Sons Limited 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, a Director of Wilson Sons Limited 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 2018 US$'000	Year ended 2017 US$'000
Short-term employee benefits	**9,798**	11,674
Other long-term employee benefits	**1,132**	1,671
Share options issued	**1,303**	2,331
Share-based payment	**28**	55
	12,261	15,731

Notes to the Accounts

37 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 23, 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 2018 US$'000	Year ended 2017 US$'000
Financial assets		
Designated as fair value through profit or loss	**258,188**	273,434
Receivables (including cash and cash equivalents)	**167,895**	212,457
Financial liabilities		
Financial instruments classified as amortised cost	**(353,836)**	(408,352)
Financial instruments classified as cash flow hedge (Derivatives)	**(422)**	(1,503)

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 financial assets designated as fair value through profit or loss. 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 shown net of allowances for bad debts.

The Wilson Sons Group invests temporary cash surpluses in government and private bonds, according to regulations approved by management, which follow the Group policy on credit risk concentration. Credit risk on investments in non-government backed bonds is mitigated by investing only in assets issued by leading financial institutions.

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 Group 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 Group's Investment Manager.

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

37 Financial instruments (continued)

Operational trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision matrix is initially based on the Group's historical observed default rates. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as historically trade receivables are generally received between 30 and 45 days.

	Current US$'000	1 – 30 days US$'000	31 – 90 days US$'000	91 –180 days US$'000	More than 180 days US$'000	Total US$'000
Expected credit loss rate	0.25%	0.25%	8.07%	32.01%	74.20%	
Receivables for services	45,138	9,325	2,405	1,276	973	59,117
Accumulated credit loss	(141)	(24)	(194)	(409)	(722)	(1,490)

Market risk

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

Foreign currency risk management

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

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

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

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

	Liabilities		Assets	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000
Real	**109,764**	180,468	**179,031**	212,457
Sterling	**59**	18	**11,373**	10,934
Euro	**–**	–	**21,590**	21,177
Yen	**–**	–	**5,333**	–
	109,823	180,486	**217,327**	244,568

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.

Notes to the Accounts

37 Financial instruments (continued)

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.

Operation	Risk	Amount US Dollars	Result	**Probable scenario**	**31 December 2018 Exchange rates Possible scenario (25%)**	**Remote scenario (50%)**
Exchange rate				**3.75**	**4.69**	**5.63**
				US$'000	**US$'000**	**US$'000**
Total assets	BRL	176,477	Exchange effects	**5,873**	**(30,597)**	**(54,910)**
Total liabilities	BRL	109,764	Exchange effects	**(3,653)**	**19,030**	**34,153**
			Net effect	**2,220**	**(11,567)**	**(20,757)**

Operation	Risk	Amount US Dollars	Result	Probable scenario	31 December 2017 Exchange rates Possible scenario (25%)	Remote scenario (50%)
Exchange rate				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)

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 partly in time deposits, with short-term maturities.

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.

37 Financial instruments (continued)

Interest rate sensitivity analysis

The following analysis concerns a possible fluctuation of income 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 2018		
Transaction	Probable scenario	Possible scenario 25%	Remote scenario 50%
Loans – LIBOR	**3.01%**	**3.76%**	**4.52%**
Loans – TJLP	**6.98%**	**8.73%**	**10.47%**
Investments – LIBOR	**2.62%**	**3.38%**	**4.13%**
Investments – CDI	**6.55%**	**8.19%**	**9.83%**

Transaction	Risk	Amount US Dollars	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
				US$'000	US$'000	US$'000
Loans – LIBOR	LIBOR	**32,948**	Interest	**(11)**	**(69)**	**(126)**
Loans – TJLP	TJLP	**15,517**	Interest	**–**	**(164)**	**(325)**
Loans – Fixed	N/A	**258,841**	None	**–**	**–**	**–**
Total loans		**307,306**		**(11)**	**(233)**	**(451)**
Investments – LIBOR	LIBOR	**35,273**	Income	**–**	**290**	**579**
Investments – CDI	CDI	**27,015**	Income	**273**	**1,150**	**2,028**
Total investments		**62,288**		**273**	**1,440**	**2,607**
			Net Income	**262**	**1,207**	**2,156**

1. LIBOR – Information source: Bloomberg, report from 16 January 2019.
2. CDI – Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 17 January 2019.
3. TJLP – Information source: BNDES (Banco Nacional de Desenvolvimento Economico e Social), report from October to December 2018.

The net effect was obtained by assuming a 12-month period starting 31 December 2018 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.

	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

37 Financial instruments (continued)

Transaction	Risk	Amount US Dollars	Result	Probable scenario US$'000	Possible scenario (25%) US$'000	Remote scenario (50%) 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	229	1,297	2,366
Total investments		102,067		229	1,533	2,837
			Net Income	158	1,118	2,081

1. Libor – Information source: Bloomberg, report 16 January 2018.
2. CDI – Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 15 January 2018.
3. Selic – Information source: Banco Central do Brasil report from 16 January 2018.
4. TJLP – Information source: BNDES (Banco Nacional de Desenvolvimento Economico e Social), report from October to December 2017.

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.

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 2018 the notional amount was US$21.5 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 2018.

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	(422)	(422)
In the second year	–	–
In the third to fifth years (including)	–	–
After five years	–	–
Fair Value	(422)	(422)

The swap fair value was estimated based on the yield curve at 31 December 2018 and represents its carrying value. On 31 December 2018 the interest rate swap liability was US$0.4 million and the balance in accumulated other comprehensive income on the consolidated balance sheet was US$1.1 million. The net change in fair value of the interest rate swap recorded as other comprehensive income for the period ended 31 December 2018 was an after tax loss of US$0.5 million.

37 Financial instruments (continued)

31 December 2018	Amount US$'000's	Maturity	Fair Value US$'000's
Financial Liability			
Interest Rates Swap	**21,547**	**Jan/2019**	**(422)**
Total			

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 2018	
	Probable scenario US$'000	Possible scenario (25%) US$'000	Remote scenario (50%) US$'000
	(419)	**(557)**	**(695)**

Cash Flow Hedge

The Group applies hedge accounting for transactions in order to manage the volatility in earnings. If a swap is designated and qualifies as a cash flow hedge, the swap is accounted for as an asset or a liability in the accompanying consolidated balance sheet 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 percent.

Under this methodology, the swap was deemed to be highly effective for the period ended 31 December 2018. There was no hedge ineffectiveness recognised in profit or loss for the year ended 31 December 2018.

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 5, 10 or 20 percent 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 5,10 or 20 percent, assuming all other variables are constant. A fall in market prices of 10 percent would give rise to an equal fall in profit or loss and total equity.

		31 December 2018	
	5% scenario US$'000	10% scenario US$'000	20% scenario US$'000
Profit or loss	**13,040**	**26,079**	**52,159**
Total equity	**13,040**	**26,079**	**52,159**

Notes to the Accounts

37 Financial instruments (continued)

	31 December 2017		
	5% scenario US$'000	10% scenario US$'000	20% scenario US$'000
Profit or loss	13,672	27,343	54,687
Total equity	13,672	27,343	54,687

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.

Operational trade receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision matrix is initially based on the Group's historical observed default rates. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as historically trade receivables are generally received between 30 and 45 days.

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.

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 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.

37 Financial instruments (continued)

	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 2018					
Non-interest bearing	**–**	**58,539**	**–**	**–**	**58,539**
Finance lease liability	**7.06%**	**46**	**59**	**–**	**105**
Variable interest rate instruments	**4.78%**	**17,057**	**30,875**	**533**	**48,465**
Fixed interest rate instruments	**3.12%**	**43,152**	**79,089**	**136,600**	**258,841**
		118,614	**110,023**	**137,133**	**365,770**
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

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 2018. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

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 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

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

31 December 2018	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	**13,729**	**133,150**	**111,309**	**258,188**

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

Notes to the Accounts

37 Financial instruments (continued)

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.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently and are not quoted in an active market. The Group investments include holdings in Limited Partnerships and other private equity funds which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

Valuations are the responsibility of the board of directors of the Group. The Group'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 Net Asset Value ("NAV") of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, if necessary, for other relevant factors known of the fund. No such adjustments were identified in the year. In measuring fair value, consideration is also paid to any clearly identifiable transactions in the shares of the fund.

Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as either Level 2 or Level 3.

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:

The Group obtains the fair value of their holdings from valuation statements provided by the managers of the invested funds.

Where the valuation statement is not stated as at the reporting date, the Group adjusts the most recently available valuation for any capital transactions made up to the reporting date.

When considering whether the NAV of the underlying managed funds represent fair value the Group's Investment Manager considers the valuation techniques and inputs used by the managed funds in determining their NAV.

The underlying funds use a blend of methods to determine the value of their own NAV by valuing underlying investments using methodology consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEV'). IPEV guidelines generally provides five ways to determine the fair market value of an investment:

(i) binding offer on the company
(ii) transaction multiples
(iii) market multiples
(iv) net assets
(v) discounted cash flows.

Such valuations are necessarily dependent upon the reasonableness of the valuations by the fund managers of the underlying investments. In the absence of contrary information the values are assumed to be reliable.

Periodically the Investment Manager considers historical alignment to actual market transactions for a sample of disposals realised.

Investment in private equity funds require a long-term commitment with no certainty of return and our intention is to hold level 3 investments to maturity. In the unlikely event that we are required to liquidate these investments then the proceeds received maybe 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 2018. The analysis is based on the assumptions that the proceeds realised will be decreased by 5%, 10% or 20%, 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.

37 Financial instruments (continued)

	31 December 2018		
	5% scenario	**10% scenario**	**20% scenario**
	US$'000	**US$'000**	**US$'000**
Profit or loss	**5,696**	**11,391**	**22,783**
Total equity	**5,696**	**11,391**	**22,783**

	31 December 2017		
	5% scenario	10% scenario	20% scenario
	US$'000	US$'000	US$'000
Profit or loss	5,604	11,209	22,418
Total equity	5,604	11,209	22,418

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 5%, 10% or 20% higher or lower at the end of the financial year.

Reconciliation of Level 3 fair value measurements of financial assets:	**2018** **US$'000**	2017 US$'000
Balance at 1 January	**112,088**	100,524
Total (losses)/profits in the Statement of Comprehensive Income	**(9,682)**	4,281
Purchases and drawdowns of financial commitments	**10,002**	15,358
Sales and repayments of capital	**(1,099)**	(8,075)
Balance at 31 December	**111,309**	112,088

38 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 regulation of the 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 present value of actuarial liabilities in 31 December 2018 is US$1.2 million (2017: US$1.1 million). 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 2018 **US$'000**	31 December 2017 US$'000
Present value of actuarial liabilities	**1,200**	1,100

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 2018	31 December 2017
Annual interest rate	9.20%	10.46%
Estimated inflation rate in the long-term	4.00%	4.75%
Ageing Factor	Based on the experience of Wilson Sons[1]	2.50% p.a.
Medical cost trend rate	6.60% p.a	2.50% p.a.

1 The amount of current contributions of retirees and medical costs used in the actuarial valuation, both in monthly amounts per health care provider, may vary between R$106.42 and R$4.023,74 (absolute value).

Notes to the Accounts

38 Post-employment benefits (continued)

Biometric and Demographic Assumptions

	31 December 2018	31 December 2017
Employee turnover	**21.27%**	22.7%
Mortality table	**AT-2000**	AT-2000
Mortality table for disabled	**–**	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	**80% of the participants**	90% of the participants
Age difference for active participants	**Men 3 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

Statistical Statement (Unaudited)

2014 – 2018 (in US$'000)

	Year to 31 December 2018 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 (Restated) US$'000
Closing rates of exchange – R$ to US$	**3.86**	3.31	3.26	3.90	2.66
Income Statement					
Group revenue	**460,194**	496,340	457,161	509,268	633,520
Raw materials and consumables used	**(38,128)**	(37,679)	(37,741)	(55,760)	(100,588)
Employee benefits expense	**(146,327)**	(166,395)	(144,274)	(147,279)	(195,893)
Depreciation & amortisation expense	**(56,178)**	(57,481)	(52,585)	(53,214)	(65,120)
Other operating expenses	**(119,767)**	(122,310)	(126,470)	(142,175)	(182,819)
(Loss)/profit on disposal of property, plant and equipment	**(296)**	(2,930)	745	(1,294)	326
Group operating profit	**99,500**	109,545	96,836	109,546	89,426
Share of results of joint venture	**(4,062)**	3,366	8,073	4,843	7,090
Returns on investment portfolio at fair value through P&L	**(7,942)**	42,064	677	2,856	12,019
Other investment income	**4,152**	9,715	10,254	12,664	11,189
Finance costs	**(22,951)**	(21,976)	(599)	(45,403)	(23,607)
Foreign exchange losses on monetary items	**(8,459)**	2,750	2,286	(15,792)	(17,621)
Profit before tax	**60,238**	145,464	117,527	68,714	78,496
Income tax expense	**(26,433)**	(36,056)	(36,836)	(39,455)	(41,928)
Profit for the year	**33,805**	109,408	80,691	29,259	36,568
Profit for the period attributable to:					
Equity holders of parent	**13,308**	78,315	45,060	15,470	23,182
Non-controlling interests	**20,497**	31,093	35,631	13,789	13,386
	33,805	109,408	80,691	29,259	36,568
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance Sheet					
Net assets					
Brazilian interests	**463,211**	494,745	464,988	394,807	474,127
Investments held for trading	**258,188**	273,434	238,781	236,155	236,491
Other net assets	**56,310**	55,881	53,223	49,520	56,726
	777,709	824,060	756,992	680,482	767,344
Attributable net assets – per share					
Brazilian interests – book amount	**13.10**	13.99	13.15	11.16	13.41
Other assets – book and market amount	**8.89**	9.31	8.26	8.08	8.29
	21.99	23.30	21.41	19.24	21.70
Key Statistics					
Earnings per share	**37.6c**	221.5c	127.4c	43.7c	65.6c
Cash dividends per share paid	**70c**	63c	63c	63c	60c
Mid-market quotation at end of period	**£11.70**	£10.95	£10.22	£7.65	£10.00
Mid-market quotation at end of period in US Dollars	**$14.92**	$14.79	$12.50	$11.27	$15.58

* The 2014 to 2017 comparative for "Income from underlying investment vehicles" and "Other gains and losses" have been shown under "Returns on investments held at fair value through profit and loss". The change was made in order to improve presentation of items of similar nature.

Notice of Annual General Meeting

Notice is hereby given that the 26th 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 2019 at 10:00 am for the following purposes.

1. To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2018.
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 Maltby as a Director until the next Annual General Meeting.
5. To re-elect Mr J F Gouvea Vieira as a Director until the next Annual General Meeting.
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 2018.

By Order of the Board
Malcolm Mitchell
Company Secretary
Clarendon House, Church Street, Hamilton HM 11, Bermuda
14 March 2019

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

Form of Proxy

*I/We ____________________

*of ____________________

____

being a Member of Ocean Wilsons Holdings Limited, hereby appoint Mr J F Gouvêa Vieira, or failing him 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 2019 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 2018.			
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 Maltby as a Director until the next Annual General Meeting.			
5 To re-elect Mr J F Gouvea Vieira as a Director until the next Annual General Meeting.			
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 2018.			

Signature ____________________ Dated ____________________ 2019

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 4ZF, 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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