Ocean Wilsons Holdings Limited

Interim Statement for the six months ended 30 June 2020

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Group" or "Company") today provides its interim statement for the six months ended 30 June 2020.

Key points

- Resilient first half performance with solid key operational indicators from our main Brazilian business in challenging market conditions.
- Operating profit for the period was 12% higher than the comparable period at US$39.3 million (2019: US$35.1 million).
- Strong balance sheet and healthy cash generation. Net cash inflow from operating activities for the period of US$68.5 million (2019: US$47.6 million).
- Bottom line earnings impacted by negative foreign exchange movements and negative returns from the investment portfolio. The loss for the period was US$18.4 million (2019: US$34.0 million profit).
- The Brazilian Real "BRL" at 5.48 was 26.5% weaker against the US Dollar "USD" at 30 June 2020 compared with 31 December 2019 (4.03). The average USD/BRL exchange rate used to convert revenue and expenses into our reporting currency in the period at 4.92 was 28% higher than the comparative period in 2019 of 3.85, impacting both revenue and costs in USD terms.
- Impacted by the fall in global equity markets, the investment portfolio and cash under management was US$17.6 million lower at US$267.7 million compared to 31 December 2019 (US$285.3 million).
- Dividends paid to shareholders in the period of US$10.6 million (2019: US$24.8 million).

Chairman's Statement

Introduction

The strength and resilience of our business model has again been confirmed by our solid performance during the challenging market conditions created by the Covid-19 pandemic. These results are only possible due to the dedication and commitment of all our employees to ensure business continuity so as to meet the needs of our customers and other stakeholders. The health and safety of our employees and all our stakeholders has remained paramount during this period. Our key operational indicators showed only a modest reduction in volumes and our Brazilian business continued to generate healthy free cash flow. However bottom line earnings were adversely impacted by currency effects resulting from the devaluation of the Brazilian Real against the US Dollar in the period and negative returns from the investment portfolio.

Operating volumes (to 30 June)	**2020**	2019	% Change
Container Terminals (container movements in TEU '000s) *	**484.0**	486.7	(0.6%)
Towage (number of harbour manoeuvres performed)	**25,175**	25,839	(2.6%)
Offshore Vessels (days in operation)	**2,553**	2,265	12.7%

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

Group Results

Revenue

Revenue fell by 13% during the first half year to US$174.2 million (2019: US$199.2 million), principally due to the devaluation of the BRL against the USD, a decline in logistics revenues and lower offshore support base revenues. In BRL terms revenues rose 11%. Port terminals and logistics revenue is predominantly denominated in BRL and so was hardest hit by the devaluation of the BRL against the US Dollar, declining 26% to US$86.7 million (2019: US$117.8 million). Within this container terminal revenue was 16% lower at US$67.4 million (2019: US$80.6 million) mainly due to the higher average USD/BRL exchange rate. Container volumes handled at the Rio Grande container and Salvador container terminals for the period were marginally lower than the comparative period at 484,000 TEUs (2019: 486,700 TEUs). Lower international trade and cabotage volumes were partially offset by higher transshipment and inland navigation volumes. Cabotage and import volumes decreased 11%, reflecting a slowdown in domestic consumption and industrial activity in Brazil due to the Covid-19 pandemic. Logistics revenue declined 42% to US$14.8 million (2019 US$25.2 million) due to the end of a specific highvolume contract, the impact of the Covid-19 outbreak on import volumes and the weaker BRL. Brasco revenue decreased US$7.0 million to US$4.5 million (2019: US$11.5 million) against a backdrop of a weak oil and gas sector.

On a positive note, towage revenue, which is predominantly denominated in USD, increased 11% to US$82.3 million (2019: US$74.1 million) reflecting an improved sales mix and higher revenue from special operations. Special operations revenue at US$8.4 million, was US$4.8 million higher than the comparative period (2019: US$3.6 million) principally due to higher activity for LNG and an increase in salvage operations. Harbour towage benefitted from an 11% increase in the average deadweight of vessels attended, reflecting the impact of a higher proportion of larger vessels docking at Brazilian ports. Harbour towage manoeuvres performed in the period were 2.6% lower at 25,175 (2019: 25,839). Shipyard third-party revenue remained depressed at US$1.2 million (2019: US$3.0 million) due to the weak market conditions in Brazil, with third party work restricted to dry-docking operations in the period.

Operating Profit

Operating profit was US$4.2 million higher than the comparative period at US$39.3 million (2019: US$35.1 million), principally due to improved operating margins in the period. Operating margins for the period improved to 22.6% (2019: 17.6%) due to stronger margins at our towage and port terminal businesses. Operating margins benefitted from the higher average USD/BRL exchange rate (28% year on year) and cost reduction and austerity measures implemented to safeguard the financial strength of our businesses in Brazil. Raw materials and consumables used were US$3.7 million lower at US$9.1 million (2019: US$12.9 million) impacted by the average USD/BRL exchange rate and lower operating activity. Employee expenses were US$13.9 million lower at US$56.9 million (2019: US$70.8 million) principally due to the exchange rate impact. Other operating expenses were 19% lower at US$38.0 million (2019: US$47.1 million) with higher tug rental and service costs offset by the higher average USD/BRL exchange rate. The depreciation and amortisation expense at US$25.8 million was US$1.0 million lower than the comparative period (2019: US$26.8 million).

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 support vessel joint venture. The net loss attributable to Wilson Sons for the period was US$4.6 million greater at US$5.2 million (2019: US$0.6 million) principally due to higher foreign exchange losses of US$10.8 million (2019: US$0.4 million gain). Operating profit in the period for a 50% share in the joint venture was US$2.7 million (2019: US$2.4 million). The income tax credit in the period was US$6.5 million higher than the prior period comparative at US$7.4 million (2019: US$0.9 million).

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

Losses on the investment portfolio of US$13.8 million (2019: US$22.8 million profit) comprise unrealised losses on financial assets at fair value through profit or loss of US$18.3 million (2019: US$21.1 million gain), realised profits on the disposal of financial assets at fair value through profit or loss of US$3.0 million (2019: US$0.4 million) and income from underlying investment vehicles of US$1.5 million (2019: US$1.3 million).

Other Investment income

Other investment income was US$1.3 million lower than the comparable period at US$0.9 million (2019: US$2.2 million) due to lower interest on bank deposits of US$0.4 million (2019: US$1.7 million).

Finance costs

Finance costs for the period were US$1.4 million lower than the comparative period at US$11.4 million (2019: US$12.8 million). Interest on lease liabilities decreased US$1.0 million to US$6.8 million (2019: US$7.8 million) due to the impact of IFRS 16 in the period. Interest on bank loans and overdrafts was US$0.8 million lower than the prior year at US$4.6 million (2019: US$5.3 million). Exchange gains or losses on foreign currency borrowings in the period were zero as all material borrowings have been aligned with the functional currency of the entity where the borrowings are held.

Exchange rates

The Group reports in USD and has revenue, costs, assets and liabilities in both BRL and USD. Therefore movements in the USD/BRL exchange rate can impact the Group both positively and negatively from year to year. In the six months to 30 June 2020 the BRL depreciated 26.5% against the USD from R$4.03 at 1 January 2020 to R$5.48 at the period end. In the comparative period in 2019 the BRL appreciated 1% against the USD from R$3.87 to R$3.83.

The principal effects from the movement of the BRL against the USD on the income statement are:

	2020	2019
	US$ million	US$ million
Exchange (loss)/gain on monetary items[(i)]	**(11.7)**	0.3
Exchange gain on foreign currency borrowings	**-**	0.9
Deferred tax on retranslation of fixed assets[(ii)]	**(21.2)**	3.2
Deferred tax on exchange variance on loans[(iii)]	**19.6**	(5.3)
Total	**(13.3)**	**(0.9)**

(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 are reduced in US Dollar terms and vice versa.

(iii) Deferred tax credit arising from the exchange losses on USD denominated borrowings in Brazil.

The average USD/BRL exchange rate in the period at R$4.92 was 28% higher (2019: R$3.85) than the comparative period in 2019. A higher average exchange rate negatively impacts BRL denominated revenues and benefits BRL denominated costs when converted into our reporting currency.

Foreign exchange gains/losses on monetary items

Foreign exchange losses on monetary items of US$11.7 million (2019: US$0.3 million gain) arose from the Group's foreign currency monetary items and reflect the movement of the BRL against the USD during the period.

(Loss)/profit before tax

Although operating profit increased US$4.2 million compared with prior year, the Group recorded a loss before tax in the period of US$1.8 million which was US$48.9 million lower than the prior year (2019: US$47.1 million profit). The decline in profit before tax is principally due to the US$36.6 million negative movement in returns on the investment portfolio at fair value through profit and loss, a US$12.0 million negative movement in foreign exchange gains or losses on monetary items and a US$4.6 million fall in share of results from joint ventures. The US$1.4 million improvement in finance costs was offset by a decline in investment income, which was US$1.3 million lower.

Taxation

The corporate tax rate prevailing in Brazil is 34%. The Group recorded an income tax expense for the period of US$16.6 million (2019:US$13.1 million) despite recording a loss before tax in the period due to net expenses that are not included in determining taxable profit in Brazil and net losses incurred outside of Brazil that are not subject to income tax, being mainly losses arising on the investment portfolio. The principal net expenses not included in determining taxable profit in Brazil are foreign exchange losses on monetary items, share of results of joint ventures and deferred tax items. These are mainly deferred tax credits arising on the retranslation of BRL denominated fixed assets in Brazil and the deferred tax charge on the exchange losses on USD denominated borrowings.

(Loss)/profit for the period

After deducting the loss attributable to non-controlling interests of US$0.5 million (2019: US$5.9 million profit) the loss attributable to equity holders of the Company is US$17.8 million (2019: US$28.1 million profit). The loss per share for the period was US 50.2 cents (2019: US 79.5 cents earnings per share).

Investment portfolio performance

Impacted by the fall in global equity markets the investment portfolio and cash under management was US$17.6 million lower at US$267.7 million as at 30 June 2020, (31 December 2019: US$285.3 million) after paying dividends of US$2.5 million to Ocean Wilsons Holdings Limited and deducting management and other fees of US$1.4 million.

Cash flow and debt

Net cash inflow from operating activities for the period was US$20.9 million higher at US$68.5 million than the comparative period in 2019, (US$47.6 million) mainly due to positive working capital movements and higher operating profit in the period. Capital expenditure in the period of US$41.0 million was spent mainly on civil works and equipment for the Salvador container terminal expansion (2019: US$44.6 million). Dividends of US$10.6 million were paid to shareholders in the period (2019: US$24.8 million) with a further US$6.4 million paid to non-controlling interests in our subsidiaries (2019: US$16.5 million). Due to the uncertainty created by the Covid19 pandemic, the board of the Company withdrew its recommendation to pay a final dividend for 2019 of US$0.70 per share and instead paid a final dividend of US$0.30 per share. At 30 June 2020, the Group had cash and cash equivalents of US$100.4 million (31 December 2019: US$69.0 million). Group borrowings including lease liabilities at the period end were US$483.7 million (31 December 2019: US$529.1 million). New loans were raised in the period of US$47.2 million (2019: US$66.2 million) while capital repayments on existing loans in the period of US$20.5 million (2019: US$44.0 million) were made. The reduction in loan repayments is mainly due to deferred capital repayments under the BNDES "Standstill" agreement. (Please refer to the liquidity section in the Covid-19 impact assessment set out below).

The Group's reported borrowings do not include the Company's 50% share of our offshore vessel joint venture's debt being US$224.3 million (2019: US$220.3 million).

Balance sheet

Equity attributable to shareholders at the balance sheet date was US$61.5 million lower at US$508.3 million compared with US$569.8 million at 31 December 2019. The main movements in equity in the year were the loss for the period of US$17.8 million, dividends paid of US$10.6 million and a negative currency translation adjustment of US$34.3 million. The currency translation adjustment arises from exchange differences on the translation of operations with a functional currency other than USD and reflect the significant devaluation of the BRL in the period.

Salvador container terminal
The expansion of the Salvador container terminal which includes the expansion of the principal quay and the installation of three super-post-Panamax quay cranes and five rubber-tyred gantry yard cranes is now focused on the levelling and paving of an existing backyard area. The full expansion is expected to be completed in the fourth quarter of 2020. The extended 800-metre quay will allow the simultaneous berthing of two super-post-Panamax ships.

COVID-19

Coronavirus outbreak ("COVID-19")
On 11 March 2020, the World Health Organization declared the Covid-19 outbreak a global pandemic and governmental authorities in various jurisdictions imposed lockdowns and precautionary restrictions to contain the virus. Since June 2020, several countries have reduced the number of new Covid-19 cases and some regions began to gradually relax physical distancing restrictions and re-open businesses, although maintaining some level of social distancing and other precautionary measures. Although the final impact on the global economy and financial markets is still uncertain, some industries were severely affected by the reduction in demand for services and goods.

Governments worldwide announced measures to provide both financial and non-financial assistance to disrupted industries and the affected business organisations. In Brazil, the Executive and Legislative branches published several normative acts to prevent and contain the pandemic as well as to mitigate the respective impacts on the economy, such as the postponement of tax and social charge payments. Wilson Sons provides port and maritime logistics services which have been recognised as essential activities by the Brazilian government. This has assisted in limiting the negative effects of Covid-19 on the Group's results in the first half of 2020.

While it is difficult to predict the full impact of the Covid-19 pandemic we are not forecasting any material impact on our long-term performance as the global economy is expected to gradually recover in the coming years.

Covid-19 impact assessment

Liquidity
At 30 June 2020 the Group's cash and cash equivalents amounted to US$100.4 million. In the first quarter of 2020 Wilson Sons signed financing agreements totalling US$24.6 million denominated in Brazilian Real to reinforce short-term liquidity given the volatility caused by the Covid-19 crisis on global markets.

Additionally, in the second quarter of 2020 the Brazilian National Economic and Social Development Bank (BNDES) granted Wilson Sons eligibility for the Covid-19 "Standstill" agreement. This allows for the postponement of principal and interest payments that would occur between May 2020 and October 2020. This defers approximately US$10.3 million in payments by the Group's consolidated companies and US$9.9 million relating to the Company's 50% share in the offshore support vessel joint venture.

The Group also implemented other austerity measures such as a reduction in the 2019 final dividend paid and tax payment deferrals in line with government incentives.

Covenants
At 30 June 2020 the Group was in compliance with all loan covenants.

Expected credit losses
In view of the current scenario of economic uncertainties caused by the Covid-19 pandemic, the Group has reviewed the assumptions that make up the methodology to measure expected credit losses and has not observed an increase in customer default due to the outbreak. It is worth mentioning that the management continues to monitor the situation and assess potential impacts that could affect the Company's performance and consequently, the measurement of expected credit losses.

Impairment of assets
At the time of writing, the outbreak has not caused any changes in the circumstances that could require an impairment charge to be made against the Group's assets.

Management will continue to review key assumptions used in determining value and carefully monitor short-term fluctuations in macroeconomic assumptions related to the impacts of Covid-19 when applying to the Company's weighted average cost of capital.

Lease arrangements

At this time, there have been no long-term changes in the scope of the Company's leases and right-of-use assets, including adding or terminating the right to use one or more underlying assets, or extending or reducing the term of the contractual leases. The Company has obtained some short-term reductions and postponements of lease payments, which according to IFRS 16 should not be considered as lease adjustments.

Investment portfolio
In its report, the Investment Manager explains both the portfolio performance in the last quarter, when the impact of the virus compared to previous pandemics became clearer, as well as its views for the future.

Liquidity of the portfolio
Cash requirements for the portfolio are closely monitored. If sufficient resources are not available to meet short-term cashflow requirements the investment manager could meet that requirement through a combination of sales of liquid assets or use of a loan facility secured against the investment portfolio. A significant percentage of the portfolio has daily or weekly liquidity. (At 30 June 2020: 35%). During the period, the investment manager used the loan facility to manage short-term cashflow requirements and at 30 June 2020 there was a balance outstanding of US$2.5 million.

Key service providers
All the Company's key service providers have executed their business continuity plans and to date are successfully operating on a work-from-home environment.

Ocean Wilsons Holdings Limited Board
The Board continues to meet as required but makes use of videoconferencing facilities rather than meeting face to face.

Covid-19 response – Wilson Sons
Our priorities during the COVID-19 crisis have been to protect the health and safety of our employees and balance the needs of all our stakeholders. This is only possible due to the dedication and commitment of all our employees to ensure business continuity and meet the needs of our customers and other stakeholders. Our Brazilian business established a Covid-19 crisis committee to manage risks and responses in alignment with the interests of all stakeholders.

Since January 2020 Wilson Sons has been implementing several measures and protocols to ensure (i) the health, safety and well-being of its employees, clients and partners, (ii) the continuity of operations and (iii) the financial strength and resilience of its business, as presented below:

Workforce Safety:
- Remote-working routine for all administrative staff;
- Physical isolation of operational employees over 60 years old, with controlled exceptions;
- Extensive travel restrictions prohibiting international travel and limiting domestic travel to business-critical travel;
- Non-essential internal events were cancelled or postponed;
- Employee participation in external events is prohibited;
- In-person meetings are prohibited and must be held remotely;
- Non-business third-party visits to the Company's operations and facilities are prohibited, with controlled exceptions;
- Reinforced hygiene measures and the use of masks mandated;
- Mandatory quarantine period until completely recovered in the event of employee contamination or direct contact with infected people;
- Stricter measures for offshore support vessel crews (pre-boarding tests) and tugboat crews (medical check-ups); and
- Other containment measures in accordance with the protocol established by the Brazilian Ministry of Health.

Business Continuity:
- Individual business segment continuity plans;
- Reinforced succession plans;
- Flu vaccine campaign;
- Covid-19 testing in specific operations;
- Monitored quarantine for symptomatic and infected employees (reported cases);
- Increased inventory for critical materials with short supply risk (80 key suppliers monitored on a weekly basis);
- Internal and external communication campaign;
- Monitored remote-work routine (mental health, adherence, productivity, engagement, leadership, etc); and
- Health and Safety protocols with protective measures and contingency plans (actions for suspected/confirmed cases, use of masks, mandatory temperature measurement and other items included in workforce safety).

Financial strength:
- Variable cost reductions (travel bans, hiring freezes and restrictions on discretionary spending);

- Capital and operating expenditure reductions;
- Administrative expense reductions;
- Personnel cost reductions;
- Corporate project reductions and postponements;
- Dividend reduction;
- Tax payment deferrals in line with government incentives;
- Debt amortisation postponements;
- Improved working capital terms;
- New debt raised; and
- Credit & commercial strategy workgroup to mitigate credit default risk.

Brexit

Shareholders will be aware that the United Kingdom "UK" left the European Union "EU" on 31 January 2020 and is currently in an eleven-month transition period. As matters currently stand there is no agreement governing the withdrawal or the future relationship between the UK and the EU. Such is the uncertainty still surrounding the outcome that the consequent risks and potential opportunities for the Company are extremely difficult to assess. Since your Company is domiciled in Bermuda and does not operate directly within the EU, while its subsidiary Ocean Wilsons (Investments) Limited invests substantially all of its assets into investment vehicles domiciled outside the EU, it may be that the impact of Brexit will be felt principally through the consequences for the London financial markets, in which some of these investments vehicles participate and where the Company's shares are traded on the London Stock Exchange.

Board changes

During the period we were pleased to announce the appointment of two new independent non-executive directors.

Fiona Beck joined the Board as a non-executive director, effective 13 April 2020. Ms Fiona Beck is resident in Bermuda, a Chartered Accountant and experienced company director on boards of both listed and unlisted companies, including Atlas Arteria International Ltd, for whom she sits on the audit and remuneration committees. Ms Beck has held a number of senior executive and governance positions in large infrastructure companies focused in the telecommunication and technology sectors. She was the President and CEO of Southern Cross Cable Network, a submarine fibreoptic cable company connecting New Zealand and Australia to the USA. Ms Beck also led the telecommunications and technology team for the 35th Americas Cup. Ms Beck is a member of the Company's audit committee.

Caroline Foulger joined the Board as a non-executive director, effective 1 June 2020. Ms Foulger is resident in Bermuda, a Chartered Accountant and experienced company director on boards of both listed and unlisted companies, including Hiscox Ltd for whom she chairs the Audit Committee and Oakley Capital Investments Limited where she holds the role of Non-Executive Chair. Ms Foulger spent the bulk of her executive career as a partner with PwC Bermuda where, until 2012, she led the insurance and government practice areas. She has been a non-executive director since retiring from PwC in 2012 and in addition to the above roles has chaired or been a member of each of governance, remuneration and risk committees.

Outlook

The strength of our business model during the COVID-19 pandemic has been clearly demonstrated by our performance in the first half of the year. Whilst trade flows in Brazil remain sound, we are seeing some fall in imports and industrial activity in response to the pandemic. Brazilian agricultural production remains robust helping to support volumes at our two container terminals which are predominantly export focused. The weaker BRL is also improving the competitiveness of Brazil and assisting in sustaining export volumes. The anticipated recovery in the Brazilian offshore oil and gas industry is expected to be further delayed by the recent softening in oil prices which is hampering demand for offshore oil and gas support services in Brazil. We remain confident in the long-term prospects for these businesses. Whilst there is limited visibility as to the full impact of the Covid-19 pandemic, the Board is confident the Group is well positioned to successfully negotiate these unusual times. Given the continued uncertainty caused by the Covid-19 pandemic, the Board has withdrawn its market guidance for 2020 until both the impacts and duration of the pandemic becomes clearer.

Wilson Sons Limited

The Wilson Sons 2nd quarter 2020 Earnings Report released on 11 August 2020 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

In the report, Cezar Baião, CEO of Operations in Brazil said:

"Wilson Sons reports 2Q20 EBITDA of US$36.9 million, a 10.6% increase in USD terms from 2Q19 and a 53.6% increase in BRL terms.

- Trade-linked volumes at our container terminal and towage businesses remained resilient, although impacted by the Covid-19 pandemic.
- The Salvador terminal expansion is expected to be completed in 4Q20. The new equipment arrived in May and we are currently carrying out the levelling and paving of an existing backyard area.
- Offshore oil and gas support services continue to be affected by the weak oil price which is delaying the recovery in exploration activity.
- Liquidity remains strong with US$97.3 million cash at the quarter end.
- 2Q20 profit after tax fell 14.1% to US$5.7 million negatively impacted by exchange rate effects totalling US$1.5 million. Excluding FX movements, Wilson Sons would have shown a net profit of US$7.2 million.

Wilson Sons 2Q20 EBITDA of US$36.9 million increased 10.6% against 2Q19 (US$33.4 million) fuelled by solid results in the towage business. In BRL terms EBITDA rose 53.6% in Q2. Although we delivered a resilient performance in the first six months of the year (+3.3% year on year in USD), the outlook heading into the second half of 2020 remains soft with lingering economic impacts of Covid-19. Also the recent oil price weakness continues to delay the recovery in offshore oil and gas support services.

In what is a challenging operational environment with the effects of the Covid-19 pandemic, we reaffirm our commitment to the safety and well-being of our employees, clients, suppliers and the communities where we operate to ensure the continuity of the essential services we provide. All our operations and facilities are applying rigorous health and safety protocols established by Brazilian authorities and agencies and we are closely monitoring the evolution of the pandemic in the country."

Investment Manager's Report

Hanseatic Asset Management LBG, the Manager of the Group's investment portfolio reports as follows:

Macro Commentary
There are decades where nothing happens and there are weeks where decades happen…this is what we saw in the first half of the year with the outbreak of the coronavirus. Having started the year in fairly benign fashion with an expected improvement in economic growth and the prospect of the customary pre-US election bounce, markets were thrown into turmoil in March as the full extent of the impact of the coronavirus became apparent.

Initially markets were complacent. Whilst the first death from COVID-19 had been reported in China as early as January 2020 the prevailing view at the start of the year was that this would follow a similar pattern as prior epidemics such as SARS and Ebola. These were seen as problems that primarily impacted emerging rather than developed markets and the death tolls, whilst always a tragedy, were low. Consequently most investors treated the situation as an event risk which are normally short and sharp with stock markets quickly recovering to historic highs.

The realisation that COVID-19 was quite different from previous viruses set off a domino effect. Governments, having initially tried to keep economies open to shore up economic growth, came to realise that whilst the coronavirus may not be as fatal as SARS its contagion rates were much higher. Belatedly they limited travel, closed borders and ultimately locked economies down realising that if healthcare systems were not to be overwhelmed, they needed to slow the pace of infection. As a result we had the unprecedented situation whereby 95% of world economies effectively came to a full-stop.

The impact on stock markets has been equally dramatic. Having seen markets peak on the 12th February, markets fell sharply as they priced in the full extent of the damage that COVID-19 was having on individuals, corporates and the broader economy. It wasn't so much the extent of the falls (although even these have been large) but rather the speed and volatility of the declines. We saw three consecutive days of +/-9% moves in the S&P 500, the first time that has happened since 1929 and one week saw an 18% rally, the strongest rise since 1933. From the peak in markets in February to their respective troughs in March the US, World, European and Asian stock markets fell by 34.6%, 33.7%, 35.4% and 30.2% respectively.

Outside of blue-chip government bonds, bond markets have been equally hard hit, at least initially. Credit markets in particular were under intense pressure as the global shutdown has weighed on company balance sheets and, particularly in the high yield space, raised the prospect of a significant rise in defaults from current low levels. Sectors such as Airlines saw their spreads widen by 1440 basis points with similar carnage in the energy sector. More recently government plans to purchase various credits has seen a sharp reversal in some of these moves.

Intra-market life has been equally unusual. Normally those sectors that led the market on the way up tend to be the ones that lead the market on the way down. Hence one would have expected growth and technology to be the worst affected as markets sold-off in March and value, which has been a laggard for many years, to demonstrate relative out-performance. In fact the opposite has been the case. Any company that can demonstrate growth in the current environment combined with an acceleration of many of the tech trends seen in recent years has resulted in these companies being winners. In contrast with many value companies possessing weak balance sheets and greater cyclicality, their performance has deteriorated further.

At its worst point the price discovery mechanism of stock markets ceased to function normally as liquidity became the determining factor resulting in normal relationships between asset classes breaking down and certain markets such as ETFs failing.

Having fallen sharply in March, markets have rallied since the start of April such that if one compared the headline figures at the start of the year to that of now there appears to be only modest falls. The MSCI World index is after all down just 6.3% since the start of 2020 with the US stock market falling by just 3.0%. Outside the developed world we find that the emerging markets (EMs) remain firmly in the doldrums with the MSCI EM Index down by 9.8%. Similarly at the sector level whilst technology and biotechnology are now actually up for the year – by 12.2% and 14.6% respectively - other sectors such as energy, financials and industrials remain firmly under a cloud (-33.9%, -23.5% and -13.5%).

Over the next few months markets will undergo a discovery process. As companies report their results, we will have a better feel as to how different companies and sectors have fared. These will likely fit into three broad groups, (1) those companies that have seen their trading impacted but have the necessary balance sheet strength and access to bond markets or loans to weather the storm, (2) those companies who are potential winners such as the on-line and technology companies with the move to a tech enabled economy likely to be accelerated by current events and (3) the casualties represented by companies with poor balance sheets and an inability to access additional capital to tide them over, resulting in liquidity events.

Whilst this discovery process will be an important part of the markets' return to health it is not, in our view, the most important factor. Our sense is that most investors have written off the rest of 2020, treating it as a six-month gap in economic growth and corporate profitability. Instead the much more important element is the nature and shape of the exit process. Initially investors thought that any recovery would be V-shaped with the ending of the lockdown period resulting in companies and individuals returning to normality rapidly. Increasingly though it has become apparent that there are other, less optimistic, scenarios that are equally possible.

If we look at the SARS epidemic one of its features was a number of false peaks in infection rates. On a number of occasions the authorities thought that they had the disease under control only to see it flare up again. The jury is out with respect to the coronavirus. China, if the data is to be believed, seems to be managing the exit process well but the evidence from other countries such as Spain is less positive. Importantly, China has two factors in its favour; being able to closely monitor the movements of its population and ensuring near full compliance if the authorities decide to lockdown certain areas again. In contrast the populations of western economies are likely to be less compliant in the longer term and for many poorer nations prolonged periods of lockdown will likely lead to a greater danger of death through starvation rather than coronavirus with many living on a hand-to-mouth basis.

Hence, we think there is a real danger that relaxing of the lockdowns around the world has led infection rates to rise again resulting in the need for further lockdowns. Perhaps more worryingly we could see a number of permutations to this with the rate of infection easing over the summer months only to rise again in the colder winter period.

Key to the different scenarios will be whether or not populations form a herd immunity to the disease and the development of vaccines or therapeutic treatments that improve the recovery process and mortality rates. We won't go into this in depth apart from to say that developing vaccines is difficult (they still haven't developed one for SARS) and takes time. In reality at this point we simply can't say with any certainty as to how these factors play out or, indeed, whether or not the disease mutates and people can be re-infected.

The really important point however is this – the longer the lockdowns persist the greater the scarring to economies, individuals and companies. If the current situation continues to the end of the year or longer the greater the number of companies and individuals who will come under pressure and the more anaemic the subsequent recovery will be. Already we suspect that there will be certain companies and industries that will never recover with the impairment becoming permanent.

Unlike in conventional cyclical downturns and bear markets where we have a playbook as to how they develop over time, we really have no terms of reference as to how the current situation evolves. There are a number of potential outcomes with very different implications for global stock markets. We have a fundamental belief in the ingenuity of humans and science but in reality we cannot say with certainty how the current situation will pan out.

We see two possible routes forward from this point. Equities may keep rising with no real alternative, buoyed by unprecedented levels of liquidity and technology continuing to change the world in which we live. Governments around the world have injected unprecedented amounts of liquidity into the financial system and underwrote many companies and sectors which looked to be at risk of default. On the other, reality could bite with valuations unattractive and defaults leaping on the back of collapsing economic and corporate growth with government support simply delaying the next recession.

We continue to lean towards the former scenario. Whilst cognisant that markets have rallied sharply over the past quarter, which will undoubtedly lead to periods of volatility in the coming months, we see the pain trade of equities continuing to rise in a world flush with cash with the lack of viable alternatives underpinning markets for the time being.

Portfolio Commentary
Our portfolio of active managers has been remarkably resilient during this turbulent first half of the year. We have been regularly meeting with all of our managers throughout this period, getting updates on performance and positioning whilst listening to their thoughts on what is happening in their particular markets. In what has been a very challenging market, the majority of our active managers have outperformed their passive peers leading to an outcome where the portfolio has performed strongly compared to world markets. The portfolio was down 5.3% (net of fees) for the first half of the year which compares well with the MSCI ACWI index which returned -6.3% over the same period. Returns lagged the benchmark's performance of 1.8% albeit the benchmark is absolute in nature.

Our managers have a quality bias and focus on companies with strong fundamentals. This should not only enable their companies to survive in the midst of the storm but also to prosper when we come out the other side. We have also been looking carefully at how agile each manager has been with the aim being that they should be quickly reacting to what they are seeing in the market and profiting when opportunities arise in the choppy markets we have been witnessing.

The portfolio's public holdings continued to outperform, with strong returns in the European segment. BlackRock European Hedge was comparatively very strong, up 16.2% over the half, following an excellent positive return in the first quarter of 2020. In March during the market sell-off the fund's short positions were positive contributors compensating for declines in the majority of the long positions, although the long book outperformed the market. The speed with which the manager reduced gross exposure in March was key to maintaining a strong overall return for the fund. Adelphi Europe Select fell 3.1% over the half, as its long only exposure meant it struggled in the first quarter before recovering in the second quarter due to online retail and media stocks such as Zalando, Delivery Hero and Scout24 saw increased demand for their services. However this represented a reasonably good outcome given the broader market was down 12.8% over the half.

In the North American segment we saw excellent returns from Pershing Square Holdings which gained 23.7% during the first half and 36.7% over the last 12 months. Pershing Square, which had navigated the first quarter of 2020 very well by buying portfolio protection and then closing the positions in March and reinvesting the proceeds into core holdings, were vindicated in doing so during the second quarter as markets continued to rally. Findlay Park American, Select Equity and Vulcan Value all had a more difficult half slightly lagging the broader US market, returning -3.1%, -9.8% and -10.9%, respectively.

Performance in the thematic silo has been extremely strong, gaining more than the broader market. GAM Star Disruptive Growth gained 12.0% in the half as many of its holdings continued to benefit from the disruption caused by the global lockdown and the acceleration of remote working. Microsoft, Amazon and Alphabet are among the fund's largest holdings and have continued to perform strongly as has their position in Alibaba. The silo's healthcare exposure also produced strong returns in the half with BB Biotech returning 11.0% while a new position in RA Capital Healthcare that was added in April returned 16.1%. BB Biotech had a number of positive developments in its portfolio and the manager notes that most companies are operating close to normal and have not been materially affected by the pandemic thus far. There was especially strong performance from Myovant Sciences and Macrogenics, which both had positive results from studies relating to their drugs.

The diversifying holdings generated positive performance for the portfolio, acting as intended during the volatility seen over this half. The fund overall has performed very consistently throughout the period with the majority of holdings continuing to produce positive returns during the market drawdown. Hudson Bay International continues to deliver positive returns with the fund up 8.2% in the half. The portfolio's other macro trading fund, MKP Opportunity, also delivered a positive return of 1.6% over the same period. Gains have been primarily driven by the fund's rates exposure, particularly long US duration and bank lending positioning. The fixed income holdings within the diversifying silo found the environment more difficult with BioPharma Credit, Apollo Total Return and Selwood Liquid Credit Strategy delivering first half returns of 1.2%, -3.1% and -6.2%, respectively. However, the fund's position in US Government Bonds performed very strongly, returning 8.5% over the half, as investors continued to value more secure assets. Performance in the CTA fund was poor during the half with GAM Systematic Core Macro returning -7.7%. GAM suffered losses from their FX and commodity positions although was able to offset some of its losses from its carry and tactical asset allocation strategies later in the half.

Within the private asset holdings, as is normally the case, we are seeing a lag between public and private markets. Whilst we certainly do not expect the private markets to be immune, we would hope that they will show comparatively less volatility and quality managers will outperform those who have taken on excessive amounts of debt. Some of our managers, such as Apollo, typically thrive in stressed conditions and many of our growth and tech managers will also hopefully do relatively well on the back of strong demand for their products and services and with investors prepared to pay a premium for those companies able to generate growth amongst the growth managers, TA XII-B, LP returned significant capital this half following the sale of LIST and the partial sale of the fund's position in Conservice. LIST is a developer of software solutions for the financial industry, providing mission-critical trading and compliance software. A deal was reached in March to sell the company to a strategic buyer, giving the fund a 1.5x gross multiple and 41.3% gross IRR on the investment. Conservice, a leading provider of utility management software and billing solutions to property owners and managers, signed a definitive agreement for a recapitalisation in which the fund sold 59% of its position to Advent International. Performance at the company has been strong with the COVID-19 crisis having minimal business impact. The transaction values the company at a 5.5x gross multiple and a 117.2% gross IRR. TA has found that several of its other investments will have been materially impacted by the COVID-19 crisis, but it has not yet fed through to their valuations, given the time lag associated with private equity valuations. The fund is currently held at a 1.7x net multiple and 29.4% net IRR.

Silver Lake Partners IV, LP has also been a strong performer and is marked at a 1.8x net multiple and 21.6% net IRR. In February 2020, the Fund exited its position in Cast & Crew, a provider of technology enabled payroll, production accounting and related services to the entertainment industry. The firm has seen substantial growth in content production driven by underlying trends in media and technology. The company was sold to another private equity investor for US$2.8bn, representing a 4.4x gross multiple and 58% gross IRR. The fund has also exited its US$800m position in Motorola Solutions, a data communications equipment provider. Including the 2018 sell down, proceeds from this investment totalled US$1.9bn representing a 3.8x gross multiple and 41% gross IRR. The company repurchased the fund's holding with a mixture of cash and shares, which were subsequently sold, meaning that the receipt of the proceeds was staggered. All proceeds from this transaction have now been distributed taking the DPI for the fund to 0.7x.

KKR Special Situations (Offshore) Fund, LP has continued to struggle with the fund now held at a 0.9x net multiple with the expectation that the valuation may decrease further when the full impact of the COVID-19 crisis is reflected. Investments in Selecta and Grupo Alfonso Gallardo (GAG) have been the most heavily impacted with the latter company now marked at a 0.5x gross multiple. GAG has been impacted by the slowdown in demand for cement and steel in the Spanish market with many customers postponing or cancelling their orders. The manager believes that the company will need additional third-party capital with the company now working with advisors on potential solutions. Selecta, Europe's largest and only pan-European unattended self-service coffee and convenience food provider, has been severely impacted by the crisis as people have not been travelling through stations and airports or going into office canteens where the majority of their machines are based. It is likely that the company will need a material amount of additional capital to survive with the business taking at least two years to recover. Selecta is currently held at a 1.2x gross multiple.

CUMULATIVE PORTFOLIO RETURNS

Performance (Time-weighted)	YTD	3 Years p.a.	5 Years p.a.
OWIL (net)	-5.3%	2.6%	3.0%
Performance Benchmark*	1.8%	4.7%	4.6%
MSCI ACWI + FM	-6.3%	6.1%	6.4%
MSCI Emerging Markets	-9.8%	1.9%	2.9%

***Notes:**
The OWIL Performance Benchmark which came into effect on 1 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 new benchmark.

Investment Portfolio at 30 June 2020

	Market Value $000	% of NAV	Primary Focus
Findlay Park American Fund	26,685	10.0	US Equities - Long Only
Adelphi European Select Equity Fund	14,696	5.5	Europe Equities - Long Only
BlackRock European Hedge Fund	13,674	5.1	Europe Equities - Hedge
Egerton Long - Short Fund Limited	13,627	5.1	Europe/US Equities - Hedge
GAM Star Fund PLC - Disruptive Growth	9,931	3.7	Technology Equities - Long Only
Select Equity Offshore, Ltd	8,990	3.4	US Equities - Long Only
Vulcan Value Equity Fund	8,766	3.3	US Equities - Long Only
Goodhart Partners: Hanjo Fund	8,161	3.0	Japan Equities - Long Only
NG Capital Partners II, LP	7,112	2.7	Private Assets - Latin America
Schroder ISF Asian Total Return Fund	6,960	2.6	Asia ex-Japan Equities - Long Only
Top 10 Holdings	**118,603**	**44.3**	
Pangaea II, LP	6,931	2.6	Private Assets - GEM
Hudson Bay International Fund Ltd	6,232	2.3	Market Neutral - Multi-Strategy

NTAsian Discovery Fund	6,212	2.3	Asia ex-Japan Equities - Long Only
Greenspring Global Partners VI, LP	5,150	1.9	Private Assets - US Venture Capital
Prince Street Opportunities Fund	4,703	1.8	Emerging Markets Equities - Long Only
Helios Investors II, LP	4,681	1.7	Private Assets - Africa
Hony Capital Fund V, LP	4,648	1.7	Private Assets - China
Greenspring Global Partners IV, LP	4,262	1.6	Private Assets - US Venture Capital
Primary Capital IV, LLP	4,181	1.6	Private Assets - Europe
L Capital Asia, LP	4,159	1.6	Private Assets - Asia (Consumer)
Top 20 Holdings	**169,761**	**63.4**	
Global Event Partners Ltd	3,963	1.5	Market Neutral - Event-Driven
Pershing Square Holdings Ltd	3,850	1.4	US Equities - Long Only
Silver Lake Partners IV, LP	3,806	1.4	Private Assets - Global Technology
Indus Japan Long Only Fund	3,753	1.4	Japan Equities - Long Only
Worldwide Healthcare Trust PLC	3,695	1.4	Healthcare Equities - Long Only
Impax Environmental Markets Fund	3,341	1.2	Environmental Equities - Long Only
Prosperity Quest Fund	3,257	1.2	Russia Equities - Long Only
Dynamo Brasil VIII	2,983	1.1	Brazil Equities - Long Only
L Capital Asia 2, LP	2,862	1.1	Private Assets - Asia (Consumer)
BB Biotech AG	2,853	1.1	Healthcare Equities - Long Only
Top 30 Holdings	**204,126**	**76.3**	
49 Remaining Holdings	**61,366**	**22.9**	
Cash	**2,185**	**0.8**	
TOTAL	**267,677**	**100.0**	

Hanseatic Asset Management LBG
August 2020

Other matters

Principal Risks
The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 31 December 2019. A detailed explanation can be found in the Report of Directors on pages 30 to 33 and in note 35 on pages 97 to 104 of the Annual Report and Financial Statements which are available on the website at www.oceanwilsons.bm.

In the view of the Board, the outbreak of the Covid-19 pandemic has not fundamentally altered the nature of the risks reported in the Annual Report and Financial Statements but increased the likelihood of some risks reported to impact results in the current year. The Covid-19 pandemic is adversely impacting the global economy and capital and foreign exchange markets with potential consequences for our businesses. Capital markets remain volatile and at the time of writing the Brazilian Real, has suffered a 35% devaluation since year end which adversely impacts bottom line earnings at our Brazilian businesses. The virus continues to generate volatility, create uncertainty in the future and may worsen political instability in some countries. The degree of severity and duration of the pandemic is difficult to predict.

Related party transactions
Related party transactions during the period are set out in note 20.

Going concern
The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$100.4 million in cash and cash equivalents and the majority of 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 and Investment Manager's report. The financial position, cash flows and borrowings of the Group are also set out in the Chairman's statement. Details of the Group's borrowings are set out in note 16 to the accounts. Based on the Group's cash forecasts and sensitivities run, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Responsibility statement
The Directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

J F Gouvêa Vieira
Chairman
11 August 2020

Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2020

	Notes	**Unaudited six months to 30 June 2020 US$'000**	Unaudited six months to 30 June 2019 US$'000
Revenue	3	**174,211**	199,217
Raw materials and consumables used		**(9,163)**	(12,898)
Employee benefits expense	5	**(56,868)**	(70,839)
Depreciation & amortisation expense	4	**(25,842)**	(26,761)
Amortisation of right of use assets		**(5,312)**	(6,361)
Other operating expenses		**(37,982)**	(47,117)
(Loss)/profit on disposal of property, plant and equipment		**295**	(119)
Operating profit		**39,339**	35,122
Share of results of joint ventures	17	**(5,212)**	(607)
Returns on investment portfolio at fair value through profit and loss	6	**(13,761)**	22,827
Other investment income	7	**923**	2,237
Finance costs	8	**(11,413)**	(12,792)
Foreign exchange (losses)/gains on monetary items		**(11,657)**	347
(Loss)/profit before tax		**(1,781)**	47,134
Income tax expense	9	**(16,572)**	(13,126)
(Loss)/profit for the period		**(18,353)**	34,008
Other comprehensive income: items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		**(59,471)**	2,191
Effective portion of changes in fair value of derivatives		**(156)**	705
Other comprehensive (loss)/income for the period		**(59,627)**	2,896
Total comprehensive (loss)/income for the period		**(77,980)**	36,904
(Loss)/profit for the period attributable to:			
Equity holders of parent		**(17,766)**	28,114
Non-controlling interests		**(587)**	5,894
(Loss)/profit for the period		**(18,353)**	34,008
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of parent		**(52,173)**	29,805
Non-controlling interests		**(25,807)**	7,099
Total comprehensive (loss)/income for the period		**(77,980)**	36,904
Earnings per share			
Basic and diluted	11	**(50.2c)**	79.5c

Condensed Consolidated Interim Statements of Financial Position

as at 30 June 2020

	Notes	Unaudited as at 30 June 2020 US$'000	Audited as at 31 December 2019 US$'000
Non-current assets			
Goodwill		**13,313**	14,090
Other intangible assets		**16,681**	22,313
Right of use assets	12	**144,213**	189,011
Property, plant and equipment	13	**573,282**	627,049
Deferred tax assets		**27,916**	31,820
Related party loans		**30,304**	30,132
Recoverable taxes		**19,461**	26,501
Investment in joint ventures	17	**24,914**	30,334
Other non-current assets		**5,718**	9,407
Other trade receivables	15	**248**	354
		856,050	981,011
Current assets			
Inventories		**9,477**	10,507
Financial assets at fair value through profit and loss	14	**263,993**	298,840
Trade and other receivables	15	**51,695**	56,743
Recoverable taxes		**19,249**	25,547
Cash and cash equivalents		**100,415**	68,979
		444,829	460,616
Total assets		**1,300,879**	1,441,627
Current liabilities			
Trade and other payables		**(55,986)**	(56,608)
Current tax liabilities		**(612)**	(496)
Obligations under finance leases		**(16,949)**	(21,938)
Bank overdrafts and loans	16	**(51,386)**	(36,636)
		(124,933)	(115,678)
Net current assets		**319,896**	344,938
Non-current liabilities			
Bank loans	16	**(283,116)**	(298,342)
Employee benefits		**(1,806)**	(2,369)
Deferred tax liabilities		**(54,940)**	(52,525)
Provisions		**(10,532)**	(14,643)
Obligations under finance leases		**(132,290)**	(172,210)
		(482,684)	(540,089)
Total liabilities		**(607,617)**	(655,767)
Net assets		**693,262**	785,860
Capital and reserves			
Share capital		**11,390**	11,390
Retained earnings		**561,057**	588,160
Capital reserves		**31,991**	31,991
Translation and hedging reserve		**(96,155)**	(61,748)
Equity attributable to equity holders of the parent		**508,283**	569,793
Non-controlling interests		**184,979**	216,067
Total equity		**693,262**	785,860

Condensed Consolidated Statements of Changes in Equity
as at 30 June 2020

For the six months ended 30 June 2019 (unaudited)	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 2019	11,390	566,678	31,760	(55,603)	554,225	223,484	777,709
Currency translation adjustment	–	–	–	1,281	1,281	910	2,191
Effective portion of changes in fair value of derivatives	–	–	–	410	410	295	705
Profit for the period	–	28,114	–	–	28,114	5,894	34,008
Total income and expense for the period	–	28,114	–	1,691	29,805	7,099	36,904
Dividends	–	(24,754)	–	–	(24,754)	(16,468)	(41,222)
Share based expense	–	–	–	–	–	200	200
Balance at 30 June 2019	11,390	570,038	31,760	53,912	559,276	214,315	773,591
For the six months ended 30 June 2020 (unaudited)							
Balance at 1 January 2020	**11,390**	**588,160**	**31,991**	**(61,748)**	**569,793**	**216,067**	**785,860**
Currency translation adjustment	**-**	**-**	**-**	**(34,317)**	**(34,317)**	**(25,154)**	**(59,471)**
Effective portion of changes in fair value of derivatives	**-**	**-**	**-**	**(90)**	**(90)**	**(66)**	**(156)**
Loss for the period	**-**	**(17,766)**	**-**	**-**	**(17,766)**	**(587)**	**(18,353)**
Total income and expense for the period	**-**	**(17,766)**	**-**	**(34,407)**	**(52,173)**	**(25,807)**	**(77,980)**
Dividends	**-**	**(10,609)**	**-**	**-**	**(10,609)**	**(6,418)**	**(17,027)**
Exercise of share options	**-**	**1,272**	**-**	**-**	**1,272**	**1,032**	**2,304**
Share based expense	**-**	**-**	**-**	**-**	**-**	**105**	**105**
Balance at 30 June 2020	**11,390**	**561,057**	**31,991**	**(96,155)**	**508,283**	**184,979**	**693,262**

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 byelaws 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 in equity are stated net of tax where applicable.

Condensed Consolidated Interim Statements of Cash Flows
for the six months ended 30 June 2020

	Notes	**Unaudited six months to 30 June 2020 US$'000**	Unaudited six months to 30 June 2019 US$'000

Net cash inflow from operating activities	18	**68,500**	47,573
Investing activities			
Interest received		**945**	818
Income received from underlying investment vehicles		**1,513**	1,340
Proceeds on disposal of financial assets at fair value through profit and loss		**32,980**	51,853
Proceeds on disposal of property, plant and equipment		**156**	692
Purchases of property, plant and equipment		**(40,968)**	(44,641)
Purchase of intangible asset		**(502)**	(361)
Purchases of financial assets at fair value through profit and loss		**(13,407)**	(17,887)
Capital increase of joint venture		**-**	(3,500)
Net cash used in investing activities		**(19,283)**	(11,686)
Financing activities			
Dividends paid	10	**(10,609)**	(24,754)
Dividends paid to non-controlling interests in subsidiary		**(6,418)**	(16,468)
Repayments of borrowings		**(20,468)**	(43,990)
Repayments of obligations under finance leases		**(3,237)**	(2,964)
Derivative paid		**-**	(339)
New bank loans raised		**47,167**	66,175
Net cash inflow arising from issue of new shares in subsidiary under employee stock option scheme.		**2,304**	-
Net cash used in financing activities		**8,736**	(22,340)
Net increase/(decrease) in cash and cash equivalents		**57,953**	13,547
Cash and cash equivalents at beginning of period		**68,979**	43,801
Effect of foreign exchange rate changes		**(26,517)**	1,055
Cash and cash equivalents at end of period		**100,415**	58,403

Notes to Condensed Consolidated Interim Financial Information

for the six months ended 30 June 2020

1 General information

The condensed consolidated interim financial information is not the Company's statutory accounts. The auditors of the Company have not made any report thereon under section 90(2) of the Bermuda Companies Act.

Ocean Wilsons Holdings Limited is a company incorporated in Bermuda under the Companies Act 1981 and the Ocean Wilsons Holdings Limited Act, 1991. These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates.

2 Accounting policies

The condensed consolidated interim financial information of the Company for the six months ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with IAS 34 – Interim Financial Reporting. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed set of financial statements have been prepared on the basis of accounting policies consistent with those applied to the financial statements for the year ended 31 December 2019.

3 Revenue

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

	Unaudited six months to 30 June 2020 US$’000	Unaudited six months to 30 June 2019 US$’000
Sales of services	**174,211**	199,217
Revenue from construction contracts	**-**	–
	174,211	199,217
Income from underlying investment vehicles (note 6)	**1,513**	1,340
Other investment income (note 7)	**923**	2,237
	176,647	202,794

3.1 Disaggregated revenue information

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

	Unaudited six months to 30 June 2020 US$’000	Unaudited six months to 30 June 2019 US$’000
Towage and agency services		
Harbour manoeuvres	**73,873**	70,479
Special operations	**8,433**	3,623
Ship agency	**4,006**	4,319
Total	**86,312**	78,421
Port terminals		
Container handling	**35,636**	44,738
Warehousing	**15,429**	16,224
Ancillary services	**8,960**	10,160
Oil & Gas support base	**4,535**	11,484
Other services	**7,371**	9,483
Total	**71,931**	92,089
Logistics		
Logistics	**14,768**	25,675
Total	**14,768**	25,675
Shipyard		
Technical assistance/dry-docking	**1,200**	3,032
Total	**1,200**	3,032
Total	**174,211**	199,217

	Unaudited six months to 30 June 2020 US$’000	Unaudited six months to 30 June 2019 US$’000
Timing of revenue recognition		
At a point of time	**173,011**	196,185
Over time	**1,200**	3,032
	174,211	199,217

3.2 Contract balance
Trade receivables are generally received within 30 days after the invoice date. The carrying amount of operational trade receivables at the end of reporting period was US$44.5 million (2019: US$47.2 million). These amounts including US$12.3 million (2019: US$16.2 million) of contract assets (unbilled accounts receivables).

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.

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 days upon completion of the service.

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.

4 Business and geographical segments

Business segments
Ocean Wilsons Holdings Limited 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 through Wilson Sons Limited. The investment segment holds a portfolio of international investments through Ocean Wilsons (Investments) Limited.

Segment information relating to these businesses is presented below.

For the six months ended 30 June 2020 (unaudited)

	Maritime services six months to 30 June 2020 US$'000	Investment six months to 30 June 2020 US$'000	Unallocated six months to 30 June 2020 US$'000	Consolidated six months to 30 June 2020 US$'000
Revenue	**174,211**	**-**	**-**	**174,211**
Result				
Segment result	**41,906**	**(1,420)**	**(1,147)**	**39,339**
Share of joint venture results	**(5,212)**	**-**	**-**	**(5,212)**
Returns on investment portfolio at fair value through profit and loss	**-**	**(13,761)**	**-**	**(13,761)**

Other investment income	**923**	**-**	**-**	**923**
Finance costs	**(11,413)**	**-**	**-**	**(11,413)**
Exchange gains/(losses) on monetary items	**(11,653)**	**(12)**	**8**	**(11,657)**
(Loss)/profit before tax	**14,551**	**(15,193)**	**(1,139)**	**(1,781)**
Tax	**(16,572)**	**-**	**-**	**(16,572)**
(Loss)/profit after tax	**(2,021)**	**(15,193)**	**(1,139)**	**(18,353)**
Other information				
Capital additions	**43,173**	**-**	**-**	**43,173**
Amortisation of right to use	**(5,312)**	–	–	**(5,312)**
Depreciation and amortisation	**(25,842)**	**-**	**-**	**(25,842)**
Balance Sheet				
Assets				
Segment assets	**1,029,391**	**268,546**	**2,942**	**1,300,879**
Liabilities				
Segment liabilities	**(604,760)**	**(2,635)**	**(222)**	**(607,617)**

For the six months ended 30 June 2019 (unaudited)

	Maritime services six months to 30 June 2019 US$'000	Investment six months to 30 June 2019 US$'000	Unallocated six months to 30 June 2019 US$'000	Consolidated six months to 30 June 2019 US$'000
Revenue	199,217	–	–	199,217
Result				
Segment result	37,630	(1,467)	(1,041)	35,122
Share of joint venture results	(607)	–	–	(607)
Returns on investment portfolio at fair value through profit and loss	–	22,827	–	22,827
Other investment income	2,231	6	–	2,237
Finance costs	(12,792)	–	–	(12,792)
Exchange gains/(losses) on monetary items	(230)	8	569	347
Profit before tax	26,232	21,374	(472)	47,134
Tax	(13,126)	–	–	(13,126)
Profit after tax	13,106	21,374	(472)	34,008
Other information				
Capital additions	45,659	–	–	45,659
Amortisation of right to use	(6,361)	–	–	(6,361)
Depreciation and amortisation	(26,671)	–	–	(26,671)
Balance Sheet				
Assets				
Segment assets	1,136,849	278,355	2,510	1,417,714
Liabilities				
Segment liabilities	(643,387)	(239)	(497)	(644,123)

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 and Brazil.

All 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	
	Unaudited	Unaudited	**Unaudited six months to**	Unaudited six months to
	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019
	US$'000	US$'000	**US$'000**	US$'000
Brazil	**983,797**	1,109,485	**43,173**	45,659
Bermuda	**317,082**	332,142	**–**	–
	1,300,879	1,441,627	**43,173**	45,659

5 Employee benefits expense

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019
	US$'000	US$'000
Aggregate remuneration comprised:		
Wages and salaries	**45,209**	56,531
Share based payment expense	**105**	200
Social security costs	**11,261**	13,587
Other pension costs	**293**	521
	56,868	70,839

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

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019
	US$'000	US$'000
(Decrease)/increase in fair value of trading investments held at period end	**(18,301)**	21,134
Income from underlying investment vehicles	**1,513**	1,340
Profit on disposal of trading investments	**3,027**	353
	(13,761)	22,827

7 Other investment income

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019
	US$'000	US$'000
Interest on bank deposits	**441**	1,650
Other interest	**482**	587
	923	2,237

8 Finance costs

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019
	US$'000	US$'000
Interest on lease liabilities	**6,839**	7,806

Interest on bank overdrafts and loans	**4,552**	5,297
Exchange (gain)/loss on foreign currency borrowings	**-**	(891)
Other interest	**22**	580
	11,413	12,792

9 Taxation

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Current taxation		
Brazilian taxation:		
Corporation tax	**10,989**	7,234
Social contribution	**4,056**	2,421
Total current tax	**15,045**	9,655
Deferred tax		
(Credit)/charge for the period in respect of deferred tax liabilities	**21,594**	(1,026)
Charge/(credit) for the period in respect of deferred tax assets	**(20,067)**	4,497
Total deferred tax	**1,527**	3,471
Total taxation	**16,572**	13,126

Brazilian corporation tax is calculated at 25% (2019: 25%) of the assessable profit for the year.

Brazilian social contribution tax is calculated at 9% (2019: 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.

10 Dividends

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2019 of US 30 cents (2018: US 70 cents) per share	**10,609**	24,754

11 Earnings per share

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

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net (loss)/profit attributable to equity holders of the parent	**(17,766)**	28,114
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

12 Lease arrangements

12.1 Right-of-use assets

	Operational facilities US$'000	Floating craft US$'000	Buildings US$'000	Vehicles, plant and equipment US$'000	Total US$'000
Cost or valuation					
At 1 January 2019	178,841	4,525	6,714	4,053	194,133
Transfers from property, plant and equipment	-	-	-	9,798	9,798
Contractual amendments	14,748	173	(218)	(269)	14,434
Additions	-	-	65	161	226
Exchange differences	(7,563)	(217)	(112)	(578)	(8,470)
Terminated contracts	-	-	-	(462)	(462)
At 31 December 2019	**186,026**	**4,481**	**6,449**	**12,703**	**209,659**
Transfers from property, plant and equipment	**9,405**	**59**	**(304)**	**3**	**9,163**
Contractual amendments	**-**	**2,027**	**-**	**40**	**2,067**
Additions	**-**	**-**	**-**	**494**	**494**
Exchange differences	**-**	**-**	**(132)**	**(8)**	**(140)**
Terminated contracts	**(50,417)**	**(1,054)**	**(476)**	**(3,824)**	**(55,771)**
At 30 June 2020	**145,014**	**5,513**	**5,537**	**9,406**	**165,470**
Accumulated amortisation					
At 1 January 2019	**–**	**–**	**–**	**–**	**–**
Transfers from property, plant and equipment	-	-	-	7,969	7,969
Charge for the year	8,422	2,321	1,473	1,326	13,542
Exchange differences	(153)	(45)	(4)	(330)	(532)
Terminated contracts	-	-	-	(331)	(331)
At 31 December 2019	**8,269**	**2,276**	**1,469**	**8,634**	**20,648**
Transfers from property, plant and equipment	**-**	**-**	**-**	**471**	**471**
Charge for the year	**4,011**	**1,281**	**604**	**590**	**6,486**
Exchange differences	**(2,474)**	**(694)**	**(107)**	**(3,042)**	**(6,317)**
Terminated contracts	**-**	**-**	**(4)**	**(27)**	**(31)**
At 30 June 2020	**9,806**	**2,863**	**1,962**	**6,626**	**21,257**
Carrying Amount					
At 30 June 2020	**135,208**	**2,650**	**3,575**	**2,780**	**144,213**
At 31 December 2019	177,757	2,205	4,980	4,069	189,011

Included in right-of-use assets are US$1.3 million previously classified as finance leases.

Operational facilities

The main lease commitments included as operational facilities are described below:

Tecon Rio Grande
The Rio Grande container terminal lease was signed on 3 February 1997 for a period of 25 years renewable for a further 25 years. In view of our compliance with the contractual requirements to make additional investments in expanding the terminal and the annual volumes handled together with other considerations, the Rio Grande container terminal was granted the right to renew the lease for the period between 2022 and 2047 as set forth in the first amendment signed on 7 March 2006.

Among the commitments set forth in the lease agreement and its addendum are the following:

- A monthly payment for facilities and leased areas;
- A contractual payment per container moved based on minimum forecast volumes. If container volumes moved through the terminal exceed forecast volumes in any given year, additional payments are required; and
- A payment per tonne in respect of general cargo handling and unloading.

Tecon Salvador
Tecon Salvador S.A. has the right to lease and operate the container terminal and heavy cargo terminal in the Port of Salvador for 25 years renewed in 2016 for a further 25 years. The total lease term of 50 years, until March 2050, is provided

in the second addendum to the rental agreement. This addendum requires the Group to make a minimum specified investment in expanding the leased terminal area.

As a result of the lease agreement with CODEBA, Tecon Salvador has the following commitments:

- A monthly payment;
- Lease payments for the existing area and the additional area added under the terms of the second contractual addendum; and
- A contractual payment per container moved based on minimum forecast volumes and a fee per ton of non-containerised cargo moved based on minimum forecast volumes.
-

Wilson Sons shipyard
Lease commitments mainly refer to a 60-year right to lease and operate an area located adjacent to our shipyard in Guarujá, São Paulo state. The initial lease of 30 years is renewable for a further period of 30 years at the option of the Group. The area has been used to expand and develop the Wilson Sons shipyard. Management's intention is to exercise the renewal option.

Brasco
The Brasco lease commitments mainly refers to a 30-year lease expiring in 2043 to operate a port area in Caju, Rio de Janeiro, with convenient access to service the Campos and Santos oil producing basins.

Logistics
Lease commitments mainly refer to the bonded terminals and distribution centres located in Santo André, São Paulo state and Suape, Pernambuco state with terms ranging between 18 and 24 years.

Floating craft
In respect of the chartering of vessels for maritime transport between port terminals, payments made relating to the number of vessel trips were not included in the measurement of lease liabilities.

Buildings
The Group has lease commitments for its Brazilian business headquarters, branches and commercial offices in several Brazilian cities.

Vehicles, plant and equipment
Rental contracts mainly for forklifts, vehicles for operational, commercial and administrative activities and other operating equipment.

12.2 Lease liabilities

	Discount rate	**Unaudited 30 June 2020 US$'000**	Audited 31 December 2019 US$'000
Lease liabilities by class of asset			
Operational facilities	8.75% - 9.33%	**141,772**	183,895
Buildings	7.73% - 8.88%	**2,923**	5,072
Floating craft	7.89% - 9.25%	**2,764**	2,294
Vehicles, plant and equipment	5.12% - 12.9%	**1,780**	2,887
Total		**149,239**	194,148
Total current		**16,949**	21,938
Total non-current		**132,290**	172,210

The breakdown of lease liabilities by maturity is as follows:

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Maturity analysis – contractual undiscounted cash flows		
Within one year	**17,718**	22,918

In the second year	**16,399**	20,456
In the third to fifth years inclusive	**46,450**	60,954
After five years	**282,444**	371,236
Total borrowings	**363,011**	475,564
Adjustment to present value	**(213,772)**	(281,416)
Total lease liabilities	**149,239**	194,148

Inflation adjustment of the lease liabilities

The table below presents the lease liabilities balance considering the projected future inflation rate in the discounted payment flows with all other variables remaining constant.

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Inflated flows	**383,363**	506,078
Embedded interest	**(229,440)**	(304,730)
Lease liabilities	**153,923**	201,348

12.3 Amounts recognised in profit and loss

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Amortisation of right-of-use assets	**(6,486)**	(6,171)
Amortisation of PIS and COFINS	**1,174**	-
Interest on lease liabilities	**(7,790)**	(7,806)
Interest PIS and COFINS	**951**	-
Variable lease payments not included in the measurement of lease liabilities (1)(2)	**(942)**	(1,628)
Expenses relating to short-term leases	**(8,953)**	(8,091)
Expenses relating to low-value assets	**(568)**	(458)
Total	**(22,614)**	(24,344)

(1) The amounts refer to payments, which exceeded the minimum forecast volumes of Tecon Rio Grande and Tecon Salvador.
(2) The payments relate to the number of vessel trips were not included in the measurement of lease liabilities.

The Group is not able to estimate the future cash outflows related to variable lease payments due to operational, economic and exchange uncertainties.

12.4 Amounts recognised in the statement of cash flows

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000
Amortisation of lease liability	**(3,237)**	(2,964)
Interest paid lease liability	**(7,8050**	(7,813)
Short-term leases paid	**(8,953)**	(8,091)
Low-value leases paid	**(568)**	(458)
Total	**(20,563)**	(19,326)

13 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 2019	282,506	488,722	230,564	10,133	1,011,925
Additions	40,320	14,450	27,325	5,842	87,937
Transfers	212	15,712	(241)	(15,683)	-
Exchange differences	-	-	(9,798)	-	(9,798)
Disposals	(11)	(22)	105	-	72
At 1 January 2020	**313,432**	**516,361**	**231,226**	**292**	**1,061,311**
Additions	**16,782**	**3,980**	**21,909**	**-**	**42,671**
Transfers	**6**	**(123)**	**117**	**-**	**-**
Transfers to right-of-use assets	**-**	**-**	**(494)**	**-**	**(494)**
Transfers from intangible assets	**-**	**-**	**(43)**	**-**	**(43)**
Exchange differences	**(403)**	**(57)**	**(1,760)**	**-**	**(2,220)**
Disposals	**(67,332)**	**-**	**(51,342)**	**-**	**(118,674)**
At 30 June 2020	**262,485**	**520,161**	**199,613**	**292**	**982,551**
Accumulated depreciation and impairment					
At 1 January 2019	87,135	192,820	129,519	-	409,474
Charge for the year	8,018	26,741	15,594	-	50,353
Elimination on construction contracts	-	128	-	-	128
Transfers to right-of-use assets	-	-	(7,969)	-	(7,969)
Exchange differences	(234)	(2,320)	(8,195)	-	(10,749)
Disposals	(2,974)	-	(4,001)	-	(6,975)
At 1 January 2020	**91,945**	**217,369**	**124,948**	**-**	**434,262**
Charge for the year	**3,395**	**14,766**	**6,251**	**-**	**24,412**
Elimination on construction contracts	**-**	**8**	**-**	**-**	**8**
Transfers to right-of-use assets	**-**	**-**	**(471)**	**-**	**(471)**
Exchange differences	**(333)**	**(25)**	**(1,723)**	**-**	**(2,081)**
Disposals	**(19,816)**	**-**	**(27,045)**	**-**	**(46,861)**
At 30 June 2020	**75,191**	**232,118**	**101,960**	**-**	**409,269**
Carrying Amount					
At 30 June 2020 (unaudited)	**187,294**	**288,043**	**97,653**	**292**	**573,282**
At 31 December 2019 (audited)	**221,487**	**298,992**	**106,278**	**292**	**627,049**

Land and buildings with a net carrying amount of US$0.2 million (31 December 2019: US$0.2 million) and plant and equipment with a net carrying amount of US$0.1 million (31 December 2019: US$0.2 million) have been pledged as collateral for various tax lawsuits.

The Group has pledged assets with a carrying amount of approximately US$261.4 million (31 December 2019: US$269.3 million) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2020 is US$1.7 million (31 December 2019: US$2.3 million), at an average interest rate of 2.29%.

On 30 June 2020, the Group had contractual commitments to suppliers for the acquisition and construction of property, plant and equipment amounting to US$9.4 million (31 December 2019: US$3.0 million). The amount mainly refers to investments in the Salvador container terminal with some smaller amounts related to the Rio Grande container terminal and Offshore support bases.

14 Financial assets at fair value through profit or loss

	Unaudited six months to 30 June 2020	Audited year to 31 December 2019

	US$'000	US$'000
Financial assets at fair value through profit or loss		
At 1 January	**298,840**	287,298
Additions, at cost	**13,407**	35,489
Disposals, at market value	**(32,980)**	(55,882)
Increase/(decrease) in fair value of trading investments held at period end	**(18,301)**	24,438
Profit on disposal of trading investments	**3,027**	7,497
At period end	**263,993**	298,840
Ocean Wilsons (Investments) Limited Portfolio	**263,993**	284,763
Wilson Sons Limited	**–**	14,077
Financial assets at fair value through profit or loss held at period end	**263,993**	298,840

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 the opportunity for investment 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 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).

15 Trade and other receivables

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Trade and other receivables		
Other non-current trade receivables	**248**	354
Amount receivable for the sale of services	**44,988**	47,991
Allowance for doubtful debts	**(517)**	(837)
Total current trade receivables	**44,471**	47,154
Prepayments	**4,078**	6,452
Insurance claim receivable	**1,461**	1,972
Other receivables	**1,685**	1,165
Total other current receivables	**7,224**	9,589
Total current and other trade receivables	**51,695**	56,743

Ageing of trade receivables	**Unaudited 30 June 2020 US$'000**	Audited 31 December 2019 US$'000
Current	**40,764**	37,146
From 0 – 30 days	**2,719**	7,641
From 31 – 90 days	**527**	1,434
From 91 – 180 days	**270**	694
More than 180 days	**708**	1,076

Total	**44,988**	47,991

Generally, interest of 1% per month plus a 2% 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 is 3.5 years, reassessed every 180 days. The measurement of the default rate considers 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.

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

16 Bank loans and overdrafts

	Annual Interest rate	**Unaudited 30 June 2020 US$'000**	Audited 31 December 2019 US$'000
Secured borrowings			
BNDES – FMM linked to US$[1]	2.07% – 5.00%	**147,149**	148,564
BNDES Real	6.26% – 8.54%	**42,589**	39,807
BNDES – FMM Real [1]	9.72%	**760**	1,064
BNDES – FINAME Real	4.50% – 6.00%	**5**	35
Total BNDES		**190,503**	189,470
Banco do Brasil – FMM linked to US$	2.00% – 3.00%	**76,714**	79,535
Bradesco – NCE – Real	7.70%	**36,735**	50,043
China Construction Bank – US$	3.87%	**12,998**	-
Itaú – NCE - Real	7.88%	**7,747**	15,930
Santander – Real	7.00%	**7,405**	-
Lombard Odier	1.21%	**2,400**	-
Total others		**143,999**	145,508
Total borrowings		**334,502**	334,978

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

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
The borrowings are repayable as follows:		
On demand or within one year	**51,386**	36,636
In the second year	**41,709**	41,492
In the third to fifth years inclusive	**96,625**	106,523
After five years	**144,782**	150,327
Total borrowings	**334,502**	334,978
Amounts due for settlement within 12 months	**51,386**	36,636
Amounts due for settlement after 12 months	**283,116**	298,342

Analysis of borrowings by currency:

	BRL US$'000	BRL linked to US Dollars US$'000	US Dollars US$'000	Total US$'000
30 June 2020 (unaudited)				
Bank loans	**108,239**	**223,863**	**2,400**	**334,502**
Total	**108,239**	**223,863**	**2,400**	**334,502**

31 December 2019 (audited)				
Bank loans	106,879	228,099	-	334,978
Total	106,879	228,099	-	334,978

Guarantees
Loans with BNDES and Banco do Brasil rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda or Wilport Operadores Portuários Ltda. For some contracts, the corporate guarantee is additional to a pledge of the respective tugboat or lien on the logistics asset.

The loan agreement for both the Salvador and Rio Grande container terminals from Bradesco for the purchase of equipment relies on a corporate guarantee from Wilport Operadores Portuários Ltda.

The loan agreement from Itaú for the purchase of equipment relies on a corporate guarantee from Wilport Operadores Portuários Ltda.

The loan agreement for the Rio Grande container terminal from Santander for the purchase of equipment relied on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda. until its prepayment in full on 6 November 2019.

Undrawn credit facilities
At 30 June 2020, the Group had available US$64.8 million (31 December 2019: US$104.3 million) of undrawn borrowing facilities in relation to (i) the Salvador container terminal expansion, (ii) the dry-docking, maintenance and repair of tugboats and (iii) the future construction of tugboats.

Covenants
Wilson, Sons de Administração e Comércio Ltda. ("WSAC") as corporate guarantor has to comply with annual loan covenants for Wilson Sons Estaleiros, Brasco Logística Offshore and Saveiros Camuyrano Serviços Marítimos S/A in respect of loan agreements signed with BNDES.

Wilport Operadores Portuários Ltda. as corporate guarantor for loan agreements signed with both Bradesco for Tecon Salvador S.A and Tecon Rio Grande and BNDES for 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 BNDES agreements the Salvador container terminal has to comply with the debt service coverage ratio covenant.

At 30 June 2020, the Company was in compliance with all covenants in the above mentioned loan agreements.

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

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Bank loans		
BNDES	**190,503**	189,470
Banco do Brasil	**76,714**	79,535
Bradesco	**36,735**	50,043
China Construction Bank	**12,998**	-
Itaú	**7,747**	15,930
Santander	**7,405**	-
Lombard Odier	**2,400**	-
Total	**334,502**	334,978

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 interest **30 June 2020**	30 June 2019

Towage			
Consórcio de Rebocadores Barra de Coqueiros [(3)]	Brazil	**50%**	50%
Consórcio de Rebocadores Baia de São Marcos [(3)]	Brazil	**50%**	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda [(3)]	Brazil	**50%**	50%
Offshore			
Wilson, Sons Ultratug Participações S.A. [(1)]	Brazil	**50%**	50%
Atlantic Offshore S.A. [(2)]	Panama	**50%**	50%

(1) 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.
(2) Atlantic Offshore S.A. controls South Patagonia S.A. This company is an indirect joint venture of Wilson Sons Limited.
(3) Joint Operations.

The Group’s interests in joint ventures are equity accounted for.

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Revenue	**60,025**	59,862
Raw materials and consumable used	**(3,498)**	(3,667)
Employee benefits expense	**(17,800)**	(20,484)
Amortisation of right-of-use assets	**(5,222)**	(5,136)
Depreciation and amortisation expenses	**(20,529)**	(19,883)
Other operating expenses	**(7,652)**	(6,074)
Loss on disposal of property, plant and equipment	**-**	(1)
Profits from operating activities	**5,324**	4,817
Finance income	**(359)**	450
Interest on lease liabilities	**(347)**	(675)
Finance costs	**(8,271)**	(8,328)
Foreign exchange gains/(losses) on monetary items	**(21,605)**	890
Loss before tax	**(25,258)**	(3,046)
Income tax credit/(expense)	**14,834**	1,832
Loss for the period	**(10,424)**	(1,214)
Participation (before non-controlling interests)	**50%**	50%
Equity result	**(5,212)**	(607)

	Unaudited 30 June 2020 US$'000	Audited 31 December 2019 US$'000
Right-of-use assets	**15,036**	1,160
Property, plant and equipment	**578,803**	596,213
Long-term investment	**2,103**	2,185
Other current assets	**10,871**	11,753
Trade and other receivables	**33,065**	34,517
Derivatives	**-**	3
Cash and cash equivalents	**23,341**	21,183
Total assets	**663,219**	667,014
Bank loans	**433,190**	440,561
Lease liabilities	**15,273**	(922)
Other non-current liabilities	**38,739**	39,884
Trade and other payables	**96,394**	92,640

Equity	**79,623**	94,851
Total liabilities	**663,219**	667,014

We have not provided separate disclosure of all material Joint Ventures because they belong the same economic group and are managed on a unified basis. Wilson Sons Limited holds a non-controlling interest in Wilson, Sons Ultratug Participações 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
Loan agreements of Wilson, Sons Ultratug Participações S.A. and its subsidiaries with the BNDES are guaranteed by a lien on the financed supply vessels and for the majority of contracts a corporate guarantee from both Wilson Sons Administração e Comércio and Remolcadores Ultratug Ltda, each guaranteeing 50% of its subsidiary's debt balance with the BNDES. Wilson Sons Administração e Comércio 50% share of the loan agreements amount to US$172.2 million.

Wilson, Sons Ultratug Participações S.A. subsidiary´s loan agreement with Banco do Brasil is guaranteed by a pledge on the financed offshore support 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 of US$2.2 million, classified as a long-term investment is required to be maintained until full repayment of the loan agreement. Wilson Sons Administração e Comércio 50% share of the loan agreements amount to US$26.6 million.

The loan agreements for Atlantic Offshore from Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB" for the financing of the offshore support vessels is guaranteed by a pledge on the vessels, the shares of Atlantic Offshore and a corporate guarantee for half of the credit from Wilson, Sons de Administração e Comércio Ltda. and Remolcadores Ultratug Ltda, which is the partner in the business, guarantee the other half of the loans. Wilson Sons Administração e Comércio 50% share of the loan agreements amount to US$11.2 million.

Covenants
At 30 June 2020, the Wilson, Sons Ultratug Participações S.A. subsidiary was in compliance with all covenant ratios with 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". At 30 June 2020, the subsidiary was in compliance with all loan agreement covenants.

18 Notes to the cash flow statement

	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000
Reconciliation from (loss)/profit before tax to net cash from operating activities		
(loss)/profit before tax	**(1,781)**	47,134
Share of joint venture results	**5,212**	607
Other investment income	**(923)**	(2,237)
Returns on investment portfolio at fair value through profit and loss	**13,761**	(22,827)
Finance costs	**11,413**	12,792
Exchange (gains)/losses on monetary items	**11,657**	(347)
Operating profit	**39,339**	35,122
Adjustments for:		
Amortisation of right-of-use assets	**5,312**	6,361
Depreciation of property, plant and equipment	**24,412**	25,058
Amortisation of intangible assets	**1,430**	1,703
Share based payment expense	**105**	200
Loss/(profit) on disposal of property, plant and equipment	**(295)**	119
Decrease in provisions	**25**	(983)

Operating cash flows before movements in working capital	**70,328**	67,580
Increase in inventories	**1,030**	(549)
Decrease in receivables	**5,923**	4,947
Decrease in payables	**(17)**	(955)
Decrease in other non-current assets	**16,527**	80
Cash generated by operations	**93,791**	71,103
Income taxes paid	**(12,635)**	(9,737)
Interest paid	**(12,656)**	(13,793)
Net cash from operating activities	**68,500**	47,573

19 Commitments

At 30 June 2020 the Group had entered into commitment agreements with respect to trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the outstanding commitments may be analysed as follows:

	Unaudited Outstanding at 30 June 2020 US$'000	Audited Outstanding at 31 December 2019 US$'000
Within one year	**2,269**	2,978
In the second to fifth year inclusive	**6,455**	4,453
After five years	**33,457**	32,222
Total	**42,181**	39,653

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.

20 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between the group and its associates, joint ventures and other investments are disclosed below.

	Dividends received/ Revenue from services		Amounts paid/ Cost of services	
	Unaudited six months to 30 June 2020 US$'000	Unaudited six months to 30 June 2019 US$'000	**Unaudited six months to 30 June 2020 US$'000**	Unaudited six months to 30 June 2019 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**–**	–	**(111)**	(168)
2. Consórcio de Rebocadores Barra de Coqueiros	**–**	–	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**129**	358	**(6)**	(198)
4. Wilson Sons Ultratug Participações S.A.	**263**	–	**–**	–
5. Atlantic Offshore S.A.	**–**	–	**–**	–
Others				
6. Hanseatic Asset Management LBG	**–**	–	**(1,343)**	(1,357)
7. Gouvêa Vieira Advogados	**–**	–	**(16)**	(24)
8. CMMR Intermediacao Comercial Limitada	**–**	–	**–**	(41)
9. Jofran Services	**–**	–	**(92)**	(87)

	Amounts owed by related parties	Amounts owed to related parties

	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000	Unaudited 30 June 2020 US$'000	Unaudited 30 June 2019 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**1**	–	**–**	(2)
2. Consórcio de Rebocadores Barra de Coqueiros	**45**	–	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**1,782**	2,024	**–**	–
4. Wilson Sons Ultratug Participações S.A.	**10,215**	10,172	**–**	–
5. Atlantic Offshore S.A.	**20,167**	20,167	**–**	–
10. Porto Campinas, Logística e Intermodal Ltda.	**10**	**–**	**–**	–
Others				
6. Hanseatic Asset Management LBG	**–**	–	**(235)**	(249)
7. Gouvêa Vieira Advogados	**–**	–	**–**	–
8. CMMR Intermediacao Comercial Limitada	**–**	–	**–**	–
9. Jofran Services	**–**	–	**–**	–

1. Mr A C Baião is a Director of Wilson Sons Limited and 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.

4. Related party loans with Wilson, Sons Ultratug Participações S.A. (interest – 0.3% per month with no maturity date) and other trade payables and receivables from Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A.

5. Related party loans with Atlantic Offshore S.A. (with no interest and with no maturity date).

6. 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.

7 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.

8. Mr C M Marote was a Director of Wilson Sons Limited and a shareholder and Director of CMMR Intermediacao Comercial Limitada. Fees were paid to CMMR Intermediacao Comercial Limitada for consultancy services.

9. Mr J F Gouvêa Vieira is a Director of Jofran Services. Directors' fees and consultancy fees were paid to Jofran Services.

10. Advance for future capital increase from Porto Campinas.

21 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 16, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings shown 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 from operating revenues.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Financial risk management objectives

The Wilson Sons 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. A financial risk committee meets regularly to assess financial risks and decide mitigation based on guidelines stated in the Wilson Sons financial risk policy. The primary objective is to minimise exposure to those risks by assessing and controlling the credit and liquidity risks. 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. 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 Wilson Sons 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 vehicles. 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. Regular credit evaluation is performed on the financial condition of accounts receivable.

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 in 30 days.

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 the objective 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.

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 rate 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 a FINAME credit line for port and logistics operations; and

- DI (Brazilian Interbank Interest Rate) for Brazilian Real denominated funding in logistics operations.

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.

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.

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 Wilson Sons management, which seeks to mitigate any loss from customers' delinquency.

Trade receivables consist of a large number of customers. Regular 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 bad debts. The allowance is booked whenever a loss is identified based on past experience, or if there 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 vehicles. The Board reviews all investments at its regular meetings from reports prepared by the Company's Investment Manager.

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 assets. The Group's approach in managing liquidity is to ensure that the Group always has sufficient liquidity to fulfil its obligations that expire, under normal and stressed conditions, to avoid 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.

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 30 June 2020. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

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