

Ocean Wilsons
Holdings Limited



Annual Report 2019

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

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Highlights

- Profit after tax for the year of US\$61.0 million was US\$27.2 million higher than the prior year (2018: US\$33.8 million) principally due to a strong performance from our investment portfolio.
 - The investment portfolio (including cash under management) increased US\$26.4 million to US\$285.3 million (2018: US\$258.9 million).
 - Operating profit fell 30.6% to US\$69.0 million (2018: US\$99.5 million) mainly due to lower revenue and weaker operating margins at the Group's towage and offshore support base businesses.
 - Profit after tax and operating profit was after an impairment charge on our offshore base business (Brasco) of US\$13.0 million.
 - Group revenue for the year was 11.8% lower at US\$406.1 million (2018: US\$460.2 million) principally due to a higher average USD/BRL exchange rate and a difficult trading environment.
 - Net cash inflow from operating activities for the year was US\$106.3 million (2018: US\$113.7 million).
 - Proposed dividend unchanged at US 70 cents per share (2018: US 70 cents per share).
 - Earnings per share for the year up by US 94.9 cents per share to US 132.5 cents (2018: US 37.6 cents per share).
- * Operating margins are defined as operating profit (excluding impairment charge) divided by revenue.

About Ocean Wilsons Holdings Limited

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

Wilson Sons Limited ("Wilson Sons") is a Bermuda company listed on the São Paulo Stock Exchange (BOVESPA) and Luxembourg Stock Exchange. At 31 December 2019 Ocean Wilsons holds a 58.16% interest in Wilson Sons which is fully consolidated in the Group accounts with a 41.84% non-controlling interest. Wilson Sons is one of the largest providers of maritime services in Brazil with over four thousand employees and activities including towage, container terminals, offshore oil and gas support services, small vessel construction, logistics and ship agency. Ocean Wilsons (Investments) Limited is a wholly owned Bermuda investment company and holds a portfolio of international investments.

Objective

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

Chairman's Statement

Introduction

A strong performance from our investment portfolio in the year was tapered by weaker trading results at our Brazilian businesses. Driven by rising equity markets, the investment portfolio was up 12.4% net of fees over the year to US\$285.3 million (2018: US\$258.9 million), outperforming its benchmark which rose 5.3%. The Brazilian economy continues to struggle with growth of approximately 1% per annum in each of the last three years following the 2015-16 crash, making it the worst recovery from recession on record. Against the backdrop of poor economic growth in Brazil, a difficult trading environment and a higher average US Dollar/Brazilian Real "USD"/ "BRL" exchange rate, revenue in USD terms fell 12% in the year. The key operational indicators at our container terminals and towage businesses both weakened against the 2018 comparative.

Operating volumes	2019	2018	% Change
Container Terminals			
(container movements in TEU '000s)*	1,027.3	1,072.7	(4.2%)
Towage			
(number of harbour manoeuvres performed)	53,088	56,114	(5.4%)
Offshore Vessels (days in operation)	5,128	5,126	0.0%

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

Significant progress was made in expanding the Salvador container terminal during the year. The civil works to extend the terminal's principal quay from 377 metres to 800 metres are now more than 80% complete and we expect to finish the quay extension by the second half of 2020. This will allow the simultaneous berthing of two super-post-Panamax ships at our terminal and is an important development in improving our operational efficiency and development of our facilities. This important investment reflects the Group's ongoing commitment to support our customers and maintain the port of Salvador as an engine for creating jobs and reinforcing economic growth in the state of Bahia. During 2019 the Group received US\$29.7 million in loans from the Brazilian Economic and Social Development Bank to provide financing for the civil works of the terminal's expansion. Container volumes handled at our Salvador container terminal in 2019 grew 4% over the prior year to 334,400 TEUs (2018: 322,700 TEUs) driven by higher international trade, cabotage and transshipment movements. Container volumes handled at the Rio Grande container terminal at 692,900 TEUs, were 57,100 TEU's lower than the prior year, (2018: 750,000 TEUs) mainly due to a 68,900 TEU reduction in transshipment volumes which were impacted by the cancellation of two feeder services from Argentina that migrated to other ports in the first quarter of the year. Revenue from our offshore oil and gas support bases remained disappointing as demand from the offshore oil sector remains soft. As a result an impairment of \$13.0 million was recorded by Brasco in the year against goodwill and intangibles.

The number of harbour towage manoeuvres performed in the year was 5% lower at 53,088 (2018: 56,114) due to the competitive environment and a reduction in iron ore exports from Brazil. Towage market over-capacity caused by a weak demand from the offshore oil and gas industry continues to influence both volumes and prices in harbour towage although we did see some improvement in prices later in the year. Wilson Sons remains the leading supplier of towage services in Brazil with a fleet of seventy-five tugboats

operating in the principal ports and terminals of the country. During the year, Wilson Sons shipyards in Guarujá, São Paulo state, delivered another tugboat to our fleet, the escort tug WS Aries, which joins the WS Sirius (delivered in 2018) as the two most powerful tugboats operating in Brazil. The WS Aries has 90 tons bollard pull and a render recovery winch, which allows for the automatic control of maximum pull on the towline while keeping the tow length constant. With more advanced technology and power available, WS Aries offers a greater range of options during operations making for a safer operating environment. The Group now operates four tugboats equipped and certified as escort vessels, which means that the towline can be used at cruising speeds and the vessels can operate more than 100 nautical miles offshore.

The market for small vessel construction in Brazil remains weak with shipyard third-party work restricted to dry-docking repair and maintenance operations in the year. The shipyard will continue to provide important vessel construction and maintenance services for our towage and offshore vessel fleets.

The number of operating days at our offshore vessel joint venture, Wilson Sons Ultratug Offshore, at 5,128 were in line with the prior year (2018: 5,126) although revenue was 3% higher due to a higher average daily rate from annual contractual adjustments and improved contract mix with higher specification vessels in operation. Our joint venture continues to explore alternative revenue streams for our off-hire vessels. During the year the platform support vessels ("PSV") Ostreiro and Fulmar commenced new three-year contracts to provide shallow-water diving support services. In addition the PSV Talha-Mar started a new two-year contract with PetroRio and PSV Biguá signed a new short-term contract with Seaseep. At the year end, the joint venture had a fleet of 23 offshore support vessels ("OSVs") of which 17 were under contract, with the remainder available in the Brazilian spot market or laid up until market conditions improve.

While the Wilson Sons long-term vision and business unit strategies remain unchanged, we have decided to give greater emphasis to the Wilson Sons trademark in the branding of the businesses to make them more easily identifiable. The roll out will take place throughout 2020.

Results

Profit for the year at US\$61.0 million was US\$27.2 million higher than the prior year (2018: US\$33.8 million) primarily due to a US\$42.7 million positive movement in returns from the investment portfolio, reduced foreign exchange losses on monetary items of US\$0.1 million (2018: US\$8.4 million) and better results from our joint ventures with a US\$0.6 million attributable profit (2018: US\$4.1 million loss). Results were adversely impacted by a US\$30.5 million decrease in operating profit and a US\$4.8 million increase in finance costs. Operating profit at US\$69.0 million (2018: US\$99.5 million) fell due to lower revenue which was down 12% in USD terms, softer operating margins (excluding impairment charges) which at 20.2% were 1.4% lower than the prior year (2018: 21.6%) and an impairment of US\$13.0 million recorded by Brasco in the year as we took a more conservative approach to valuation. Group operating margins were impacted by weaker margins at the Group's towage and offshore support base businesses. The fall in Group revenue to US\$406.1 million (2018: US\$460.2 million) is primarily due to a higher

average USD/BRL exchange rate and a difficult trading environment. Earnings per share for the year rose to 132.5 cents compared with 37.6 cents in 2018.

Investment portfolio performance

The investment portfolio produced a good performance in the year increasing US\$26.4 million to US\$285.3 million (2018: US\$258.9 million) after paying dividends of US\$4.75 million to Ocean Wilsons Holdings Limited and deducting management and other fees of US\$3.4 million. This represents a time-weighted net return in the year of 12.1% compared with the performance benchmark of 5.3%. Over the three-year period of the performance benchmark, the portfolio produced a time-weighted net return of 7.8% per annum compared with the performance benchmark of 5.1% per annum resulting in a US\$0.7 million performance fee payable to the Investment Manager.

Portfolio returns in the year were driven by the strong performance of global equity markets, which rose 26.6% in the year (MSCI ACQI +FM NR Index). The investment portfolio is weighted towards global equities, which at the year end comprised 56% of the portfolio valuation (US\$160.3 million), with private equity investments accounting for 33% (US\$95.3 million) and the balance invested in diversifying hedge funds, cash and bonds. Our portfolio of private equity investments produced a net cash inflow to the portfolio of US\$0.1 million in the year with US\$10.5 million in capital and profit distributions and new capital drawdowns of US\$10.4 million. The portfolio retains an over-weight bias to emerging markets which accounted for 33% of the investment portfolio net asset value ("NAV") at the year end.

At 31 December 2019 the top ten investments account for 44% of the investment portfolio valuation (US\$124.6 million).

Investment Manager

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

Investment management fee

The Investment Manager receives an investment management fee of 1% of the valuation of funds under management and an annual performance fee of 10% of the net investment return which exceeds the benchmark, provided that the high-water mark has been exceeded. The portfolio performance is measured against a benchmark calculated by reference to US CPI plus 3% per annum over rolling three-year periods. Payment of performance fees are subject to a high-water mark and are capped at a maximum of 2% of the portfolio NAV. The Board considers a three-year measurement period appropriate due to the investment mandate's long-term horizon and an absolute return inflation-linked benchmark appropriately reflects the Company's investment objectives while having a linkage to economic factors.

In 2019 the investment management fee paid was US\$2.8 million (2018: US\$2.7 million) and a US\$0.7 million performance fee is payable to the Investment Manager (2018: nil).

Net asset value

At the close of markets on 31 December 2019, the Wilson Sons' share price was R\$44.79 (US\$11.13), resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.16% of Wilson Sons) totalling approximately US\$461.2 million which is the equivalent of US\$13.04 (£9.84) per Ocean Wilsons share.

Adding the market value per share of Wilsons Sons of US\$13.04 and the investment portfolio at 31 December 2019 per share of US\$8.07 results in a net asset value per Ocean Wilsons Holdings Limited share of US\$21.11 (£15.92) per share. The Ocean Wilsons Holdings Limited share price of £9.90 at 31 December 2019 represented an implied discount of 38% which is higher than the historic long-term discount.

Dividend

The Board is recommending an unchanged dividend of US 70 cents per share to be paid on 5 June 2020, to shareholders of the Company as of the close of business on 11 May 2020. Shareholders will receive dividends in Sterling by reference to the exchange rate applicable to the USD on the dividend record date (11 May 2020) except for those shareholders who elect to receive dividends in USD. Based on the current share price and exchange rates a dividend of US 70 cents per share represents an attractive dividend yield of approximately 5.3%.

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

Strategic review

On 24 July 2019 we announced that our principal operating subsidiary, Wilson Sons Limited, had concluded the formal process to evaluate strategic alternatives involving its container terminal and logistics assets. The board of directors of Wilson Sons decided not to engage in any transaction at that time.

Brexit

Shareholders will be aware that the United Kingdom ("UK") left the European Union ("EU") on 31 January 2020 and that 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 surrounding the outcome that the consequent risks and potential opportunities for the Company are difficult to assess. Since the Company is domiciled in Bermuda and does not operate directly within the EU and Ocean Wilsons (Investments) Limited invests the majority 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 the investments vehicles participate and where the Company's shares are traded on the London Stock Exchange.

Chairman's Statement

Charitable donations and corporate sponsorship

The Group's subsidiary Wilson Sons continues to support several local charities and causes in Brazil. Group donations for charitable and sponsorship purposes in the year including amounts paid through fiscal incentive laws amounted to US\$581,000 (2018: US\$670,000). Wilson Sons sponsors a number of projects through the Brazilian sports incentive and Brazilian cultural incentive laws. The Group's objective is to promote private social investment in projects, actions and social programmes related to respecting and valuing life with a focus on young people, promoting social inclusion and development.

Health, safety and environmental practices

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

The Group has achieved considerable success in reducing its accident rates through the WS+ safety programme in partnership with DuPont to promote improved safety throughout the Wilson Sons Group. Our HSE guidelines are based on the concepts of continuous improvement, relationship with stakeholders, risk management and training. Although we have achieved a world-class level of safety, Wilson Sons continues to work on improving safety performance and work practices to prevent future accidents. Our long-term goal is to maintain the lost-time injury frequency rate below or equal to 0.5 lost-time injury accidents per million hours worked and achieve an interdependent safety management culture in which everyone is aware of the safety agenda and concerned not only with their own safety but also with those around them.

We are now looking to focus excellence in environmental management as part of the Group's strategic objectives. In this context, excellence means using resources rationally and efficiently, managing environmental risks and liabilities, understanding and engaging with environmental interests of stakeholders with integrity, as well as planning and achieving financial performance targets aligned with environmental commitments. We are improving our understanding of the environmental aspects and impacts of our activities through Wilson Sons developing an Environmental Management Index ("EMI") based on current best practices to improve our measurement and understanding of our environmental impact.

Corporate governance

The Board has established corporate governance arrangements which it believes are appropriate for the operation of the Company. The Board has considered the principles and recommendations of the 2018 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons is an investment holding company incorporated in Bermuda with significant operations in Brazil. The Company complies with the Code where it is appropriate for both its shareholders and

its business to do so. It has done so throughout the year and up to the date of this report but it does not fully comply with the Code. The areas where the Company does not comply with the Code, and an explanation of why, are contained in the section on corporate governance in the Annual Report. The position is regularly reviewed and monitored by the Board.

Following the retirement of Mr A Rozental as a director at the Annual General Meeting in June 2019, the Company has retained Trust Associates Limited, an executive search firm to help identify two new independent non-executive directors. One new independent non-executive director will be appointed by the Board prior to the next Annual General Meeting and a resolution proposed for shareholders to approve this appointment at the next Annual General Meeting. Directors are currently subject to re-election every 3 years. The Board will propose a resolution to be approved by shareholders at the next Annual General Meeting that all Directors should be subject to annual re-election.

New Board Appointment

I am pleased to announce the appointment of Fiona Beck as an independent non-executive director of the Company with effect from 13 April 2020. Ms Beck, who is based in Bermuda, will be subject to election as a director at the Company's next Annual General Meeting.

Outlook

While the Brazilian economy has continued to struggle since the recession of 2015-16 the prospects for 2020 had appeared more positive with the government making important progress with its reform agenda to control public expenditure and open up the economy. However the recent developments of the COVID-19 and its possible impacts on global trade are concerning. Interest rates are at a new low of 4.50% and the Brazilian government has raised forecast growth for the current year to 2.1% but is subject to increasing uncertainty. The expansion of the Salvador container terminal which started in 2018 is forecast for completion by the second half of 2020. The completed terminal expansion will further develop and improve this important asset and enhance our operational capability. Due to the impact of the COVID-19 outbreak, we are already seeing some reduction in forecast container volumes to be received from China at our container terminals in March and April. While the full impact from the COVID-19 outbreak on economic activity and global trade volumes with the associated implications for our businesses is still uncertain it is increasingly concerning. The Brazilian towage market remains highly competitive however we have been encouraged by some firming of prices in 2019. We remain confident in the strength of our towage business.

Demand from the Brazilian offshore oil and gas market remains subdued with 2020 expected to be another difficult year for the industry. Based on activity in the past and the successful oil field auctions in recent years we are optimistic about some recovery in the offshore oil and gas market from 2022 onwards. The shipyard orderbook consists of 21 dry-docking operations scheduled for 2020, including 10 tugboats for Wilson Sons, 10 tugboats for third parties, and one PSV for our offshore support vessel joint venture. Since year end the oil price has dropped almost 50% and the BRL has devalued substantially against the USD. If the continued weakness in the BRL is maintained during 2020 this will negatively impact our bottom line earnings in the year. The last

few years have been difficult for Brazil and the Group with 2020 continuing to present a number of challenges. However the solid performances delivered by the Group over the years means we are confident in the strength of our Brazilian businesses and believe that we are well positioned to face the coming challenges and take advantage of business opportunities as they arise.

2019 closed on a high note with some global equity markets setting fresh record highs as concerns surrounding geopolitical risks eased. Stock markets have already slumped on investor concerns about how COVID-19 is affecting consumer demand, manufacturing supply chains and major economies around the world, with its full impact still unknown. Importantly whilst growth is still subdued, we do not see the factors in place which are normally associated with a recession.

We continue to see value offered by a number of the emerging markets with attractive valuations by historic standards. Emerging market central banks cut interest rates during 2019 in many cases and we expect to see further rate cuts in the current year, as growth remains low and inflation pressures are modest. However any disruption to global supply chains could have an adverse impact on commodity prices with associated consequences for emerging markets.

Management and staff

On behalf of the Board and shareholders, I would like to thank our management and staff for their efforts and hard work during the year.

J F Gouvêa Vieira

Chairman

12 March 2020

Financial Review

Operating profit

Operating profit after an impairment charge of US\$13.0 million was US\$30.5 million lower than prior year at US\$69.0 million (2018: US\$99.5 million) principally due to lower revenue and operating margins for the year. Brasco our oilfield services based continues to experience difficult trading conditions in the near term. An impairment of \$13.0 million was recorded in the year as a result of a more conservative approach to valuation, see note 13 for further details. Operating margins for the year excluding the impairment declined to 20.2% (2018: 21.6%) principally due to poorer margins at the Group's towage and offshore support base businesses. Excluding the impacts of IFRS 16, operating profit in the current period would have fallen to US\$59.8 million and margins to 18.0%. IFRS 16 principally impacts our container terminal, offshore support base and logistics businesses (further details provided below).

Raw materials and consumables used were US\$12.8 million lower at US\$25.3 million (2018: US\$38.1 million) reflecting lower shipyard activity. Employee expenses were US\$6.0 million lower at US\$140.3 million (2018: US\$146.3 million) due to the effect of the stronger average USD/BRL exchange rate and lower headcount. The headcount at the year end was 3,939 compared with 4,103 in 2018. Employee expenses rose in BRL terms mainly due to the rollback during 2018 of some temporary payroll exemptions. Employee expenses as a percentage of revenue rose from 32% in 2018 to 35% in the current year. Other operating expenses were US\$27.2 million lower at US\$92.6 million (2018: US\$119.8 million) as a result of the stronger average USD/BRL exchange rate and a US\$21.0 million adjustment from the implementation of IFRS 16 relating to operating lease and container handling expenses that were previously included in other operating expenses. Amortisation of right-of-use assets (US\$12.4 million) relates to the right-of-use assets recognised under IFRS 16 from 1 January 2019. The depreciation and amortisation expense at US\$53.7 million was US\$2.5 million lower than the comparative period (2018: US\$56.2 million).

Revenue from Maritime Services

Group revenue for the year in BRL terms decreased by 5% while in USD terms revenue was 12% lower at US\$406.1 million (2018: US\$460.2 million). The fall in revenue is principally due to the higher average USD/BRL exchange rate and a difficult trading environment. Towage revenue at US\$159.5 million was US\$6.1 million lower than the prior year (2018: US\$165.6 million) as results continued to be impacted by the competitive towage environment although there was some firming of prices in the year. The competitive environment and lower iron ore exports from Brazil resulted in harbour towage manoeuvres performed in the year declining 6% to 53,088 (2018: 56,114). Additionally towage revenue was impacted by a US\$2.1 million fall in income from special operations to US\$11.1 million (2018: US\$13.2 million). The project based nature of special towage operations (ocean towage, shipyard support, firefighting and salvage assistance) means revenue streams are more unpredictable than harbour towage. Ship agency revenue at US\$9.2 million was 7% lower than the prior year (2018: US\$10.0 million).

Port terminals revenue at US\$187.2 million was US\$16.6 million lower than the prior year, (2018: US\$203.8 million) principally due to the higher average USD/BRL exchange rate. Container volumes handled fell 4% to 1,027,300 TEUs (2018: 1,072,700 TEUs) mainly due to a 68,900 reduction in lower priced transshipment volumes moved through our Rio Grande terminal. Due to the decrease in container volumes handled, lower import warehouse revenue and the higher average USD/BRL exchange rate in the year container terminal

revenue declined 8% to US\$167.8 million (2018: US\$183.0 million). Despite vessel turnarounds in the year increasing 14% to 762 (2018: 670) revenue at our offshore support base decreased US\$1.4 million to US\$19.4 million (2018: US\$20.8 million) mainly due to currency impacts.

Revenue at our logistics business was 20% lower at US\$45.7 million (2018: US\$56.9 million) primarily as a result of the ending of a large warehousing contract at one of our logistics centres and the higher average USD/BRL exchange rate. Third-party shipyard revenue was US\$19.5 million lower at US\$4.5 million (2018: US\$24.0 million) due to the poor market for small vessel construction in Brazil with third party work restricted to dry-docking repairs and maintenance operations in the period. However, the shipyard continues to provide important vessel construction and maintenance services for our towage and offshore vessel fleets.

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

IFRS 16 – Leases

As at 1 January 2019 the Group adopted the new accounting standard IFRS 16 which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Following the standard coming into effect, leases have been recorded as assets and liabilities (right-of-use assets and financial lease liabilities). The Group used the modified retrospective approach, meaning assets and liabilities recognised are equal at the point of application and that comparatives for the 2018 financial statements were not restated. Therefore for comparison purposes the principal impacts of IFRS 16 on the income statement for the year ended 31 December 2019 are:

	Positive/(negative) 2019 US\$ million
Other operating expenses	21.2
Depreciation and amortisation	(12.0)
Operating profit	9.2
Finance costs	(15.8)
Deferred tax	1.7
Profit for the period	(4.9)

Circular from the Brazilian Securities and Exchange Commission ("CVM").

On the basis of guidelines contained in CVM/SNC/SEP Memorandum Circular No. 02/2019 of the 18 December 2019, which establishes accounting procedures related to the measurement method of lease liabilities, the Group has restated the initial amounts of lease liabilities and right-of-use assets on the first-time adoption. According to the CVM the lease liabilities must be measured at the present value of the remaining lease payments, gross of PIS and COFINS credits, discounted based on incremental interest rates. IFRS is silent regarding the treatment of PIS and COFINS. In the interim statement the Group disclosed the initial amounts of lease liabilities on the first-time adoption considering the remaining lease payments, net of PIS and COFINS.

The principal impacts on the Group's balance sheet at 31 December 2019 are the recognition of a right-to-use asset of US\$189.0 million and finance lease liabilities of US\$194.1 million.



Civil works to extend the Salvador container terminal's principal quay from 377 metres to 800 metres are now more than 80% complete and we expect to finish the quay extension by the second half of 2020.

Financial Review

Further details of right-of-use assets and lease liabilities are shown in Note 14 to the accounts.

Share of results of joint ventures

The share of results of joint ventures is Wilson Sons' 50% share of net profit for the period from our offshore joint ventures. Operating profit for a 50% share in the joint ventures in the year increased US\$4.6 million to US\$8.9 million compared to US\$4.3 million in 2018. Revenue was 12% higher at US\$65.5 million (2018: US\$58.5 million) while operating days at 5,128 days were in line with the prior year (2018: 5,126). The improved operating profit, lower exchange losses on monetary items and an income tax credit in the period resulted in a profit for the year of US\$0.6 million (2018: US\$4.1 million loss). At the year end, our joint ventures had 17 offshore support vessels under contract out of a total fleet of 23.

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

Returns on the investment portfolio of US\$34.7 million (2018: US\$7.9 million loss) comprise realised profits on the disposal of financial assets at fair value through profit or loss of US\$7.5 million (2018: US\$8.6 million), income from underlying investment vehicles of US\$2.8 million (2018: US\$2.1 million) and unrealised gains on financial assets at fair value through profit or loss of US\$24.4 million (2018: US\$18.7 million loss).

Other investment income

Other investment income for the year rose US\$1.9 million to US\$6.1 million (2018: US\$4.2 million). Lower interest on bank deposits of US\$1.7 million (2018: US\$3.6 million) was more than offset by other interest income of US\$4.3 million (2018: US\$0.6 million). Interest on bank deposits fell due to lower interest rates during the year. Other interest of US\$4.3 million includes monetary correction on the judicial deposits of US\$2.8 million and US\$0.6 million on tax credits.

Finance costs

Finance costs for the year at US\$27.7 million were US\$4.7 million higher than the prior year (2018: US\$23.0 million) as interest on lease liabilities increased US\$15.8 million to US\$15.9 million (2018: US\$0.1 million) due to the impact of adopting IFRS 16. Exchange losses on foreign currency borrowings were US\$9.2 million lower at US\$0.8 million (2018: US\$10.0 million) as the BRL depreciated less against the USD in 2019 compared with 2018 and the Group has reduced borrowings in currencies other than the functional currencies of the subsidiaries. Interest on bank loans and overdrafts decreased US\$1.5 million to US\$10.8 million (2018: US\$12.3 million) due to lower variable interest rates.

Exchange rates

The Group reports in USD and has revenues, costs, assets and liabilities in both BRL and USD. Therefore movements in the USD/BRL exchange rate influence the Group's results both positively and negatively from year to year. During 2019 the BRL depreciated 4% against the USD from R\$3.87 at 1 January 2019 to R\$4.03 at the year end. In 2018 the BRL depreciated 17% against the USD from R\$3.31 at 1 January 2018 to R\$3.87 at the year end. The principal effects from the movement of the BRL against the USD on the income statement are set out in the table below:

	2019 US\$ million	2018 US\$ million
Exchange gains on monetary items (i)	(0.6)	(8.5)
Exchange losses on foreign currency borrowings	(0.8)	(10.0)
Deferred tax on retranslation of fixed assets (ii)	0.6	(9.8)
Deferred tax on exchange variance on loans (iii)	(2.0)	10.1
Total	(2.8)	(18.2)

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

The movement of the BRL against the USD in 2019 resulted in a negative impact of US\$2.8 million on the income statement in the year compared with a US\$18.2 million negative impact in 2018.

A currency translation adjustment loss of US\$11.1 million (2018: US\$39.4 million) on the translation of operations with a functional currency other than USD is included in other comprehensive expense for the year and recognised directly in equity.

The average USD/BRL exchange rate during 2019 was 8% higher than prior year at 3.95 (2018: 3.66). A higher average exchange rate negatively affects BRL denominated revenues and positively impacts BRL denominated costs when converted into our USD reporting currency.

Profit before tax

Profit before tax for the year increased US\$22.3 million to US\$82.5 million compared to US\$60.2 million in 2018. The improvement in profit before tax is primarily due to the US\$42.7 million positive movement in returns from the investment portfolio, a US\$4.6 million improvement in share of results from joint ventures and an US\$8.4 million positive movement in foreign exchange losses on monetary items. This was partially offset by the US\$30.5 million decrease in operating profit and a US\$4.1 million increase in finance costs.



The Wilson Sons tug Uranus. Wilson Sons is the leading harbour and ocean towage operator in Brazil, with 75 tugboats operating in all major ports and terminals of Brazil.

Financial Review

Taxation

Although taxable profit was US\$22.3 million higher at US\$82.5 million, (2018: US\$60.2 million), the tax charge for the year at US\$21.5 million was US\$4.9 million lower than prior year (2018: US\$26.4 million). This represents an effective tax rate for the year of 26.0% (2018: 43.9%) compared with the corporate tax rate prevailing in Brazil of 34%. The difference in the effective tax rate in 2019 from the Brazilian corporate tax rate is principally due to income arising from the investment portfolio held by Ocean Wilsons (Investments) Limited in Bermuda that is not subject to income tax. The improvement of 17.9% in the current year effective tax rate of 26.0% compared with the prior year effective tax rate of 43.9% is principally because in 2018 there were losses at our Bermudian companies that were not deductible for income tax purposes compared with net profits in the current year. In the current year, income arising in Bermuda improved the effective tax rate by 11.6% and in 2018 net expenses in Bermuda adversely impacted the effective tax rate by 8.0%. The remaining difference in the effective tax rate is due to deferred tax items and expenses that are not included in determining taxable profit in Brazil. The net impact of these items on the effective tax rate in the year at -3.6% are higher than the prior year (-1.9%) while both deferred tax items and expenses not included in determining taxable profit are lower in the current year mainly due to lower exchange rate movements in the income statement.

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

	2019		2018	
	US\$	% of	US\$	% of
	million	taxable	million	taxable
		profit		profit
Deferred tax items not included in determining taxable profit (i)	(1.2)	(1.5%)	4.6	7.7%
Net expenses not included in determining taxable profit (ii)	(1.7)	(2.1%)	(5.8)	(9.6%)
Net income/(expenses) incurred outside Brazil	9.5	11.6%	(4.8)	(8.0%)
Total	6.6	8.0%	(6.0)	(9.9%)

Charge/(credit) to the current period tax charge

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

A more detailed breakdown is provided in note 10.

Profit for the year

Profit attributable to equity holders of the parent company for the year is US\$46.9 million (2018: US\$13.3 million) after deducting profit attributable to non-controlling interests of US\$14.2 million (2018: US\$20.5 million). Profit attributable to non-controlling interests at 23% of the Group profit for the year are a lower percentage than prior year (2018: 61%) because the profits or losses from the investment portfolio accrue solely to the equity holders of the parent company.

Earnings per share

Earnings per share for the year was US 132.5 cents compared with US 37.6 cents in 2018.

Cash flow

Net cash inflow from operating activities for the period at US\$106.3 million was US\$7.4 million lower than prior year (2018: US\$113.7 million) mainly due to the lower operating profit in the year. Capital expenditure in the year at US\$85.7 million was US\$26.1 million higher than the prior year (2018: US\$59.6 million) principally due to increased expenditure on the expansion of Wilson Sons Salvador container terminal. The Group drew down new loans of US\$113.6 million (2018: US\$9.4 million) to finance capital expenditure, while making loan repayments of US\$85.9 million in the year (2018: US\$54.2 million). Dividends of US\$24.8 million were paid to shareholders (2018: US\$24.8 million) with a further US\$16.5 million paid to non-controlling interests in our subsidiaries (2018: US\$16.1 million).

Cash and cash equivalents at 31 December 2019 increased US\$25.2 million from the prior year end to US\$69.0 million, (2018: US\$43.8 million) of which US\$35.7 million was denominated in Brazilian Real (2018: US\$28.2 million). Wilson Sons Limited held a further US\$14.1 million in USD denominated fixed rate certificates which are classified as financial assets at fair value through profit or loss (2018: US\$29.1 million) which are not part of the Group's investment portfolio managed by Hanseatic Asset Management LBG and are intended to fund Wilson Sons Limited.

Balance sheet

Equity attributable to shareholders of the parent company at the balance sheet date was US\$15.6 million higher at US\$569.8 million compared with US\$554.2 million at 31 December 2018. The main movements in equity in the year were profits for the period of US\$46.9 million, less dividends paid of US\$24.8 million and a negative currency translation adjustment of US\$6.5 million. The currency translation adjustment arises from exchange differences on the translation of operations with a functional currency other than USD. On a per share basis, equity attributable to shareholders represents the equivalent of US\$16.11 per share (31 December 2018: US\$15.67 per share).



A platform support vessel unloading pipes. At the year end our joint venture, Wilson Sons Ultratug Offshore had a fleet of 23 offshore support vessels of which 17 were under contract.

Financial Review

Net debt and financing

All debt at the year end was held in the Wilson Sons group with no recourse to the parent company, Ocean Wilsons Holdings Limited, or the investment portfolio held by Ocean Wilsons (Investments) Limited. The Group's borrowings are used principally to finance vessel construction and the development of our container terminal business.

Borrowings are long-term with defined repayment schedules payable over different periods of up to 18 years. At 31 December 2019 all the Group's borrowings are denominated in BRL with 68% linked to the USD and the remaining 32% denominated in BRL. The Group's borrowings denominated in BRL linked to the USD loans are fixed rate loans while BRL denominated debt is variable rate. A significant portion of the Group's Brazilian pricing is denominated in USD which acts as a natural hedge to our long-term exchange rate exposure. In addition to borrowings the Group has lease liabilities of US\$194.1 million (2018: US\$0.1 million). The increase in lease liabilities in the year is due to the Group's adoption of the new accounting standard IFRS 16 in 2019 which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Net debt including lease liabilities at 31 December 2019 was US\$446.0 million (2018: US\$234.4 million) as set out in the following table:

	2019	2018
	US\$ million	US\$ million
<i>Debt</i>		
Short-term	58.6	60.2
Long-term	470.5	247.1
Total debt	529.1	307.3
Cash and cash equivalents*	(83.1)	(72.9)
Net debt	446.0	234.4

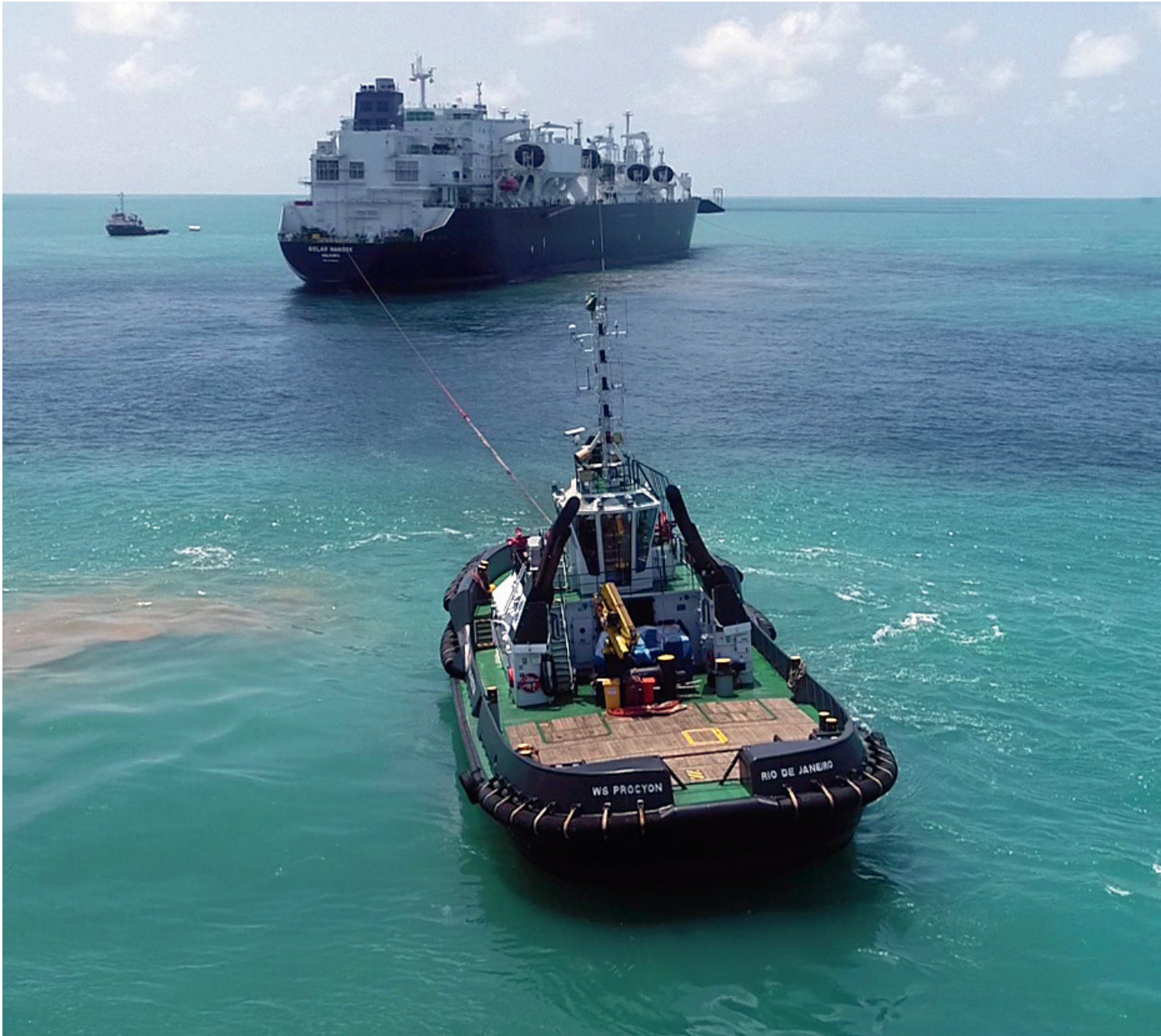
* Included in cash and cash equivalents are US\$14.1 million of short-term investments held by Wilson Sons Limited which are intended to fund Wilson Sons Limited's operations in Brazil.

The Group's reported borrowings do not include US\$220.3 million of debt from the Company's 50% share of borrowings in our Offshore Vessel joint venture.

Keith Middleton

Finance Director

12 March 2020



The tugboat Procyon manoeuvring a vessel.

Wilson Sons Limited

The Wilson Sons 2019 Earnings Report released on 13 March 2020 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

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

"Wilson Sons 2019 EBITDA of US\$141.3 million decreased 12.0% against 2018 (US\$160.6 million) which, after an impairment charge of US\$13.0 million against goodwill and intangible assets of the offshore support bases (Brasco) and positive effects of changes to IFRS 16, is largely due to reduced container terminal and towage results.

Container terminal results declined as economic growth in Brazil remains sluggish. The Salvador terminal reported a 3.7% increase in operating volumes with 13.9% growth in import volumes benefitting the cargo mix. Civil works at Salvador to extend the terminal's principal quay were 90% complete on 9 March 2020. The expansion project is a priority investment of the Brazilian government's Investment Partnership Program (PPI) and is critical to the Bahia state economy. The extended 800-metre quay will allow the simultaneous berthing of two super-post-Panamax ships, facilitating access to the port and the largest economy in the northeast of Brazil. The Rio Grande terminal reported weaker volumes affected by reduced transshipment cargo with the loss of two feeder services in 1Q19.

Towage results continued to feel the temporary reduction of iron ore exports and a very competitive environment affecting volumes. During the quarter the division signed a R\$42.6 million financing agreement to be used for dry-docking, repair and maintenance of 34 tugboats between 2019 and 2020.

Our oil services businesses including support bases and offshore support vessels ("OSV") still face weak demand, although we expect a recovery in the medium term. We continue to explore alternative revenue streams for our off-hire vessels and base areas, which are well positioned to profit from the expected recovery in the industry over the next couple of years, although we have taken a more conservative approach to impairment evaluation of the offshore support bases (Brasco) to record an impairment of US\$13.0 million on goodwill and intangible assets. Since year end the oil price has dropped almost 50.0% and the BRL devalued 16.0% against the USD at the time of writing.

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

The Wilson Sons Strategy

The Wilson Sons strategy is to grow utilising our skills and existing assets while strengthening the businesses and looking for new opportunities, focusing on Brazil and Latin America. We continue to consolidate our position in all the segments in which we operate, maximising economies of scale and efficiency, quality and the range of services we provide to customers. The strategy comprises:

Utilising capacity at our container terminals. In order to meet demand from domestic and international trade, we have expanded both our container terminals since the beginning of the concessions. By maximising installed capacity utilisation, we are able to improve productivity and levels of service to our clients through economies of scale. We will diligently pursue this objective.

The early renewal of the Salvador terminal concession through to 2050 includes investments in quay extension and equipment, further enhancing terminal productivity. Additionally, we will evaluate new concessions and the possible development of new terminals to provide a strong return on shareholders' equity.

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

Strengthening our position as the leading provider of towage services in Brazil. We continue to modernise and expand our tugboat fleet in order to consistently provide high-quality services to our customers and consolidate our leading position in the Brazilian towage market. We also look to contribute to the expansion of activities in Brazilian ports, offering state-of-the-art vessels that are suitable for operating new classes of ships, as well as for the oil and gas industry. We regularly review our fleet deployment to optimise efficiency and to seek out new market niches where we can provide additional services or expand our geographical footprint to new ports in Brazil.

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

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

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

Increasing economies of scale, productivity, synergies and cost savings across our businesses. We continuously seek to optimise our operations, productivity and reduce costs through synergies among our businesses. We will continue to be focused on integrating similar activities, especially in our branch offices, to achieve economies of scale and reduce costs wherever possible.

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

Investment Portfolio

Investment objective

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

Investment Policy

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

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

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

Investment Process

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

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

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

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

Portfolio Characteristics

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

Investment Manager’s Report

Market backdrop

2019 turned out to be a Goldilocks year for world stock markets with positive performance experienced across both risk assets, in particular equities, and defensive assets such as bonds and gold. Notably in March markets notched up the 10th anniversary of the current bull market making this cycle one of the longest in recent history.

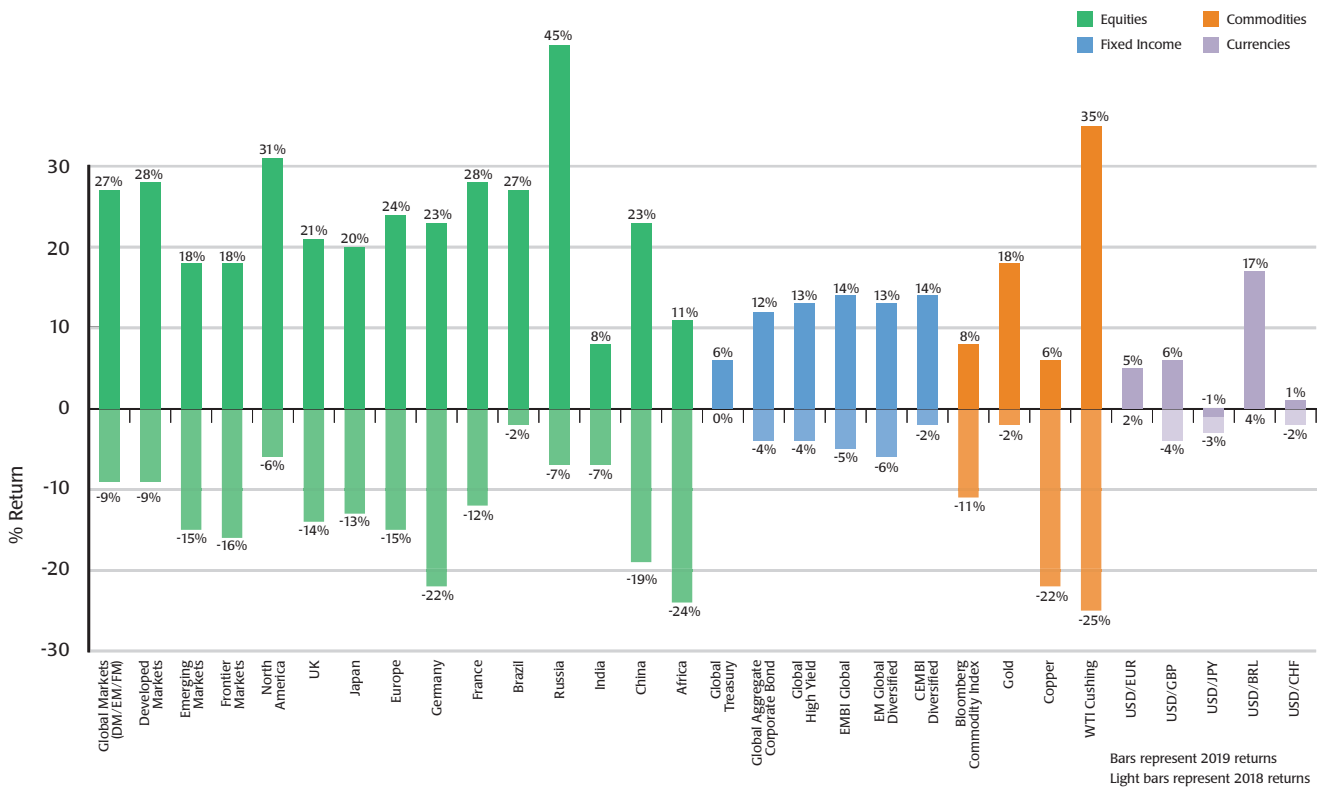
World equities rose by 26.6% which was some three times above their historical average. Again the US led the way, rising by 30.7%, powered by the technology sector, and outperforming Europe and the Emerging markets which rose 23.8% and 18.4% respectively reflecting their greater dependence on cyclical economic growth.

Rather perversely bonds, which typically do less well when risk assets are strong, also performed well. Driving this performance was the combination of slowing growth, interest rate cuts and more quantitative easing by the European Central Bank alongside a large market of forced buyers. The Global bond index rose by 5.6% for the 12 month period, US Treasuries 6.9% and global corporates 11.5%.

Finally, within commodity markets, gold also delivered robust returns over the year. Again the blend of weak growth, low rates (important for a non-yielding asset class such as gold) and political uncertainty served to underpin the gold price which rose by 18.3%.

Stock markets were strong across both asset classes and geography in 2019 (USD Returns).

Stock markets were strong across both asset classes and geography in 2019 (USD Returns)

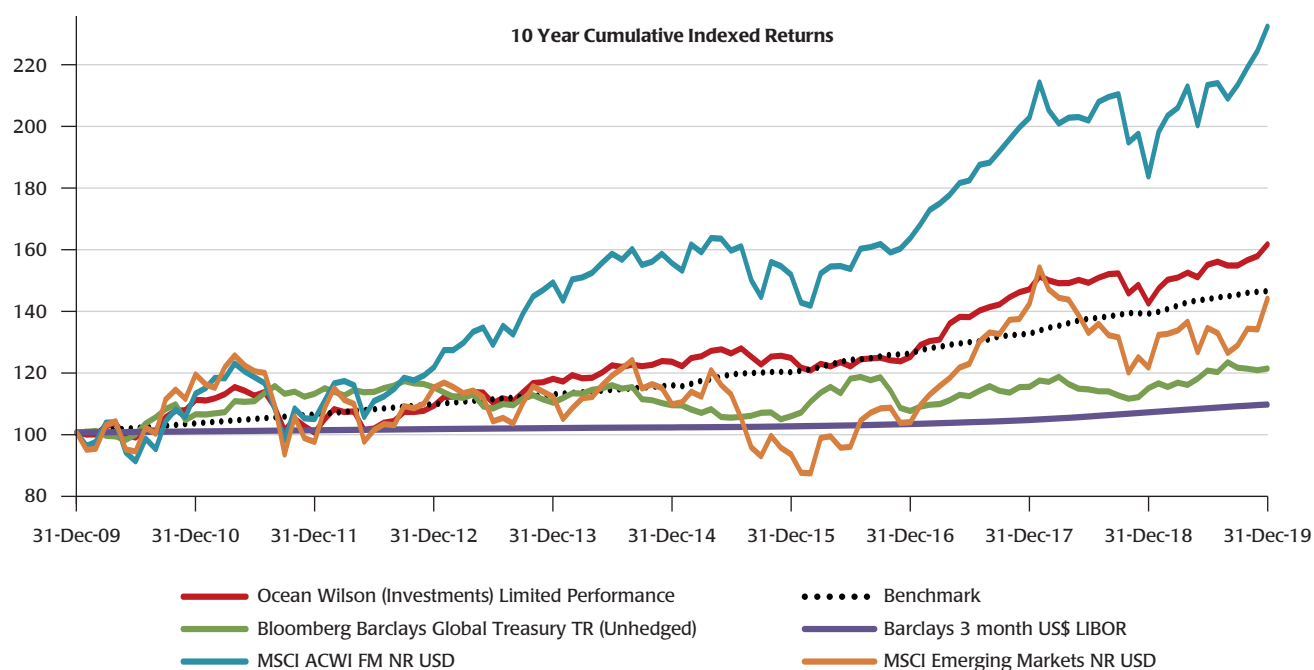


Cumulative portfolio returns

	2019	3 years p.a.	5 years p.a.	10 years p.a.
OWIL	13.5%	9.0%	5.6%	4.9%
OWIL (Net) ¹	12.1%	7.8%	4.5%	3.8%
Performance benchmark ²	5.3%	5.1%	4.8%	3.9%
MSCI ACWI + FM NR	26.6%	12.4%	8.4%	8.8%
MSCI Emerging Markets NR	18.4%	11.6%	1.6%	3.7%
Bloomberg Barclays Global Treasury TR Unhedged	5.6%	4.1%	2.1%	1.9%
Barclays 3 Month US\$ LIBOR	2.4%	2.0%	1.4%	0.9%

1. The OWIL net performance is after charging investment management and performance fees.

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



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

Portfolio review

The investment portfolio was up 12.1% on a net basis over the year, outperforming its benchmark which rose 5.3%. Despite some concerns on global markets coming into the year, 2019 proved to be a strong one for the portfolio with the majority of holdings performing well.

Of the portfolio's public market investments the North American holdings were among the larger contributors to performance over the year. Vulcan Value Equity was a very strong performer with a return of 44.2% assisted by good performance from some of its top positions including Skyworks Solutions and Qorvo. Both companies enjoyed a strong end to the year as mobile chip sales were above expectations and several analysts upgraded their forecasts for the stock prices. Anthem, a provider of health insurance, also performed well as several of the Democratic presidential candidates proposing radical healthcare reforms dipped in the opinion polls. Findlay Park American and Select Equity also had good years increasing by 26.8% and 33.2%, respectively. Pershing

Square Holdings performed very strongly as well, returning 51.4% over the year.

Of the portfolio's European holdings Adelphi European Select had a superb year returning 34.8%. Delivery Hero, Worldpay and Scout24 were among the top performing investments for the fund over the year. Delivery Hero enjoyed a welcome bounce in 2019 after a difficult year in 2018. The company announced a \$4bn strategic partnership to combine its Korean business with the market leader, Baedal Minjok, which should lead to it becoming profitable when the integration is complete. Worldpay has performed strongly since its merger with FIS in the first quarter of 2019 and has upgraded guidance on cost and revenue synergies. Scout24 has been the subject of a bidding war for most of the year, with Hellman & Friedman eventually having their offer accepted in December at a significant premium. BlackRock European Hedge Fund performed well over the year, up 28.7%, with its long positions contributing the majority of its return.

Investment Manager's Report

Several of the thematic holdings in the portfolio also had a very strong year, particularly Worldwide Healthcare Trust which was up 38.0% over the period. Fears that the healthcare sector would be weighed down by concerns surrounding the US presidential election eased as the more radical Democratic candidates (Warren and Sanders) slipped back in the polls. ArQule, a specialist in biomarker-defined oncology and rare disease indications, was acquired by Merck & Co for a 100% premium in December delivering a significant profit for the trust. Mirati Therapeutics, another investment of the trust and another oncology specialist, also had a strong year on the back of encouraging trial data for their novel lung cancer treatment. GAM Star Technology also performed well over the year, up 38.7%, benefiting from excellent performance from positions in Alibaba, Micron and Kainos.

We added a new position to the lower risk portion of the portfolio with Selwood Liquid Credit Strategy being bought at the beginning of the year. This fund aims to make consistent, less correlated returns by selling protection against defaults in the corporate bond market and then covering positions on individual companies it considers to be a credit risk. We also rotated our biotechnology holdings, selling Biotech Growth Trust and adding BB Biotech in its place. We believe that BB Biotech, with its deep scientific expertise, is better positioned going forward.

On the private asset side of the portfolio performance was more subdued this year. TA XII was one of the stronger performers with the fund partially realising several investments over the course of the year. 62% of the fund's position in Aldevron was sold during a recapitalization that was completed in October 2019 for a return of 14.7x cost and US\$1.5bn of gross proceeds. The company provides high-quality plasmid DNA, proteins, enzymes, antibodies and other biologicals to biotechnology companies and performance has been very strong during the year with revenues and earnings growing rapidly. TA XII retains a 19% stake with an implied value of US\$469m which would give a 19.4x multiple. The fund also sold 39% of its position in insight software at a 2.3x multiple during a minority recapitalization following strong performance. The company is currently held at a 4.0x multiple. The fund is now valued at a 1.6x net multiple with a DPI of 0.4x.

Silver Lake Partners ("SLP") IV has been another strong performer with a significant amount of capital distributed in 2019 taking the DPI to 0.7x. Silver Lake is a specialist in the technology sector investing in mid and large cap companies globally. The fund exited two investments during the year, Cast & Crew and Motorola Solutions, both of which produced strong returns. Cast & Crew is the premier provider of technology-enabled payroll, production accounting and related value-added services to the entertainment industry. SLP IV had invested a total of US\$403 million into the company since its

initial purchase in August 2015 including the follow-on acquisition of CAPS Payroll. The sale of the company to another private equity fund, EQT VIII, completed in February 2019 to give a gross multiple on invested capital of 4.4x. Motorola Solutions is a leading global provider of innovative mission critical communications equipment and SLP IV had invested \$502 million since August 2015. The fund fully exited this investment in September 2019 achieving a 3.8x gross multiple. The fund is currently held at a net multiple of 1.8x.

New commitments were made during the year to TA XIII (US\$5 million), Partners Group Direct Equity 2019 (US\$3 million) and Great Point Partners III (US\$2 million). We have invested with all three of these managers before and therefore know the teams well giving us confidence in their ability to produce superior returns.

Summary

Markets have steadily climbed a wall of fear. The scars of the more recent bear markets ran so deep that investors have been excessively cautious through much of the current cycle. This has led to a longer, more drawn out bull market than has typically been the case. We have remained sanguine through the cycle arguing that equity returns, whilst not being as high as those seen in previous cycles, would nonetheless be decent and certainly better than bonds. Whilst acknowledging that returns are likely to be lower and more fragile as the cycle enters its more mature stages this remains our central view over the medium term. Clearly in the near term much will depend on the impact of the COVID-19 virus with its impact on both company supply chains and consumer end demand looking increasingly severe and impact on growth undoubtedly meaningful. Historically such event driven market falls have tended to be shorter lived than other forms of sell-offs but ultimately much will depend on whether it results in a persistent change in consumer and corporate behavior.

Investment Portfolio at 31 December 2019

	Fair market value US\$000	% of NAV	Primary Focus
Findlay Park American Fund	27,533	9.6	US Equities – Long Only
Adelphi European Select Equity Fund	15,780	5.5	Europe Equities – Long Only
Egerton Long – Short Fund Limited	13,812	4.8	Europe/US Equities – Hedge
BlackRock European Hedge Fund	12,242	4.3	Europe Equities – Hedge
Goodhart Partners: Hanjo Fund	11,035	3.9	Japan Equities – Long Only
Select Equity Offshore, Ltd	9,970	3.5	US Equities – Long Only
Vulcan Value Equity Fund	9,839	3.4	US Equities – Long Only
GAM Star Fund PLC – Disruptive Growth	8,869	3.1	Technology Equities – Long Only
NTAsian Discovery Fund	8,007	2.8	Asia ex-Japan Equities – Long Only
Pangaea II, LP	7,481	2.6	Private Assets – GEM
Top 10 Holdings	124,569	43.7	
Schroder ISF Asian Total Return Fund	7,332	2.6	Asia ex-Japan Equities – Long Only
NG Capital Partners II, LP	7,013	2.5	Private Assets – Latin America
Global Event Partners Ltd	6,072	2.1	Market Neutral – Event-Driven
Hudson Bay International Fund Ltd	5,762	2.0	Market Neutral – Multi-Strategy
Helios Investors II, LP	5,681	2.0	Private Assets – Africa
Greenspring Global Partners IV, LP	5,364	1.9	Private Assets – US Venture Capital
Hony Capital Fund V, LP	5,141	1.8	Private Assets – China
Greenspring Global Partners VI, LP	4,951	1.7	Private Assets – US Venture Capital
Prince Street Opportunities Fund	4,735	1.7	Emerging Markets Equities – Long Only
Primary Capital IV, LLP	4,731	1.7	Private Assets – Europe
Top 20 Holdings	181,351	63.6	
L Capital Asia, LP	4,578	1.6	Private Assets – Asia (Consumer)
Silver Lake Partners IV, LP	4,104	1.4	Private Assets – Global Technology
Indus Japan Long Only Fund	4,022	1.4	Japan Equities – Long Only
Dynamo Brasil VIII	3,940	1.4	Brazil Equities – Long Only
Prosperity Quest Fund	3,846	1.3	Emerging Markets Equities – Long Only
L Capital Asia 2, LP	3,811	1.3	Private Assets – Asia (Consumer)
African Development Partners I, LLC	3,515	1.2	Private Assets – Africa
Worldwide Healthcare Trust PLC	3,429	1.2	Healthcare Equities – Long Only
Pershing Square Holdings Ltd	3,110	1.1	US Equities – Long Only
Gramercy Distressed Opportunity Fund II, LP	3,012	1.1	Private Assets – Distressed Debt
Top 30 Holdings	218,717	76.6	
47 Remaining Holdings	61,106	21.4	
Cash and money market funds	5,526	1.9	
TOTAL	285,349	100.0	

Directors and Advisers

Directors

J F Gouvêa Vieira* (Chairman)
W Salomon* (Deputy Chairman)
K Middleton
A Berzins*
C Maltby*
C Townsend*
A Rozental (retired 4 June 2019)

* Non-executive

Secretary

M Mitchell

Profiles of Non-executive Directors

Mr J F Gouvêa Vieira is Brazilian, aged 70 and joined the Group in 1991. He is a partner of the Brazilian law firm of Gouvêa Vieira Advogados. He is chairman of Wilson Sons Limited Mr Gouvêa Vieira is also a member of the Corporate Governance Committee for the American Chamber of Commerce in São Paulo.

Mr W Salomon is German and British, aged 62 and joined the Group in 1995. He is senior partner of Hansa Capital Partners LLP. He is also a non-executive director of Hansa Investment Company Limited and Wilson Sons Limited.

Mr A Berzins is aged 60 and joined the Group in 2014. He is British and resident in Singapore. He is a non-executive director of Aberdeen Standard SICAV I, Aberdeen Islamic SICAV I, Aberdeen Standard Liquidity Fund (Lux) and Aberdeen Standard Alpha.

Mr C Maltby is aged 69 and joined the Group in 2013. He is British and resident in Switzerland. He is Chairman of B H Macro Limited and Chairman of the Supervisory Board of BBGI SICAV SA.

Mr C Townsend is German and British and resident in Switzerland. He is aged 46 and joined the Group in 2011. He is a solicitor and has an MBA from the London Business School. He is an investment director of Hansa Capital GmbH.

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Ocean Wilsons Dividend Election
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Bankers

HSBC Bank Bermuda Limited

Investment Manager

Hanseatic Asset Management LBG
Guernsey, Channel Islands

Investment portfolio custodian

Bank Lombard Odier & Co Ltd
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CH – 1204 Geneva
Switzerland

Report of the Directors

The Directors submit herewith their Report and Accounts for the year ended 31 December 2019.

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

Profits and Dividends

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

The Group's profit after tax on ordinary activities attributable to equity shareholders amounted to US\$46,852,000 (2018: US\$13,308,000).

The Directors are recommending the payment of a dividend for the year of US 70c (2018: US 70c) per share. The dividend will be paid on 5 June 2020 to all shareholders who are on the register at close of business on 11 May 2020.

Principal Activities

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

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

Our subsidiary, Wilson Sons Limited, has provided maritime services in Brazil for 180 years. Wilson Sons Limited strategy is to provide maritime and logistics services to the domestic economy, international trade and the oil and gas market.

Details of our activities are set out in the Investment Manager's report and Financial review on pages 6 to 19.

Directors and Directors' Interests

The present Members of the Board are as shown on page 20.

In accordance with the Company's (Ocean Wilsons Holdings Limited) by-laws, Mr J F Gouvea Vieira, Mr C Maltby, Mr W Salomon, Mr A Berzins, Mr C Townsend, Ms F Beck and Mr K Middleton retire at the next Annual General Meeting and, being eligible offer themselves for re-election until the following Annual General Meeting.

The Directors who held office at 31 December 2019 had the following interest in the Company shares:

	Interest	2019	2018
J F Gouvêa Vieira	Beneficial	179,100	170,100
K Middleton	Beneficial	30,000	30,000
W Salomon*	Beneficial	4,659,349	4,659,349
C Townsend*	Beneficial	4,000,000	3,969,049
C Maltby	Beneficial	9,000	9,000
A Berzins	Beneficial	5,000	5,000

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

Mr W Salomon is Chairman of Hanseatic Asset Management LBG. Mr C Townsend is a director of Hansa Capital GmbH, a wholly owned subsidiary of Hanseatic Asset Management LBG. Fees paid to Hanseatic Asset Management LBG amounted to US\$2,758,000 (2018: US\$2,742,000) for acting as Investment Manager of the Group's investment portfolio. A performance fee of US\$659,000 is payable to the Investment Manager in 2019 (2018: US\$nil).

Service Contracts

Regarding the Directors proposed for re-election at the Annual General Meeting there are no service contracts between Mr J F Gouvea Vieira, Mr C Maltby Mr A Berzins, Mr C Townsend or Mr W Salomon and the Company. Mr K Middleton has a service contract with the Company which can be terminated by the company on not less than twelve months' notice in writing and by the Director on not less than six months' notice in writing.

Employees

The average number of persons, including Directors, employed by the Group was 3,939 (2018: 4,103).

Share option plan

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

Report of the Directors

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

Date of Grant	Number of options	Exercise price
January 2014	2,914,100	R\$ 31.23
November 2014	139,000	R\$ 33.98
August 2016	250,000	R\$ 34.03
May 2017	61,000	R\$ 38.00
November 2017	72,000	R\$ 40.33

At the close of business on 31 December 2019 the Wilson Sons share price was R\$44.79. Further details are provided in note 31.

Auditor

Ernst & Young LLP were appointed auditor at the 2019 Annual General Meeting and have expressed their willingness to continue in office as auditor and a resolution to reappoint Ernst & Young LLP under the provisions of Section 89 of the Bermuda Companies Act 1981 will be proposed at the forthcoming Annual General Meeting.

Substantial Shareholdings

As at 1 March 2020 the Company was aware of the following holdings of its shares, in excess of 3% of the issued ordinary share capital:

Name of holder	Number of shares	% held
Hansa Investment Company Limited	9,352,770	26.45
Victualia Limited Partnership	4,435,064	12.54
C Townsend	4,000,000	11.31
Utilico Emerging Markets Utilities Limited	1,994,344	5.64
Dynamo Administração de Recurso	1,667,079	4.71
Canaccord Genuity Group Inc	1,5517,442	4.39

The Company has been advised that Mr W Salomon is interested in 4,435,064 shares registered in the name of Victualia Limited Partnership. The Company has also been advised that Mr W Salomon has an interest in 27.2% and Mr C Townsend an interest in 25.9% of the voting shares of Hansa Investment Company Limited.

Contracts and agreements with substantial shareholders

Mr W Salomon and Mr C Townsend are interested in the investment management agreement with Hanseatic Asset Management LBG. Both Mr W Salomon and Mr C Townsend receive remuneration from the Hanseatic Asset Management LBG Group.

Corporate Governance

The Board has put in place corporate governance arrangements that it believes are appropriate for the operation of the Company. The Board has considered the principles and recommendations of the 2018 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (available on the FRC website www.frc.org.uk) and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons Holdings Limited is an investment holding company incorporated by an act of parliament in Bermuda with significant operations in Brazil. The Company complies with the Code where it is appropriate for its business to do so and has done so throughout the year and up to the date of this report except, as where

noted within this report, where it does not fully comply with the Code. These arrangements are regularly reviewed and monitored by the Board. Below are the areas where Ocean Wilsons Holdings Limited does not comply with the 2018 UK Corporate Governance Code and the rationale for not complying:

- The Code states that all directors should be subject to annual re-election. Directors are currently subject to re-election every 3 years. The Board will propose a resolution to be approved by shareholders at the next annual general meeting that all Directors should be subject to annual re-election.
- The Code states that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. Following the retirement of the independent non-executive director Mr A Rozental at the Annual General Meeting in June 2019 the Board consists of six directors of which two are non-executive directors whom the Board considers to be independent. The Company has retained Trust Associates Limited, an executive search firm to help identify two new independent non-executive directors. One new independent non-executive director will be appointed to the Board with effect from 13 April 2020.
- The Code states that the chair should not remain in their post beyond nine years from the date of their first appointment to the Board.

The current Chairman Mr J F Gouvêa Vieira was first appointed to the Board in 1991 and made Chairman of the Board in 1999. Due to the Company's significant investment in Wilson Sons the Board considers it important that Mr Gouvêa Vieira remains as Chairman of Ocean Wilsons Holdings Limited. The insight and knowledge he brings to the Board in relation to Wilson Sons and Brazil through his long association with the Group is a valuable resource in managing and understanding our Brazilian business. Mr Gouvêa Vieira also received broad shareholder support when he was re-elected at the 2019 Annual General Meeting where 89% of the proxy votes cast were in favour of his re-election. The Board, led by the nomination committee, is reviewing succession plans for the Chairman.

- The Code states that the Board should establish an audit committee of independent non-executive directors, with a minimum membership of three. The finance committee which operated as the audit committee during 2019 was not made up exclusively of independent non-executive directors. The audit committee established to operate from 1 January 2020 consists of three directors of which two are independent non-executive directors. The Board does not currently have three independent non-executive directors. The Board expects to achieve compliance with the Code in this regard during 2020.
- The Code states that the Board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three.

The finance committee which operated as the remuneration committee during 2019 was not made up exclusively of independent non-executive

directors. The remuneration committee established to operate from 1 January 2020 consists of three directors of which two are independent non-executive directors. The Board does not currently have three independent non-executive directors. The Board expects to achieve compliance with the Code in this regard during 2020.

- The Code states that the Board should appoint a director from the workforce, have a formal advisory panel or a designated non-executive director.

The Group does not appoint a director from the workforce, have a formal advisory panel or a designated non-executive director. The Board does not consider this necessary as the Ocean Wilsons Board does not directly manage the Wilson Sons business which is managed by the Wilson Sons Board.

The composition of the Board was left unchanged during 2019, following the retirement of Mr Rozental, pending the conclusion of the Wilson Sons strategic review of its investments in container terminal and logistics assets which could have resulted in a major change in the composition of the Group.

Company Purpose

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Company") is a Bermuda based investment holding company which holds a portfolio of international investments, including a significant strategic investment in a maritime services company with operations in Brazil, Wilson Sons Limited (Wilson Sons"). The Company's objective is, through its investments, to create long-term capital growth without pressure to produce short-term results at the expense of long-term value creation.

Company Strategy

The Company's strategy is to achieve this purpose through holding a portfolio of international investments, including its strategic investment in Wilson Sons.

The investment strategy is to generate real returns through long-term capital growth, whilst emphasising preservation of capital without respect to short-term moves in equity markets. The investment portfolio is invested in both publicly quoted and private (unquoted) assets in three components:

- Core Regional & Thematic Component* – this forms the core of the portfolio and provides global exposure mostly through single-country and regional equity funds. By managing the weights of these we can reflect the Investment Manager's current market view. Thematic funds are included to provide exposure to growth sectors such as technology and biotechnology, where we feel specialist management is often beneficial.
- Private Equity Component* – we take advantage of the portfolio's long-term investment horizon by investing in private equity funds. This provides access to the illiquidity premium afforded by being able to commit capital for multiple years and also to large areas of the economy that are not accessible through public markets.
- Diversifying Component* – as business cycles mature, we seek to shift dynamically to those asset classes that are likely to add portfolio protection. This component includes a wide variety of investment

strategies, with the common thread that they all display low correlations to broad equity markets.

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

The Wilson Sons strategy is to grow its business on the basis of Wilson Sons skills and/or existing assets, strengthening their businesses and looking for new opportunities in the maritime and transport sector, focusing on Brazil and Latin America. Wilson Sons looks to develop its businesses by maximising economies of scale and efficiency and improving the quality and range of services it provides to customers. Wilson Sons' principal services are container terminals, logistics, oil and gas support terminals, towage, shipyard and offshore support vessels. Further details on Wilson Sons strategy is provided on page 14.

Company Values

The Company's values are to:

- Invest and develop our business for the long-term without pressure to produce short-term results at the expense of long-term value creation;
- Provide a safe operating environment for our staff;
- Respect the environment and the communities in which we operate and the people who work for us;
- Have meaningful and long-term relationships with our stakeholders; and
- Act ethically.

The Board assesses and monitors the corporate culture of the Group through receiving periodic reports from Wilson Sons Management on the Brazilian business including corporate governance, health, safety, ethics and legal updates and ensure results are consistent with the Group's values. Further details are provided in each section of this report. The Board has not undertaken a formal cultural assessment.

The Board

The Board currently comprises the chairman, Mr J F Gouvêa Vieira, deputy chairman Mr W Salomon, a further three non-executive directors, Mr A Berzins, Mr C Maltby and Mr C Townsend and one executive director, Mr K Middleton. Mr Berzins and Mr Maltby are considered by the Board to be independent under the Code. The Board has appointed Mr A Berzins as the senior independent director. The directors' biographies appear on page 20. Mr Rozental, previously an independent non-executive director, retired at the 2019 Annual General Meeting following nine years of service.

Currently all directors are subject to election by shareholders at the first AGM following their appointment to the Board and are subject to re-election by shareholders once every three years. Mr J F Gouvea Vieira, Mr C Maltby, Mr W Salomon Mr A Berzins, Mr C Townsend and Mr K Middleton are offering

Report of the Directors

themselves for re-election at the next AGM. At the next AGM the Board will propose a resolution for shareholder approval that all Directors elected to the Board shall hold office for a term commencing on their election and expiring at the annual general meeting in the year following their election. A Director retiring upon the expiration of a term of office at an annual general meeting shall be eligible for reappointment for a further term. The Board led by the nomination committee considers on a regular basis how to refresh itself.

Non-executive directors hold letters of appointment. The other commitments of directors appear on page 20 as part of their biographies and the Board is satisfied that these commitments do not conflict with their ability to carry out effectively their duties as directors of the Company. The Board ensures that non-executive directors have sufficient time to do their duties through reviewing their other directorships, monitoring attendance and participation at Board meetings.

The division of responsibilities between the chairman, the senior independent non-executive director and the executive director have been clearly established, set out in writing and agreed by the Board. These are available on the Company website. The Group does not have a chief executive.

The Board has appointed an executive director, Mr K Middleton, to administer Ocean Wilsons Holdings Limited.

Our subsidiary, Wilson Sons Limited (an autonomous listed company) is supervised by the board of Wilson Sons Limited who have appointed Mr C Baião as chief executive to run the business in Brazil. The chief executive in turn delegates responsibility to senior executives, in particular strategic business unit directors. Ocean Wilsons Holdings Limited manages its interest in Wilson Sons Limited through the appointment of three non-executive directors of Wilson Sons Limited, (presently Mr J F Gouvêa Vieira, Mr W Salomon and Mr A Rozental), voting on matters requiring Wilson Sons Limited shareholder approval and through the relationship agreement between Ocean Wilsons Holdings Limited and Wilson Sons Limited signed following the listing of Wilson Sons Limited on the Sao Paulo and Luxembourg Stock Exchanges. The relationship agreement details areas of co-operation between Ocean Wilsons Holdings Limited and Wilson Sons Limited in meeting accounting, reporting and compliance requirements for both companies. As Mr Rozental is no longer a director of Ocean Wilsons Holdings Limited the Board is considering a new non-executive director of Ocean Wilsons Holdings Limited who will replace him following the Wilson Sons Limited 2020 Annual General Meeting.

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

- Determining the company's purpose, values and strategy, and satisfying itself that these and its culture are aligned;
- Determining the responsibilities of the chairman and directors;
- Recommending changes to the capital structure of the Company or other matters relevant to its status as a listed Company for shareholder approval;

- Approving significant matters relating to capital expenditure, acquisitions and disposals and consideration of significant financial matters outside the Wilson Sons Limited Group;
- Appointment of directors to Ocean Wilsons Holdings Limited and Ocean Wilsons (Investments) Limited;
- Selection of the chairman of the Board;
- Appointment and removal of the company secretary;
- Appointment and removal of executives;
- To review any potential conflicts of interest and where considered appropriate to approve any conflict of interest;
- Approval of annual and interim reports;
- Proposing any dividends and dividend policy;
- Appointment of external auditor, financial advisor or corporate broker;
- Determining the Terms of Reference, membership and Chairmanship of Board committees, including the audit committee, remuneration committee and nomination committee;
- To approve any agreements or amendments to agreements between Ocean Wilsons Holdings Limited and Wilson Sons Limited including the relationship agreement;
- To vote the shares in Wilson Sons Limited on matters presented to shareholders of Wilson Sons for shareholder approval;
- Appointment of Ocean Wilsons Holdings Limited directors or nominees to the Board of Wilson Sons Limited;
- To approve changes in Wilson Sons Limited auditor or accounting policies;
- Agree the strategy of Wilson Sons Limited;
- Undertaking a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors; and
- Review of the Company's overall corporate governance arrangements.

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

- Appointment, removal and terms of the Investment Manager;
- Determine investment guidelines and restrictions in conjunction with the Investment Manager;
- Approval of the investment objective and benchmark;

- To approve and set borrowing limits;
- To approve and set limits on the use of derivative instruments;
- Review the performance of the Investment Manager;
- Approval of the annual accounts for Ocean Wilsons (Investments) Limited;
- Approving any dividends; and
- Appointment, removal and terms of the custodian of Ocean Wilsons (Investments) Limited.

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

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

During 2019, four scheduled meetings of the Ocean Wilsons Holdings Limited Board were held at different locations. Details of attendance at Board meetings and meetings of the Board committees are set out below. In addition to scheduled Board meetings, if matters arise at short notice requiring urgent attention, a telephone Board meeting is arranged. During 2019 no telephone Board meetings were held.

Directors' attendance at Board, finance and nomination committee meetings:

Director	Board meetings attended	Finance Committee Meetings attended	Nomination Committee Meetings attended
Mr J F Gouvêa Vieira	4	4	–
Mr W Salomon	4	4	3
Mr K Middleton	4	–	–
Mr A Rozental (retired)	2	2	–
Mr C Townsend	4	4	–
Mr C Maltby	4	4	3
Mr A Berzins	4	4	3

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

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

Conflicts of Interest

The Board has in place a procedure for the consideration and authorisation of conflicts or possible conflicts of interest with the Company's interests annually including those resulting from significant shareholdings. If a director has a conflict of interest, he leaves the meeting prior to discussion unless requested to remain and leaves determination of such matters to the other directors. The Board ensures that the influence of third parties does not compromise or override independent judgement by encouraging a culture of openness and debate amongst Board members and promoting independent thought.

Board Evaluation

The Board undertakes an annual formal performance evaluation of the Board and individual directors. The process involves completion of internally prepared questionnaires. The chairman discusses their responses with each director and then reports the results of the process to the Board which discusses the results highlighting any areas for improvement. The conclusion of the performance evaluation was that the Board was operating effectively, although the Board identified the need to appoint additional independent non-executive directors in 2020. The important skills and knowledge identified by the Board included investment management experience, ideally including investment in emerging markets, infrastructure, private equity or other alternative asset classes. The Board also identified the need for candidates to have a strong understanding of offshore investment companies and their regulatory regime. The evaluation did not identify any specific training requirements for individual directors.

The Board considered having an externally facilitated board evaluation but did not consider it appropriate at the moment. The Board will review its Board performance evaluation procedures following the appointment of our new independent non-executive directors in 2020 and also establish specific training requirements for individual directors.

Board Diversity Policy

The Board considers diversity, including the balance of skills, experience, knowledge nationality and gender, amongst many other factors, when reviewing the appointment of new directors. The current six members of the Board are from a variety of educational and professional backgrounds with four different nationalities represented (British, Brazilian, German and New Zealand) resident in five different countries. The Board does not consider it appropriate to establish targets or quotas in respect of Board appointments. The Board has not set specific targets for gender diversity but is considering this in making new Board appointments.

Remuneration

Non-executive Directors' fees are set out within limits set in the Company's Articles of Association. The present limit is US\$700,000 in aggregate per annum and the approval of shareholders in a General Meeting is required to change this amount. A resolution to increase the aggregate per annum to US\$900,000 is being proposed for shareholder approval at the next Annual General Meeting to reflect the new Board appointments and inflation since the previous increase. The remuneration of non-executive directors is reviewed every three years. Levels of remuneration for the chair and all non-executive directors reflect the time commitment and responsibilities of the role and are benchmarked against comparable companies and considering the Board evaluation.

Report of the Directors

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

Finance committee

During 2019 the Board had established a finance committee which acted as both the audit and remuneration committees. Mr A Berzins, an independent director, was the chairman of the finance committee. The finance committee comprised all non-executive directors, three of whom were considered by the Board to be independent during 2019. Following the retirement of Mr A Rozental two were considered by the Board to be independent. At the November 2019 Board meeting the Board established separate audit and remuneration committees with effect from 1 January 2020. Mr A Berzins, an independent director, is the chairman of both the audit committee and remuneration committee.

The audit committee comprises Mr A Berzins (Chairman), Mr C Maltby and Mr C Townsend. Mr Maltby and Mr Berzins are considered by the Board to be independent under the Code. The Board is satisfied that during 2019 two directors, Mr C Maltby and Mr A Berzins, have recent and relevant financial experience as both have served on the audit committees of other listed companies. and both hold accounting qualifications.

The remuneration committee comprises Mr A Berzins (Chairman), Mr C Maltby and Mr W Salomon. Mr Maltby and Mr Berzins are considered by the Board to be independent under the Code.

The terms of reference for both committees are available at the Company's registered office and on the Company's website.

Nomination committee

Up to March 2019 the Board did not have a separate nomination committee as the identification and appointment of a new Board member was considered a matter for the full Board. In March 2019 the Board established a nomination committee which has formal terms of reference approved by the Board and which are reviewed on an ongoing basis by the Board. These are available on the Company website. Mr C Maltby, an independent director, is the chairman of the nomination committee. A majority of the members of the Committee are independent directors of the Company. In addition to Mr Maltby the nomination committee comprises Mr A Berzins, an independent director, and Mr W Salomon.

The principal responsibilities of the nomination committee are:

- to lead the process for the appointment of Directors, ensure plans are in place for orderly succession to the Board, and oversee the development of a diverse pipeline for succession, taking into account the Company's strategic priorities;
- to be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise, as well as putting in place succession plans for directors;

- to lead the regular review of the Board structure, size and composition (including its skills, knowledge, diversity and experience);
- before any appointment is made to the Board, prepare for consideration by the Board an updated evaluation of the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - use the services of external advisers to facilitate the search;
 - consider candidates from a wide range of backgrounds;
 - consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- ensure that, prior to the appointment of a Director, the proposed appointee should be required to disclose any business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest; and
- arrange that on appointment to the Board, Directors receive a formal letter of appointment confirming clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

The external search consultant will conduct a search for appropriate candidates with the right blend of skills and experience which are then submitted to the nomination committee for evaluation. The committee will review a list of candidates recommended by the search consultant, together with any other candidates who may be recommended by Directors and whom the committee believes meet the criteria for consideration. In consultation with the search consultant, a short list will be selected for interview by the nomination committee. Once the short-listed candidates have been interviewed, the committee will invite two or more preferred candidates to meet the Board prior to a final selection. The Board will decide whether to make an appointment, either of a preferred candidate recommended by the committee, or of a short-listed candidate interviewed by the Board itself.

The composition of the Board was left unchanged during 2019, following the retirement of Mr Rozental, pending the conclusion of the Wilson Sons strategic review of its investments in container terminal and logistics assets which could have resulted in a major change in the composition of the Group.

During the year the nomination committee reviewed the Board structure, size and composition (including its skills, knowledge, diversity and experience) through discussions amongst committee members and with other Board members. The committee recommended to the Board the appointment of two new independent non-executive directors. In light of this evaluation the committee prepared a description of the role and capabilities required for the particular appointments. Following the retirement of Mr A Rozental as a director at the Annual General Meeting in June 2019, the Company retained Trust Associates Limited, an executive search firm who are not connected

to the Company, to help identify the two new independent non-executive directors. As part of this search the committee has considered board succession planning and the development of a diverse pipeline so that in the future independent directors with relevant experience will be available to chair the Board and Board committees.

Finance Committee report

From 1 January 2020 the audit and remuneration committees replaced the finance committee.

The finance committee met four times in 2019. At the request of the committee Chairman the chief executive of Wilson Sons Limited, the finance director of Wilson Sons Limited and the executive director of Ocean Wilsons Holdings Limited attended each of these meetings. The external auditor attended one meeting. The committee meets with the external auditor without the executive present.

The finance committee had defined terms of reference which have now been split between the audit and remuneration committees. These are available on the Company website. The principal responsibilities of the finance committee that are now performed by the audit committee are:

- to review the integrity of the interim and full year financial statements of the Company, reviewing significant financial reporting judgements contained in them;
- providing advice on whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review the Company's internal control and risk management systems;
- to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The independence of the external audit process has been assessed by reviewing reports from the external auditors describing their arrangements to identify, report and manage any conflicts of interest. The Board also reviewed the provision of non-audit services provided by the external auditors (no significant non-audit services were provided during 2019). Any non-audit services provided by the auditor must be an arms-length transaction.
- to consult with the Group's auditor and, where necessary the auditor of the subsidiary companies, regarding any matters arising in the course of the annual audit which should be brought to the attention of the Board;
- to develop a policy on the engagement of the external auditors to supply non-audit services;
- to monitor the Group's risk exposure;
- to consider the need for an Ocean Wilsons Holdings Limited internal audit function and review the work performed by the Wilson Sons Limited internal audit function; and
- to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The principal responsibilities of the finance committee that are now performed by the remuneration committee are:

- responsibility for determining the policy for executive director remuneration and to determine the remuneration for all executives, the chairman and non-executive directors;
- to determine the level of awards made under the Company long-term incentive plan and performance conditions and vesting periods that apply; and
- to determine bonuses payable under the Company's bonus scheme.

Remuneration Policy

The Group's remuneration policy aims to align the interests of the Executive directors with those of shareholders. The overriding objective is to ensure that the Company's executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value. The remuneration committee believes that performance related pay and incentives should account for a proportion of the overall remuneration package of the Executive director so that his remuneration is aligned with shareholder interests and the Group's performance. The committee believes that an effective remuneration strategy plays an essential part in the future success of the Group.

The finance committee does not determine the policy for remuneration or set remuneration for the chair, executive directors and senior management at Wilson Sons Limited. It also does not review workforce remuneration and related policies or set remuneration policy at Wilson Sons Limited. The Board regularly reviews oversight of Wilson Sons workforce remuneration and related policies to ensure that incentives and rewards are aligned with culture and are considered when setting the policy for executive director remuneration.

Overview of the actions taken by the finance committee to discharge its duties

Since the beginning of 2019 the finance committee has:

- reviewed the December 2018 annual report and financial statements, the June 2019 half yearly financial report and the quarterly updates issued in May and November 2019. As part of the review of the December 2018 annual report and financial statements, the committee received a report from the external auditor on their audit of this document;
- provided advice on whether the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

Report of the Directors

- reviewed the assumptions used in the impairment test on Brasco goodwill including long-term operating assumptions, capital expenditure assumptions and discount rate. Based on this review an impairment of US\$13.0 million was made in 2019;
 - reviewed a report on the impacts resulting from the application of IFRS 16 – Leases on the Group’s accounts. As a result of the implementation of IFRS 16 on the 1 January 2019, the Group recognised a right of use asset and a lease liability at a present value of US\$194.1 million. The impact is principally due to the recognition of lease liabilities and associated right-of-use assets for leases previously recognised as operating leases;
 - reviewed the impacts resulting from the application of IFRS 15 - Revenue from Contracts with Customers in the 31 December 2018 accounts. The Group assessed the principles and changes introduced by the new standard and concluded that its adoption will not impact the timing for revenue recognition from contracts with customers, or on the measurement. The new standard impacted the presentation and disclosure in the financial statements, requiring the Group to disaggregate revenue recognition into categories and disclose information about its performance obligations from contracts with customers;
 - reviewed the impacts resulting from the application of IFRS 9 – Financial Instruments. IFRS 9 in the 31 December 2018 accounts which requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables and contract assets, either on a 12-month or lifetime basis. The Group applied the simplified approach and records lifetime expected losses on all trade receivables;
 - reviewed and approved the scope of audit work to be undertaken by the auditor;
 - agreed the fees to be paid to the external auditor for the audit of the December 2019 financial statements including consideration of the levels of non-audit fees which the committee concluded were immaterial;
 - assessed the qualification, expertise and resources, and independence of the external auditor;
 - reviewed the need for an internal audit function and reviewed the work performed by the Wilson Sons Limited internal audit function;
 - received a report on the risk of cyber-attacks to the Wilson Sons Limited network. The report highlighted the principal risks as ransomware, data loss, customer data breaches, mission critical systems failure, reputational damage, financial losses and operational accidents. The report explained the history and plan of action to mitigate these risks from 2018 through to 2021;
 - received a report on the Wilson Sons enterprise risk management process which is based on the elements predicted in the Committee of Sponsoring Organisations “COSO” enterprise risk management framework. The report detailed the most critical risks of Wilson Sons Limited, identifying the respective risk owners, and the mitigation plans in place or under construction;
 - received a litigation report from the Wilson Sons legal department outlining the legal provisions in the accounts and work performed to manage possible claims;
 - received a report from the Investment Manager prepared in conjunction with BlackRock to produce a deep-dive risk analysis to measure and understand the risks faced within the investment portfolio. The BlackRock Portfolio Analysis and Solutions team put the Ocean Wilsons (Investments) Limited portfolio through their Aladdin risk system to help the Investment Manager understand the risks faced; and
 - reviewed the level of fees paid to non-executive directors. The committee recommended a ten percent increase for all non-executive directors of the Ocean Wilsons Holdings Limited Board, with additional fees paid to committee Chairmen. The committee noted that the proposed fees were in line with fees paid by comparable companies outlined in a report prepared by the Company’s brokers, Cantor Fitzgerald and that no adjustment has been made to non-executive directors fees since 2016.
- To fulfil its responsibility regarding the independence of the external auditor, the finance committee reviewed:
- the external auditor plan for the current year, noting the role of the audit partner who signs the audit report and who, in accordance with professional rules, has not held office for more than five years and any changes in key audit staff;
 - a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest;
 - the overall extent of non-audit services provided by the external auditor, in addition to approving the provision of significant non-audit services by the external auditor; and
 - The Committee has conducted its review of the performance of the external auditors and the effectiveness of the external audit process for the year ended 31 December 2019. The review was based on a survey of key stakeholders across the Group, the quality of the auditors’ reporting to and interaction with the finance committee. Based on the information currently available and this review, the finance committee was satisfied with the performance of the auditors and the effectiveness of the audit process.
- The last audit tender process was performed in 2016 to select a new external auditor for 2017. The finance committee selected Ernst & Young LLP who were appointed by members at the Annual General Meeting held in June 2017.
- The Group does not currently employ any former external audit staff.
- After discussion with management, the board of Wilson Sons Limited and the external auditor, the committee determined that the key risks of misstatement in the Group’s financial statements relate to:
- *Provisions* – Legal claims against the Brazilian operations comprise civil and environmental cases, tax cases and labour claims. The reporting

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

- *Impairment Risk to Goodwill and Intangibles* – The Group has significant goodwill and intangibles balances. The reporting risk is that these balances may be overstated. Management perform impairment reviews for intangibles and tests goodwill as required by IAS 36, Impairment of Assets. The impairment test is performed by comparing the carrying value of goodwill to its value in use, calculated using the discounted cash flow forecasts under the principles of IAS 36. The committee examined and challenged management's key assumptions used in the impairment tests to understand their impact on the recoverable amounts. The committee was satisfied that the significant assumptions used were appropriate and sufficiently robust. The committee was further satisfied with the impairment disclosures in the financial statements.
- *Revenue recognition* – The revenue recognition risk could arise from inappropriate revenue recognition policies, incorrect application of policies or cut-off errors surrounding year end. The committee considered the Group's revenue recognition policies and the level of transactions compared to previous periods. The committee received quarterly management reports on revenue and financial performance with comparisons to budget and prior year. The committee reviewed and questioned management explanations for variances and revenue performance. The committee also discussed potential risks surrounding revenue recognition with the external auditor and reviewed their audit findings.
- *Investment valuation* – The investment valuation risk arises from the valuation of the level 2 and 3 investments which requires significant judgements and estimates by management and external inputs. The committee received quarterly reports from the Investment Manager on investment performance which included historical performance analysis and management outlook for investment and market performance. The committee reviewed and questioned the Investment Manager and obtained explanations for investment performance and variations from market performance, investment expectations and potential risks to future performance. This information is considered in the valuation of level 2 and 3 investments. The committee examined and challenged management's key assumptions used in the valuation of investments. The committee was satisfied that the significant assumptions used were appropriate.

The committee was further satisfied with the disclosures in the financial statements. The committee also discusses potential risks surrounding investment valuation with the external auditor and reviewed their audit findings.

Internal Controls

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

Wilson Sons Limited is listed on both the Sao Paulo Stock Exchange "BOVESPA" and Luxembourg Stock Exchange, whose rules are different from the London Stock Exchange. The Wilson Sons Limited internal control procedures, whilst sufficient for its board to identify, manage and control the principal risks, may differ from the requirements of the Financial Reporting Council's guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The board of the principal operating subsidiary is responsible for identifying key business risks and establishing and reviewing internal control procedures.

Wilson Sons has an integrated risk management strategy to maximise opportunities, reduce uncertainties and overcome challenges. Wilson Sons has an official integrated risk management policy with a structured process, applicable to the entire organisation enabling identification, evaluation, monitoring, reporting and response to risks. It supports strategic decision making in accordance with market best practices. The integrated risk management process uses guidelines established by the Wilson Sons board of directors and the executive committee, defining objectives, targets and limits for risk management, in addition to enforcing the risk policy and compliance with integrated risk management standards.

Management is supported by control units and responsibilities related to integrated risk management are structured according to the concept of three lines of defence. The first line, business areas is responsible for ensuring the efficiency / effectiveness of processes and controls against business risks, performing activities related to mitigation control and risk containment in accordance with the integrated risk management policy. The second line, support areas, is responsible for backing the first line with specific tools and methodologies, monitoring the performance of the first line and its own processes. Wilson Sons seeks to foster a risk management culture, providing a methodology and managing the integrated risk management process in order to promote, support and regularly align how the risk management process is conducted throughout the Wilson Sons Group. These activities involve identifying, evaluating, categorising, responding to, monitoring and reporting risks. The third line of defence comprises the Wilson Sons Internal Audit department which is structured independently and is responsible for evaluating and reporting on the activities of the first two lines and contributing to their improvement.

Report of the Directors

The focus of the Wilson Sons Internal Audit department in 2019 was to evaluate the main processes within the Wilson Sons business units including those operating from the centralised service centre.

The 2019 internal audit plan covered the following processes and operational units:

- Waste management at the towage business
- Human Resources processes
- Agency commission paid to Wilson Sons Agency’s representatives
- Invoicing
- Judicial deposits
- Fixed assets
- Accounts receivable
- Accounts payable
- Offshore support bases

The assessment examines the integrity, adequacy and efficiency of internal controls related to the accounting, financial and operational risks and compliance with the Group’s obligations. No significant events were identified that could impact the operating processes and financial results of the Wilson Sons Group. Reports for each process or unit evaluated are submitted to management and other relevant parties. Reports include recommendations for improvement which are followed up by internal control to ensure correct implementation.

In addition to the above work performed the internal audit department provided support to the Wilson Sons ethics committee in investigating complaints received through the Wilson Sons whistle-blower channel. The results of investigations undertaken are reported to the ethics committee for review and action.

The principal risks and uncertainties faced by the Company are described below and note 36 to the financial statements provides detailed explanations of the risks associated with the Company’s financial instruments. The Board carried out a robust assessment of the Group’s emerging and principal risks.

Description of risk

There is the risk of increased competition across all our businesses as we operate in markets with significant competition.

Our Brazilian businesses operate in a highly regulated environment and are subject to complex laws and regulations.

Demand for the majority of our services is substantially dependent upon the overall volume of Brazilian domestic and international trade.

We are partially dependent on the Brazilian offshore oil and gas industry.

Summary of implication

The industries in which we operate are highly competitive. If competitors are able to supply services to our customers at a lower price, then we may have to reduce our rates which would reduce our revenues as our industry is sensitive to price discounting. Competitors may take steps aimed at improving the efficiency and competitiveness of their operations. Failure to invest in our businesses and the latest technology may result in lower demand, loss of market share and lower margins.

Our businesses and markets are subject to complex laws and regulations which significantly impact how we operate. It is possible that regulations or laws may change in the future and may increase our costs or affect the manner in which we operate which could have an adverse effect on us.

The majority of our revenue is derived from services linked to Brazilian trade volumes. Most of our Brazilian businesses are sensitive to the rate of growth in Brazilian GDP and trade flows. Decreases in Brazilian growth or trade volumes could adversely affect our financial condition or results of operations.

Changes in the level of exploration and production expenditures and in oil and gas prices and industry perceptions about future oil and gas prices could materially decrease demand for our services.

Risk mitigation and management

We maintain levels of capital expenditure and investment in our assets and personnel to ensure we provide a high-quality service that meets our customers’ requirements and continuously look to improve operational efficiency. We continue to invest in new technologies to enable us to maintain our competitiveness.

We dedicate a significant amount of time and resources to understanding laws and regulations and analyse the potential impacts of changes in laws or regulations on our business operations. This is so we can react in an efficient and timely manner and ensure compliance with laws and regulations.

We are a market leader in many of our businesses which helps to protect market share. We also diversify our risk exposure by obtaining a significant portion of our revenue from the Brazilian offshore oil and gas industry.

The majority of our businesses are not exposed to the Brazilian offshore oil and gas industry. We aim to operate our offshore vessels under long-term contracts to reduce volatility in revenue streams.

Description of risk	Summary of implication	Risk mitigation and management
Movements in the USD/BRL exchange rate.	We are exposed to foreign exchange risk by virtue of the fact that the Group reports in USD and has revenues, costs, assets and liabilities in both BRL and USD. Therefore, movements in the USD/BRL exchange rate influence the Group's results both positively and negatively from year to year. A higher average exchange rate negatively affects BRL denominated revenues and positively impacts BRL denominated costs when converted into our USD reporting currency.	The Group's borrowings are principally linked to the USD with 68% of borrowings denominated in BRL linked to the USD. A significant portion of the Group's pricing is denominated in USD which acts as a natural hedge to our long-term exchange rate exposure.
Contingent liabilities.	We are defendants in lawsuits where we understand, based on counsel's opinions, that there is a possibility of loss, and for which we have not made provision. Losing lawsuits for which we have not made provision may adversely affect our financial results.	In the normal course of business in Brazil, the Group remains exposed to numerous local legal claims. It is the Group's policy to vigorously contest such claims, many of which appear to have little substance or merit, and to manage such claims through its legal counsel.
The Group's investment portfolio is exposed to losses arising from equity price movements and changes to foreign exchange and interest rates.	The Group's activities expose it to losses arising from movements in equity prices and changes to foreign exchange and interest rates.	The Board of Ocean Wilsons (Investments) Limited determines investment guidelines and restrictions in conjunction with the Investment Manager. These, together with the Investment Manager's reports, are reviewed at the Ocean Wilsons (Investments) Limited board meetings. Investment guidelines are reviewed on a periodic basis by the Board. The investment portfolio is invested in a diversified range of asset classes and markets so the group is not exposed to one particular market or asset class.
Poor long-term investment performance.	Investment returns may not meet the Group's investment objectives.	The Investment Manager performs due diligence on all potential investments prior to investing. The investment portfolio is managed by professional investment managers with extensive industry experience under agreed guidelines. The Board monitors the investment portfolio performance through the review of quarterly reports from the Investment Manager containing a detailed analysis of performance and comparison with relevant indices.
The Group requires funding in order to support its business operations. The holding company is funded from dividends received from Wilson Sons and Ocean Wilsons (Investments) Limited.	The risk is that Wilson Sons or Ocean Wilsons (Investments) Limited will not have access to sufficient funding to finance their operational and investment activities.	The Group remains soundly funded with sufficient cash resources, positive cash generation and access to borrowing to support its operations. The Board monitors the performance of Wilson Sons and the investment portfolio through the review of quarterly reports. The Group has two distinctly separate investments: Wilson Sons, a maritime services company in Brazil and Ocean Wilsons (Investments) Limited which holds a portfolio of international investments. There is no recourse between the two investments. In addition, the Company holds no external debt.

Report of the Directors

The Board reviews the need for an internal audit department annually and considers no internal audit function is required in view of the internal audit function at Wilson Sons and the control environment of Hanseatic Asset Management LBG, the Investment Manager of Ocean Wilsons (Investments) Limited and its portfolio custodian Lombard Odier. The Board also noted that the Ocean Wilsons (Investments) Limited accounts are prepared by an independent professional accounting firm. In addition, the executive director and Chairman of the audit committee review internal control reports from our major service suppliers. Wilson Sons Limited operates an internal audit function and the Wilson Sons Limited board monitors their internal financial control systems through reports received from the internal audit function. As mentioned, the focus of the Wilson Sons internal audit function in evaluating and reporting on the activities of risk management as well as testing internal controls. Wilson Sons has agreed to present the results of the Wilson Sons internal audit function to the Ocean Wilsons finance committee on an annual basis and to report any material findings on a quarterly basis. No material items were reported in 2019. In reviewing Wilson Sons Limited, the Board receives reports from the Wilson Sons Limited legal department and the Wilson Sons Limited external auditor.

The parent group has an ongoing process for identifying, evaluating and managing key risks including financial, operational and compliance controls.

A risk register is maintained detailing business risks, together with controls and responsibilities. The risk register is regularly reviewed by the audit committee.

The systems operated both by the parent group and principal operating subsidiary are reviewed annually. The Board is satisfied that these systems are operating effectively. During the 2018 year-end audit the external auditors noted a number of control deficiencies in IT controls which have been reported to the finance committee. These deficiencies and the improved controls implemented by management in 2019 to address these issues were noted by the Committee and there was no impact on Wilson Sons activities or financial statements.

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

Emerging risks

Description of risk	Summary of implication	Risk mitigation and management
Populist political initiatives and economic nationalism lead to increased constraints on the effective deployment of investment capital in international markets.	Capital markets will direct capital less efficiently, leading to reduced returns on investment on portfolio assets. Investments may become subject to exchange controls.	Diversify portfolio assets to avoid excess exposure to specific political risks. Investment decisions should take account of suitable risk premia in economies and financial markets most susceptible to political intervention.
Climate change and extreme weather events may impact our business or the businesses of our customers.	<p>The majority of our revenue is derived from services linked to Brazilian trade volumes and are sensitive to the rate of growth in Brazilian GDP and trade flows. Brazilian GDP or trade flows may be adversely impacted by climate change or a change in the frequency or intensity of extreme weather events. Decreases in Brazilian growth or trade volumes could adversely affect demand for our services and financial condition. Our operational efficiency may also be adversely impacted by climate change or extreme weather events.</p> <p>There is a regulation risk that government may take action prompted by climate change that impacts our business or the businesses of our customers.</p>	<p>We continue to monitor and evaluate the potential impacts resulting from climate change and extreme weather events including the regulation risk that may result in government taking action prompted by climate change that could impact our operations.</p> <p>We continue to monitor opportunities to invest in technology and implement operational efficiencies that could reduce our greenhouse gas emissions.</p>
We are partially dependent on the demand for Brazilian offshore oil and gas. Demand for oil and gas maybe impacted by a transition towards lower-carbon sources of energy.	Changes in the level of exploration and production expenditures and in oil and gas prices and industry perceptions about future oil and gas prices could materially decrease demand for our services.	We diversify our risk exposure by obtaining a significant portion of our revenue from businesses not exposed to the Brazilian offshore oil and gas industry. We review investment decisions based on expected long-term demand.
The recent developments of the Covid-19 and its full impacts are still uncertain.	<p>The majority of our revenue is derived from services linked to Brazilian trade volumes and are sensitive to the rate of growth in Brazilian GDP and trade flows. Brazilian GDP or trade flows may be adversely impacted by the Covid-19.</p> <p>Global equity markets may remain volatile on investor concerns about how the Covid-19 virus is affecting consumer demand, manufacturing supply chains and major economies.</p>	We have a diversified portfolio of assets. We continue to monitor developments in the Covid-19 and will take actions in managing our businesses where appropriate.

Report of the Directors

Ocean Wilsons Holdings Limited Stakeholder engagement

The Ocean Wilsons Holdings Limited Board considers stakeholders when making business decisions. As an investment holding company Ocean Wilsons Holdings Limited has a limited number of stakeholders but through our investment in Wilson Sons Limited, we have relationships with a wider

range of stakeholders. Wilson Sons Limited is an autonomous listed company supervised by the Board of Wilson Sons however the Board of Ocean Wilsons reviews the activities of Wilson Sons to ensure they reflect the Company's values and culture.

Why is it important to engage	How we engage	Stakeholders key interests
<p>Customers</p> <p>Ocean Wilsons does not have any direct customers but through our investment in Wilson Sons Limited we have customer relationships. The treatment of customers can have significant impact on financial performance.</p>	<p>Maintaining long-term relationships with our customers.</p> <p>Regular client visits by management to discuss service requirements and pricing. The chief executive of Wilson Sons meets major clients to also understand their requirements.</p> <p>Participation in local and international industry conferences.</p> <p>Reports to the Board on business performance and developments.</p>	<p>Availability of services provided.</p> <p>Investments made to support expansion of services and facilities and therefore support their businesses and reliability of service provided.</p> <p>Fair pricing.</p>
<p>Employees</p> <p>Ocean Wilsons has only one employee but through our investment in Wilson Sons Limited we have over 3,900 employees. Employees are important stakeholders as they are the ones who create and deliver the products and services that our customers consume.</p>	<p>Wilson Sons Limited invests in the training and development of their employees to ensure employees have the appropriate skills to perform their jobs in a safe environment.</p> <p>Wilson Sons management regularly interacts and negotiates with the labour unions that represent our workforce throughout Brazil.</p> <p>The Ocean Wilsons Board receives quarterly reports on employee accident rates and Wilson Sons publishes lost time injury frequency rates in its quarterly earnings release.</p> <p>Wilson Sons employees can raise concerns anonymously through the whistle-blower channel. Complaints received are dealt with by the ethics committee in line with the Wilson Sons Limited ethics policy. Indicators, statistics and actions for events reported through the Wilson Sons whistle-blower channel are reported to the Board. A more detailed report on Wilson Sons engagement with employees is detailed on page • of the annual report.</p>	<p>Career opportunities.</p> <p>Equal opportunity employer</p> <p>A safe working environment.</p> <p>Training and development.</p> <p>Pay and conditions.</p>

Why is it important to engage	How we engage	Stakeholders key interests
Investors		
As a publicly listed company we need to provide fair, balanced and understandable information to allow investors and potential investors to make informed investment decisions.	<p>Annual and interim reports including operational and Investment Manager reports.</p> <p>RNS announcements on major business developments.</p> <p>Corporate website including principal investor information.</p> <p>One-to-one investor meetings with principal shareholders and prospective investors. The Board receives reports on investor and potential investor meetings to understand points discussed and any issues or concerns raised by investors.</p> <p>Analyst coverage of the Company.</p> <p>Where a major shareholder has abstained or voted against an Annual General Meeting resolution the Board contacts shareholders to understand the reasons behind their vote.</p>	<p>Operating and financial performance information.</p> <p>Appropriate dividends.</p> <p>Access to Board members and management.</p> <p>The Company strategy and values.</p> <p>Viability.</p> <p>Risk management.</p> <p>Internal control.</p>
Suppliers		
Engaging with our suppliers means that we can ensure security and quality of service from our suppliers.	<p>Maintaining long-term relationships with our suppliers with regular interaction to ensure suppliers meet our service requirements.</p> <p>Working with reputable suppliers who can provide high quality goods or services.</p> <p>The Ocean Wilsons (Investments) Limited Board periodically reviews the terms and conditions of our investment management agreement to ensure they are in line with market rates.</p> <p>Board members periodically meet with the Investment Manager and other major suppliers.</p>	<p>Long-term relationships with major suppliers.</p> <p>Ethical trading.</p> <p>Fair pricing.</p> <p>Viability of our businesses.</p>

Report of the Directors

Why is it important to engage	How we engage	Stakeholders key interests
<p>Communities We aim to contribute positively to the communities and environment where we operate.</p>	<p>Wilson Sons routinely provides several opportunities to interact with their community stakeholders throughout the year: a volunteer action programme, donations, sponsorships and participation in social responsibility groups and/or issues related to corporate sustainability.</p> <p>Wilson Sons’ social practices are aligned with the principles established in the Universal Declaration of Human Rights, the United Nations Global Compact, its Code of Ethical Conduct and its Corporate Health Safety and environment policy. The objective is to promote private social investment in projects, actions and social programmes related to respecting and valuing life and establishing an ethical and transparent dialogue with its stakeholders.</p> <p>A more detailed report on Wilson Sons corporate responsibility and engagement with the community is detailed on page x of the annual report.</p> <p>We invest for the long-term providing stable funding for investments to provide long-term economic growth and development.</p>	<p>Impact of the Group on the wider community and environment.</p> <p>Viability and sustainability of employment.</p> <p>Growth and future employment opportunities.</p> <p>Contributions to local charities and causes.</p> <p>Safe working environment.</p>
<p>Government and Industry regulators Our Brazilian businesses operate in highly regulated environments. It is important to understand the requirements and concerns of government and industry regulators.</p>	<p>Wilson Sons management regularly meet with industry regulators and government to understand industry developments and issues at a local and national level.</p> <p>The Chairman based in Brazil is actively involved with management on industry and government matters.</p> <p>Our Investment Manager, Hanseatic Asset Management LBG is regulated by the Guernsey Financial Services Commission.</p>	<p>Maritime industry policy and regulation.</p> <p>The role of the Group in the Brazilian economy and to facilitate trade with the rest of the world.</p> <p>Tax collection.</p> <p>Maintaining confidence in the financial system.</p>

The Board gains understanding of the views of the Group’s other key stakeholders through Board reports on stakeholder meetings, visiting the Wilson Sons operations, discussions with management and the Board participating in the meetings of Wilson Sons Limited including detailed management presentations from department heads and discussions of issues and decisions taken at Board meetings. The Board considered the views and impact on a range of stakeholders when deliberating on the expansion of the Salvador container terminal including investors, employees, the local community, customers as well as government and industry regulators. When paying dividends we consider investor interests as well as the impact on the

cash flow requirements and viability of our businesses with the associated implications for our employees, suppliers, lenders and customers. Issues or concerns raised by both Ocean Wilsons Holdings Limited and Wilson Sons Limited at investor meetings are reported to the Board which discusses the points raised and decisions taken relating to these points. Ocean Wilsons Holdings Limited also has a relationship agreement with Wilson Sons Limited to ensure that both companies shall use their reasonable endeavours to ensure we can comply with our obligations with government and industry regulators.

Relations with shareholders

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

Employees

The Wilson Sons' goal is to be the first choice for employees. The Group defines and implements strategies aligned with the organisational culture. Wilson Sons has identified the following employee qualities that we consider important and reflect the Group's culture and values:

Identification with Wilson Sons

Values and identifies with Wilson Sons, showing pride and alignment with the company's culture, mission and vision. Communicate a single vision, clearly conveying what values and behaviours the company expects to see enforced.

We are better together

Work cooperatively, acknowledging the roles to be played by an employee's area as well as other areas and foster integration to allow for higher synergy between areas/businesses. Break down silos and open up room for an integrated business strategy.

Employee length of service with the Group

Less than 1 year	1 to 5 years	5 – 10 years	10 – 20 years	20 – 30 years	Greater than 30 years
11%	29%	31%	22%	5%	1%

Workforce average age

18 to 25 years	25 to 45 years	45 - 60 years	Greater than 60 years
9%	59%	25%	7%

Attracting Talent

The Group attracts talent by putting our employees first, guaranteeing a healthy and safe work environment to deliver high performance and efficiency. We invest in the professional development of each employee with education and training for employees in an open work environment for collaboration and teamwork. Promotion and development is based on merit with employees recognised according to their performance and achievements. The Group offers

Responsibility for results

Take direct responsibility for results ensuring that short-term commitments and long-term strategic objectives are met. Distinguish and value excellence in performance. Work towards the continuity of the business, fulfilling promises made with shareholders.

Focus on the client

Carefully guide actions and decisions, promptly reacting to the demands and needs of clients (internal and external). Provide outstanding service, establishing transparent communication channels and a proactive attitude in tackling problems. Address actions to improve and innovate and generate value for clients and businesses, making for enduring relationships.

Mature relationships

Through clear communication, we are able to build meaningful and trusted relationships between areas of the business.

Efficiency at work

Use resources well and perform the job in an organised and efficient manner. Generate improvements and innovation, following operating/corporate procedures and HSE policies. Monitor costs and quality, preserving the excellent reputation of Wilson Sons in the market.

We consider employee turnover is an important measure of employee satisfaction as well as length of service. The Board considers the employee turnover and length of service results to be satisfactory. There is enough employee turnover to refresh the workforce while also retaining a stable workforce with knowledge of the Group's culture and values. This is also reflected in the employee length of service with the Group and workforce average age. The average age profile of our workforce is appropriate.

Employee turnover and voluntary redundancy

	2019	2018
Employee turnover*	20.2%	16.8%
Voluntary redundancy	4.0%	3.5%

* Employee turnover represents the average rate during the year.

industry competitive salaries. To align the strategy of selecting and recruiting people who share the same values, Wilson Sons has evaluated the ideal type of professionals required to contribute to the achievement of the Company's goals. Candidates applying for job openings are evaluated according to the degree of alignment between personal values and corporate culture together with the skills and experience required for the position.

Report of the Directors

Education and training

Wilson Sons has a defined and well-structured policy to encourage further education and training. Any employee who wants to improve their education can apply for a postgraduate scholarship (diploma, MBA or master's degree) or language courses which will be granted according to the employee's position and the Company's requirements. In addition Wilson Sons businesses have their own training plans that provide all technical training and knowledge required to perform each role.

Succession

All key positions of senior leadership in Wilson Sons are mapped and all Company managers are encouraged to develop their teams and prepare their own successors.

Employee retention and remuneration policy

Wilson Sons holds regular individual conversations between the leadership and its managers in order to understand the motivations to remain in the company and develop employee retention initiatives.

The Wilson Sons Group manages positions and salaries using the Hays methodology. The objective is to maintain an internal balance regarding remuneration across positions and an external balance with market averages. In the case of variable remuneration the Wilson Sons Group offers managers, administrative and operational professionals access to a profit-sharing plan which uses profit, budget targets and individual results in determining rewards. Wilson Sons also encourages employee engagement through a stock option plan for senior managers.

Workforce engagement

The Group does not appoint a director from the workforce, have a formal advisory panel or a designated non-executive director. The Board does not consider this necessary as the Ocean Wilsons Board does not directly manage the Wilson Sons business which is managed by the Wilson Sons Board. The Board engages with the workforce by holding a two-day Board meeting once a year at our main offices in Brazil where the Board meets Wilson Sons senior management with Directors also performing site visits. In addition to this the Chairman is based in Brazil and has regular interaction with Wilson Sons management and the Deputy Chairman and executive director visit Brazil periodically throughout the year meeting management and making site visits. These visits and interactions provide important insights to the Board on the culture and concerns at different levels of our Brazilian businesses. The Board also receives reports on labour claims received by the Group and the management of these labour claims. Wilson Sons management directly engages with 22 labour unions on a regular basis throughout the year that represent the Wilson Sons workforce.

Gender balance

The Wilson Sons workforce is 82% male and 18% female which the Board considers satisfactory considering the historical nature of our businesses while the gender balance of senior management is 77% male and 23% female which the Board considers good.

Corporate Social Responsibility

Wilson Sons routinely provides several opportunities to interact with the wider community throughout the year through volunteer actions, donations, sponsorships and participation in social responsibility boards and/or issues related to the corporate sustainability of important industry institutions.

Wilson Son's social practices are aligned with the principles established in the Universal Declaration of Human Rights, the United Nations Global Compact, its Code of Ethical Conduct and its Corporate HSE Policy. Wilson Son's objective is to promote private social investment in projects, actions and social programmes related to respecting and valuing life, as well as preserving the history of business and industry, establishing an ethical and transparent dialogue with its stakeholders.

In December 2019 the Salvador container terminal was awarded the seal of ethnic-racial diversity granted by the city of Salvador through the municipal secretariat of reparations (Semur). The certification is a recognition of the actions already developed by the Salvador container terminal to promote inclusion among employees and also confirms its commitment to the promotion of ethnic-racial diversity within the company. Through the "Tecon para todos" programme which has been active since 2016, Tecon Salvador has included the theme of diversity in its training and inclusion programming and has committed itself throughout 2020 to expand internal engagement on ethnic and racial issues.

Sponsorship

Private social investments are the basis for the participation of Wilson Sons' corporate volunteering through collaboration between sponsored projects through incentive laws and institutions supported by financial donations. The total amount contributed in 2019 through incentive laws was US\$557,000 (2018: US\$670,000).

Brazilian Sports Incentive Law

Salvador Esporte E Cidadania (www.depeitoaberto.com.br)

The objective is to provide conditions for community development, inducing social and educational transformation through sports, culture and leisure for youngsters from 6 to 18 years of age.

Instituto Reação (www.institutoreacao.org.br)

Wilson Sons is a partner in the Programa Reação Escola de Judô, a programme that offers judo classes to more than 1,000 children and adolescents between 4 and 17 years old. Participants learn about the principles and values of the sport with the objective of fostering education and human development.

Fundação Gol De Letra (<https://goldeletra.org.br/>)

Fundação Gol de Letra is a public organisation that develops socio-educational practices and know-how for more than 4,600 children, adolescents and young people aged 6 to 30 in the cities of Rio de Janeiro and São Paulo.

Brazilian Culture Incentive Law ("Rouanet Law")

Estúdio Escola De Animação (www.estudioescola.com.br)

Estúdio Escola de Animação is a project that brings together students from public schools around Rio de Janeiro to teach cartoon production, from script to completion.

Brasil De Tuhu (www.brasildetuhu.com.br)

The Brasil de Tuhu project was designed to expand and improve the quality of music education in Brazil.

Donations

In line with its value of maintaining long-term relationships, Wilson Sons continues to support several local charities and causes in Brazil. The Group donations for the year totalled US\$24,000.

Brigada Mirim Da Ilha Grande (www.brigadamirim.org.br)

Founded in 1989 by the residents of Ilha Grande on the coast of Rio de Janeiro, the organisation provides work, health, education and civic awareness to young people.

Escola De Gente (www.escoladegente.org.br)

Escola de Gente – raising awareness and promoting social inclusion for people with disabilities or who live in poverty.

Passaporte Da Cidadania (www.pastoraldomenor.com.br)

This project is linked to the Children's Clergy of the Archdiocese of Rio de Janeiro, focusing on street children and adolescents.

Sonhar Acordado (www.sonharacordado.org.br)

The NGO Sonhar Acordado is an international non-profit organisation that works with institutions, orphanages, support centres and hospitals trying to transform the lives of children in need through friendly relationships with young volunteers.

Participation in commissions and workgroups

Wilson Sons values the importance of participating in commissions, conferences, and workgroups. Wilson Sons takes an active part in relevant entities or in areas of interest to articulate, obtain information, and participate in important decisions for the market and society as a whole. Some of the institutions in which Wilson Sons participates:

- Brazilian Corporate Volunteer Council
- IBP Social Responsibility Commission
- IBP Technical Commission of Health Safety and Environment
- Ethos Human Rights Workgroup
- ACRJ Corporate Environment and Sustainability Committee

Corporate Volunteering

We also engage with stakeholders through our corporate volunteering efforts. The programme called Criando Laços (Creating ties), allows Wilson Sons' employees to do voluntary work in the community. During 2019, these voluntary initiatives mobilised over 250 employees in actions aimed at helping children, young people and the elderly. Over 800 people benefited from the volunteer initiatives in 2019.

Health Safety and Environment

Included in the corporate core values of Ocean Wilsons Holdings Limited is the need to provide a safe operating environment for our staff and to respect the environment and the communities in which we operate and the people who work for us. These values are reflected in how Wilson Sons manages the areas of Occupational Health, Safety, and Environment ("HSE") in a strategic manner as it is of fundamental importance for the development of sustainable business.

HSE has a formal agenda within the Wilson Sons Limited executive committee, with monthly meetings to deal exclusively with issues related to the topic which is supported by dedicated committees and subcommittees for each business unit. Lost-time injury frequency rates are reported to the Wilson Sons and Ocean Wilsons Holdings Limited Boards at each quarterly Board meeting.

Report of the Directors

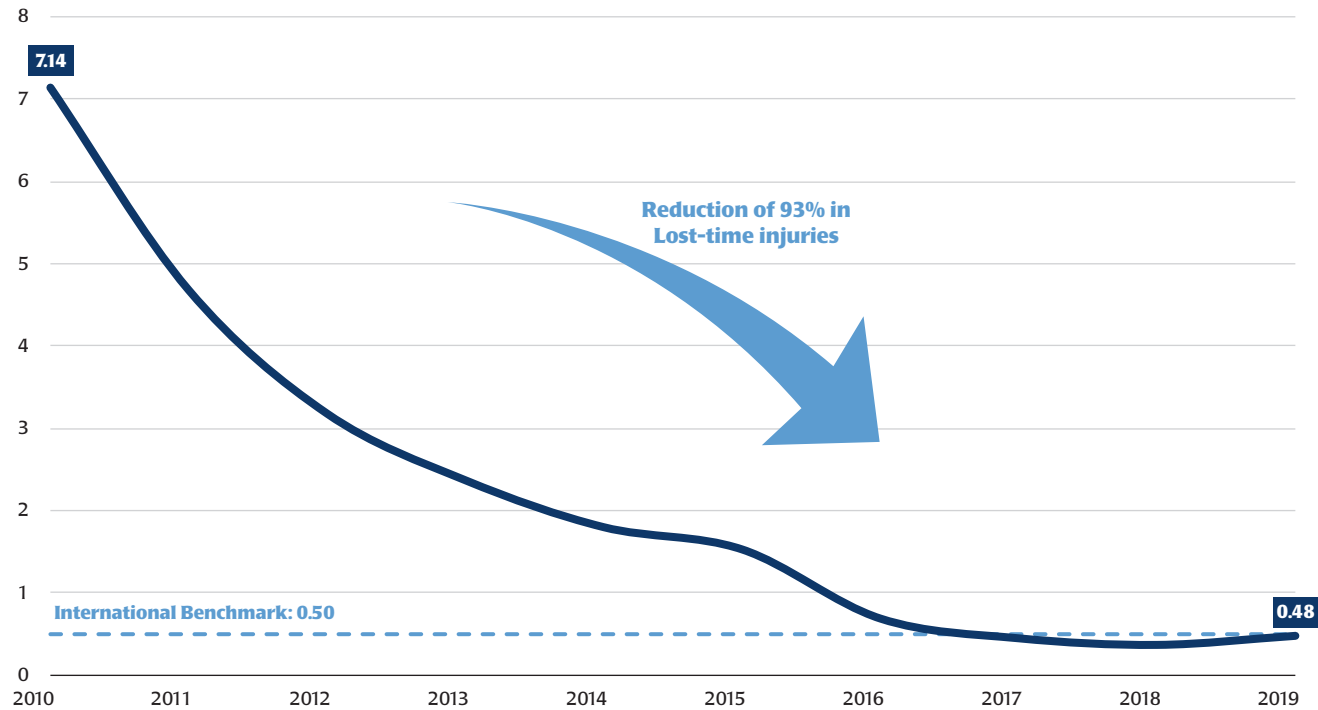
Wilson Sons is one of the most consistent winners of the DuPont award on Occupational Health and Safety Management in Brazil, having received four awards in the last five years.

World-class Safety

The commitment to safety in all our operations continues to be our top priority, while ensuring the quality of the services we provide to our clients.

Lost-time Injuries

Lost Time Injury Frequency Rate (LFTIR) per million man hours worked.



Source: •

WS+ Programme

The Group has run the WS+ safety programme in partnership with DuPont since 2011 to promote improved safety throughout the Wilson Sons Group. HSE guidelines are based on the concepts of continuous improvement, relationship with stakeholders, emergency response, risk management, training, legal compliance, leadership and responsibility. The success of this programme is shown by the continued improvement in our lost-time injury frequency rate which has decreased to 0.48 accidents per one million man-hours worked since the programme was implemented. Despite achieving a world-class level of safety, Wilson Sons continues to work on improving safety performance and work practices to prevent future accidents. Our long-term goal is to maintain the lost-time injury frequency rate below or equal to 0.5 accidents per one million man-hours worked and achieve an interdependent safety management culture in which everyone is aware of the safety agenda and concerned not only with their own safety but also with those around them.

Occupational Health

Wilson Sons has developed a drug and alcohol prevention programme known as Você "You" 100% Programme with a focus on improving operational safety and employee health.

Environment

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

In order to improve the understanding of the environmental aspects and impacts of its activities, the Wilson Sons Group has developed its Environmental Management Index ("EMI") based on current best practices. The EMI's key themes (solid waste, water resources, environmental damage, licensing, stakeholders and atmospheric emissions) use established criteria to promote continuous improvement in environmental management and achieve excellence. At this stage the Group has decided to measure and understand our environmental impacts and has not yet established any formal targets although some actions have been implemented to reduce our environmental impacts as detailed below. To date management's focus has been on improvements in health and safety. Our environmental programme is still relatively immature.

Atmospheric Emissions and Climate Change

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

Going Concern

The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US\$69.0 million in cash and cash equivalents and the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's Statement, Financial review and Investment Manager report on pages 6 to 19. The financial position, cash flows and borrowings of the Group are set out in the Financial review in pages 6 to 12. In addition, note 35 to the financial statements includes details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's borrowings are set out in note 23. Based on the Group's forecasts and sensitivities run, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Viability statement

In accordance with the UK Corporate Governance Code, the directors have assessed the viability of the Group over a three-year period to 31 December 2022, taking into account the Group's current position and potential impact of the principal risks and uncertainties. Based on this assessment, the directors

confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.

Whilst the directors have no reason to believe the Company will not be viable over a longer period, given the uncertainties involved in longer term forecasting the directors have determined that a three-year period to 31 December 2022 is an appropriate period over which to provide its viability statement. The three-year period also aligns with the rolling three-year investment portfolio performance benchmark.

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

Wilson Sons Limited

The assessment considered that the Wilson Sons business model has proven to be strong in the long term with a range of businesses that have consistently demonstrated their ability to trade, even in challenging market conditions, as evidenced in 2015 when the Group produced a solid performance despite the Brazilian Real depreciating 47% against the US Dollar in the year. Operational activities are funded by cash generated from operations while the Wilson Sons borrowings are used to finance capital expenditure. The Wilson Sons borrowings are generally long-term with defined repayment schedules repayable over different periods up to 18 years. There is no recourse from Wilson Sons to the Company or Ocean Wilsons (Investments) Limited in respect of Wilson Sons Limited borrowings. Wilson Sons is not reliant on one particular customer: its largest customer constituted approximately 9% of the Group's revenue in 2019 (and including joint venture revenue, 16%). In addition, Wilson Sons has opportunities to mitigate any adverse impacts given the flexible cost base of some of their businesses.

Ocean Wilsons (Investments) Limited

In making the assessment for the investment portfolio, the Board has considered matters such as significant stock market volatility, changes in exchange rate and a significant reduction in the liquidity of the portfolio. The investment portfolio and cash under management at 31 December 2019 was US\$285.3 million with outstanding capital commitments of US\$39.7 million and no external debt.

Report of the Directors

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

Directors' responsibilities

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

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

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

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

By Order of the Board

Malcolm Mitchell

Company Secretary

12 March 2020

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited

Opinion

In our opinion:

- Ocean Wilsons Holdings Limited group financial statements (the "financial statements") give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); and

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

Consolidated statement of comprehensive income for the year then ended

Consolidated balance sheet as at 31 December 2019

Consolidated statement of changes in equity for the year then ended

Consolidated statement of cash flows for the year then ended

Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report, set out on page 30, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 30, in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 41, in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the directors' statement, set out on page 41, in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 41, in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Revenue recognition • Impairment risk to goodwill and intangible assets • Provisions and contingencies • Valuation of Level 2 and Level 3 investments • IFRS 16 adoption and disclosures
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 9 components. • The components where we performed full or specific audit procedures accounted for 94% of Profit before tax, 89% of Revenue and 90% of Total assets.
Materiality	<ul style="list-style-type: none"> • Overall group materiality was US\$4.1m which represents 5% of Profit before tax.

Key audit matters

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

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited

Risk

Revenue recognition risk

(2019: US\$406.1m; 2018: US\$460.2m)

Refer to the Finance Committee Report (page 29); Accounting policies (page 62); and Note 3 of the Financial Statements (pages 67 and 68)

Recognition of fictitious revenue or inappropriate revenue recognition for towage, containers handling and port operations services. We have focused on unbilled revenue for Brasco's offshore logistics support services not yet rendered, due to its significance and manual nature of the process. For other business units, due to the level of automation and lack of manual intervention in the unbilled process and the reduced income statement impact of unbilled revenue for the towage and port operations services, our revenue fraud risk focus was on the posting of manual entries that could be recognised in order to manipulate revenue. Revenue recognition is presumed by auditing standards to be a fraud risk area, therefore we determined that this is a key audit matter.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group related to revenue recognition, but we did not test the operating effectiveness of the controls, we adopted a substantive approach;
- We performed procedures using our bespoke data analytics tools including correlation data analysis. This allowed us to analyse the relationship between revenue, accounts receivable and cash using the entire population of journal entries, which allowed us to focus our risk and investigate unusual postings between the above accounts and corroborate any exceptions to our expectations;
- We inspected significant new or renewed contracts, and/or changes to significant existing contracts. We understood clauses such as those containing minimum volumes guarantees, surcharges, or rebate arrangements and performance obligations to consider and challenge whether these are appropriately accounted for including any estimation relevant to recognition decisions;
- We have obtained direct confirmation of balances outstanding at the year end from customers in order to test existence of uncollected revenues;
- We have tested the appropriateness of manual entry postings to revenues, particularly in regards to non Brasco business units by obtaining supporting documentation and rationale for such transactions;
- We have tested the appropriateness of revenue recognition, particularly with regard to cargo movements around the year end focusing on those recorded as unbilled (accrued income) and testing of estimates to subsequent to post year end available data which may impact revenue recognition with a particular focus on Brasco unbilled revenues;
- We used substantive analytical procedures to identify and investigate unusual trading patterns and performing additional audit procedures where actual results are not in line with our expectations such as disaggregated data and transactional level analyses to understand and test such patterns; and
- We reviewed the adequacy of the disclosures in the financial statements with a particular focus on compliance with the requirements of IFRS 15 accounting standard.

Key observations communicated to the Audit Committee

Based on the procedures performed we did not identify any evidence of material misstatement in the revenues recognised in the year. We have also assessed adequacy of the disclosures in the financial statements and found them to be appropriate.

Risk

Impairment risk to goodwill and intangible assets

(2019: US\$0m goodwill and US\$7.6m lease rights respectively; 2018: US\$11.7m goodwill and lease rights US\$10.8m respectively)

Refer to the Finance Committee Report (page 29); Accounting policies (pages 59, 60 and 65); and Note 13 of the Financial Statements (page 74 and 75)

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

Due to the potential material impact and higher risk judgements involved we have identified the impairment of Brasco's assets as a fraud risk area, and therefore we determined that this is a key audit matter.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group over the impairment review, but we did not test the operating effectiveness of the controls, adopting a substantive audit approach. In doing so we tested whether the forecasts are in line with current approved budgets and forecasts;
- We compared and investigated differences between past cash flow projections and actual cash flows (estimation reliability record) which might indicate management bias or excessive optimism in forecasting cash flows;
- We obtained managements impairment model and tested its mathematical accuracy and tested the forecast discounted cash flows and assumptions to independently sourced external data to identify if contradictory information exists;
- We involved our business valuation specialists who have considerable experience in oil and gas and oil field services to assist us in our impairment testing, including assessing the valuation methodology and challenging specific inputs into the determination of the discount rate with referenced to independent sourced external data and the relativity of the discount rate used with the risks inherent within management's forecasts. Such inputs were benchmarked against those observable in the markets in which the group operates;
- We determined independently, with the support of our business valuation specialists, a reasonable range of discount rates to be applied to the forecasts, which we determined to be between 13.6% and 15.4%;
- We sensitised the assumptions which are most sensitive to change to ascertain what changes in assumptions could produce significantly different outcomes, and as expected we noted the future forecast revenues, the discount rate and inflation rate used to discount the cash flows are the most sensitive assumptions. In doing so, we ascertained the extent of changes that individually, or in combination, would be required for goodwill to be impaired;
- Based on our assessment of the risk inherent within the forecast cashflow analysis and the sensitivity analysis we performed, we conclude an impairment charge would arise for all reasonable scenarios; and
- We reviewed and assessed the appropriateness and completeness of required disclosures.

Key observations communicated to the Audit Committee

Based on the results of the audit procedures, we have identified a material misstatement related to an impairment charge of \$13.20m required on goodwill and other intangible assets which was corrected by management. We have also assessed the adequacy of the disclosures made in the financial statements, considering the impairment in the year, and found them to be appropriate. Having made the adjustment based on the result of the audit procedures carried out in connection with the impairment test of goodwill and intangible assets, which is consistent with Management's assessment, we consider that the criteria and assumptions adopted by Management for goodwill and intangible assets are acceptable in the context of the financial statements taken as a whole.

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited

Risk

Provisions and contingencies

(2019: US\$14.6m, 2018: US\$17.3m)

The unprovided amounts for possible losses are US\$103.6m (2018: US\$120.2m).

Refer to the Finance Committee Report (pages 28 and 29); Accounting policies (pages 62 and 64); and Note 26 of the Financial Statements (page 91).

In the normal course of business the group receives legal claims arising from: general civil proceedings, labour claims, changing tax legislation and environmental issues. Such claims are particularly prevalent in Brazil. The amounts involved are material and potentially material for provided and unprovided but disclosed amounts. The application of accounting standards to determine the amount, if any, to be provided or disclosed as a liability or potential liability is inherently subjective and requires management to make judgements and estimates we determined that this is a key audit matter.

Our response to the risk

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

Key observations communicated to the Audit Committee

Based on the results of our audit procedures, we consider that the judgements made and estimates prepared by the group and the related disclosures are materially correct and appropriate. We consider the claims provided and disclosed are supported by evidence and capable of reliable estimation.

Risk

Valuation of Level 2 and 3 investments

(2019: US\$266.3m, 2018: US\$247.1m)

Refer to the Finance Committee Report (page 29); Accounting policies (pages 60 and 65); and Notes 19 and 35 of the Financial Statements (pages 85 and 97 to 103).

Valuation of the Level 2 and 3 investments requires significant judgements and estimates by management and external inputs. Any input inaccuracies or unreasonable basis used in these judgements could result in a misstatement of the income statement and balance sheet we determined that this is a key audit matter.

Our response to the risk

- We walked through and understood the controls designed and implemented by the group over valuation of level 2 and 3 investments. However, we did not test the operating effectiveness of the controls, adopting a substantive audit approach;
- We read the accounting policy for investment valuation and assessed it for compliance by comparing with accounting standards. We also performed testing to check that the investment valuations were consistent with the stated accounting policy had been consistently applied;
- We have determined and challenged the appropriateness of the valuation methodologies and techniques applied to the unquoted Level 2 and 3 investments including comparing them with the International Private Equity and Venture Capital Valuation Guidelines ('IPEV') and obtained independent support to corroborate the stated values for the same. We also considered whether any changes had been made in valuation approaches;
- We considered the valuations model used and possible alternatives and have agreed valuation inputs to supporting documentation and tested the arithmetical accuracy of the group's valuation calculations for its unquoted investments;
- We considered the date of valuations where these were not as of 31 December 2019, and performed procedures to ascertain if any significant changes in value might be expected where investments were valued at an interim date. We also considered valuation's received after the year end until the date of our opinion for such investments;
- We tested the mathematical accuracy of any valuation models used and obtained direct confirmations from counterparties; and
- We tested and reviewed the appropriateness and completeness of disclosures in the financial statements.

Key observations communicated to the Audit Committee

Based on the results of our audit procedures, we consider that the judgements made and estimates prepared by the group in valuing level 2 and level 3 investments are acceptable.

Management provided appropriate disclosures in the financial statements related to level 3 investments.

Independent Auditor’s Report

to the Members of Ocean Wilsons Holdings Limited Only

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>IFRS 16 adoption and disclosures</p> <p>(2019: Right of use asset: \$189.0m; lease liability: \$194.1m; 2018: nil)</p> <p><i>Refer to the Finance Committee Report (page 28); Accounting policies (pages 63 to 66); and Note 14 of the Financial Statements (pages 76 to 79).</i></p> <p>The adoption of IFRS 16 Leases brought to the balance sheet significant right of use assets and lease liabilities alongside substantial changes in how the group manages and accounts for its leasing activities. IFRS 16 Leases has been applied for the first time in 2019. In addition, the company has included indirect taxes (PIS and COFINS) in the determination of the lease liability and right of use asset which is a change in the approach adopted in the prior year for disclosure purposes, we have increased the subjectivity to high, we determined that this is a key audit matter.</p>	<ul style="list-style-type: none"> • We walked through an understood the controls designed and implemented by the group related to leases under IFRS 16; • We have reviewed our audit procedures performed in the prior year regarding management’s assessment on the impact of IFRS 16 implementation and considered the terms of significant and representative lease contracts and determined our conclusions were still appropriate in the current year; • We have identified any contract modifications made during the year and determined whether these were appropriately reflected in the accounting and disclosures of such leases under IFRS 16, and we considered the appropriateness of the incremental borrowing rates applied to such changes; • We considered whether the inclusion of indirect taxes (PIS and COFINS) in the determination of the lease asset and the right of use asset was appropriate and in accordance with to provisions of IFRS16. We note also the change in approach was prompted by the Brazilian regulator mandating all local IFRS preparers should include PIS and COFINS; and • We reviewed and assessed the appropriateness and completeness of required disclosures. 	<p>Based on the results of our audit procedures we consider that gross (of PIS and COFINS) presentation of the lease liabilities is reasonable. We further concluded that the right of use assets and liabilities and associated income statement impacts are reasonably stated and that our conclusions drawn as part of our prior year assessment remain appropriate. Management provided appropriate disclosures in the financial statements in accordance with IFRS 16.</p>

An overview of the scope of our audit

Tailoring the scope

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

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 24 reporting components of the group, we selected 10 components covering entities in Bermuda, Brazil and Panama, which represent the principal business units within the group.

Of the ten components selected, we performed an audit of the complete financial information of six components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining four components (“specific scope components”), we performed audit procedures on

specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

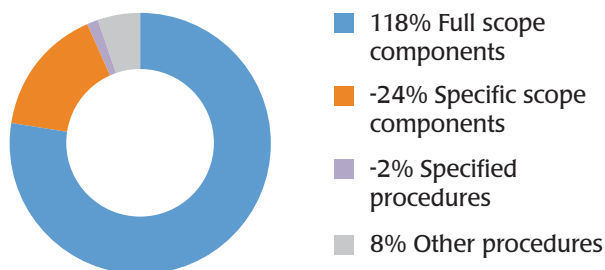
The reporting components where we performed full or specific scope audit procedures accounted for 94% of the group’s Profit before tax (2018: 88% of group’s Profit before tax adjusted for foreign exchange losses), 89% (2018: 90%) of the group’s Revenue and 90% (2018: 95%) of the group’s Total assets. For the current year, the full scope components contributed 118% of the group’s Profit before tax (2018: 88% of group’s Profit before tax adjusted for foreign exchange losses), 77% (2018: 81%) of the group’s Revenue and 75% (2018: 83%) of the group’s Total assets. The specific scope components contributed -24% of the group’s Profit before tax (2018: 1%), 12% (2018: 9%) of the group’s Revenue and 15% (2018: 9%) of the group’s Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the group. We also performed specified procedures on five locations over certain aspects of their accounts, such as revenues, expenses and assets, when these were individually material to the group’s financial statements.

Of the remaining 9 components that together represent 8% of the group's Profit before tax, 9% of group's Revenue and 2% of group's Total assets, none are individually greater than 3% of the group's Profit before tax. For these components, we performed other procedures, including risk focused analytical

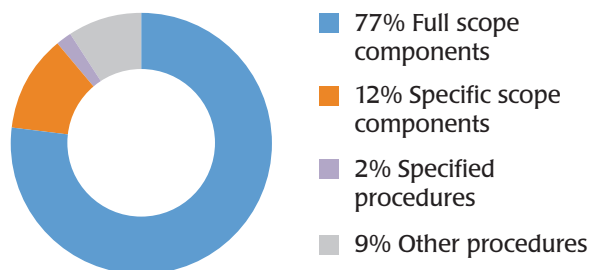
review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

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

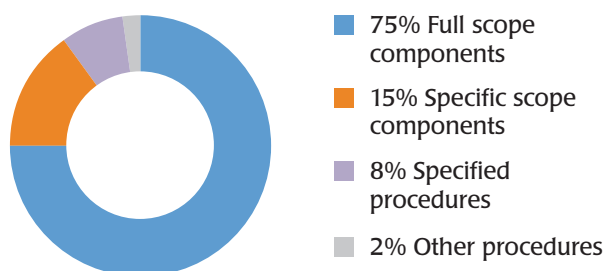
Profit before tax



Revenue



Total assets



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the six full scope components, audit procedures were performed on one of these directly by the primary audit team, None of the work on the specific scope components was performed directly by the primary team. For the five full scope components and four specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits Brazil, being the key country of operation, twice during the audit process, and his wider team three times. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in Brazil. These visits involved planning the audit, determining and directing the audit approach, reviewing and understanding issues arising from the audit work performed, meeting with local management, attending planning and closing

meetings and reviewing key audit working papers. In addition, the London based team and the Lead Audit Partner visited one operational location in Brazil during the audit process, being Tecon Salvador in addition to the head office in Rio de Janeiro. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

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

Materiality

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

Independent Auditor's Report

to the Members of Ocean Wilsons Holdings Limited

We determined materiality for the group to be US\$4.1m (2018: US\$4.1m), which is 5% of group's Profit before tax (2018: 5% of group's Profit before tax adjusted for foreign exchange losses). We believe that group's Profit before tax provides us with a more appropriate reflection of the group's activity and operational results in the year.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our materiality, namely US\$3.1m (2018: US\$3.1m). We have set performance materiality at this percentage based on our understanding of the business, professional scepticism and prior year experience as we have reasonable assurance level of the low probability of material misstatement being present in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US\$0.5m to US\$3.1m (2018: US\$0.9m to US\$2.3m).

Reporting threshold

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

We agreed with the Finance Committee that we would report to them all uncorrected audit differences in excess of US\$0.21m (2018: US\$0.21m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 42, including Highlights, Chairman's Statement, Financial Review, Wilson Sons Limited, Investment Portfolio, Investment Manager's Report and Report of the Directors, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 42** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit;
- **Audit Committee/Finance Committee reporting set out on pages 27 to 29** – the section describing the work of the Audit Committee/Finance Committee does not appropriately address matters communicated by us to the Audit Committee/Finance Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 22 to 23** – the parts of the directors' statement required under the Listing Rules relating to the group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
 - those that relate to the form and content of the financial statements, such as the group accounting policies, International Financial Reporting Standards (IFRS), Brazilian and Bermuda Company Law and the UK Corporate Governance Code 2018; and
 - those that relate to the taxation law, labour law, and civil and environmental law in Brazil where the group has the majority of its operations.
- We understood how Ocean Wilsons Holdings Limited is complying with those frameworks by considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the entity's performance and profitability, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by making an assessment of the key fraud risks to the group and the manner in which such risks may manifest themselves in practice, including considering management incentive schemes, areas of judgement and estimation, and internal controls. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included testing journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud. We also considered performance targets and their influence on efforts made by management to manage earnings.
- No instances of non-compliance or alleged non-compliance with laws were identified other than those dealt with in note 26 to the financial statements, in responding to those matters the details of our audit work are set out earlier in this report.

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

Other matters we are required to address

- We were appointed by the group on 31 August 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 December 2017 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the group's members, as a body, in accordance with Sections 90 and 98B of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.



Steven Lunn

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 March 2020

Notes:

1. The maintenance and integrity of the Ocean Wilsons Holding Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Revenue	3	406,128	460,196
Raw materials and consumables used		(25,290)	(38,128)
Employee charges and benefits expense	6	(140,348)	(146,327)
Depreciation & amortisation expense (owned assets)	5	(53,733)	(56,178)
Amortisation of right-of-use assets	5, 14	(12,389)	–
Impairment charge		(13,025)	–
Other operating expenses		(92,624)	(119,767)
Gain/(loss) on disposal of property, plant and equipment		294	(296)
Operating profit		69,013	99,500
Share of results of joint ventures	18	564	(4,062)
Returns on investment portfolio at fair value through profit or loss	7	34,716	(7,942)
Other investment income	8	6,052	4,152
Finance costs	9	(27,736)	(22,951)
Foreign exchange losses on monetary items		(79)	(8,459)
Profit before tax	5	82,530	60,238
Income tax expense	10	(21,481)	(26,433)
Profit for the year	5	61,049	33,805
Other comprehensive income:			
Items that will never be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		(11,137)	(39,336)
Post-employment benefits		(1,168)	(187)
Items that are or may be reclassified subsequently to profit and loss			
Effective portion of changes in fair value of derivatives		689	542
Other comprehensive expense for the year		(11,616)	(38,981)
Total comprehensive income/(expense) for the year		49,433	(5,176)
Profit for the period attributable to:			
Equity holders of parent		46,852	13,308
Non-controlling interests		14,197	20,497
		61,049	33,805
Total comprehensive income/(expense) for the period attributable to:			
Equity holders of parent		40,030	(9,278)
Non-controlling interests		9,403	4,102
		49,433	(5,176)
Earnings per share			
Basic and diluted	12	132.5c	37.6c

Consolidated Balance Sheet

as at 31 December 2019

	Notes	As at 31 December 2019 US\$'000	As at 31 December 2018 US\$'000
Non-current assets			
Goodwill	13	14,090	27,515
Right-of-use assets	14	189,011	–
Other intangible assets	15	22,313	25,468
Property, plant and equipment	16	627,049	602,451
Deferred tax assets	24	31,820	28,223
Investment in joint ventures	18	30,334	26,528
Related party loans	34	30,132	29,804
Recoverable taxes	22	26,501	25,603
Other non-current assets	26	9,407	7,446
Other trade receivables	21	354	483
		981,011	773,521
Current assets			
Inventories	20	10,507	10,875
Financial assets at fair value through profit and loss	19	298,840	287,298
Trade and other receivables	21	56,743	73,671
Recoverable taxes	22	25,547	23,283
Cash and cash equivalents		68,979	43,801
		460,616	438,928
Total assets		1,441,627	1,212,449
Current liabilities			
Trade and other payables	25	(56,608)	(57,640)
Derivatives		–	(422)
Tax liabilities		(496)	(719)
Lease liabilities	14	(21,938)	(46)
Bank overdrafts and loans	23	(36,636)	(60,209)
		(115,678)	(119,036)
Net current assets		344,938	319,892
Non-current liabilities			
Bank loans	23	(298,342)	(247,097)
Post-employment benefits	36	(2,369)	(1,190)
Deferred tax liabilities	24	(52,525)	(50,023)
Provisions for tax, labour and civil cases	26	(14,643)	(17,335)
Lease liabilities	14	(172,210)	(59)
		(540,089)	(315,704)
Total liabilities		(655,767)	(434,740)
Net assets		785,860	777,709
Capital and reserves			
Share capital	27	11,390	11,390
Retained earnings		588,160	566,678
Capital reserves		31,991	31,760
Translation and hedging reserve		(61,748)	(55,603)
Equity attributable to equity holders of the parent		569,793	554,225
Non-controlling interests		216,067	223,484
Total equity		785,860	777,709

The accounts on pages 52 to 105 were approved by the Board on 12 March 2020. The accompanying notes are part of this Consolidated Balance Sheet.

J. F. Gouvêa Vieira
Chairman

K. W. Middleton
Director

Consolidated Statement of Changes in Equity

as at 31 December 2019

	Share capital	Retained earnings	Capital reserves	Hedging and Translation reserve	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the year ended 31 December 2018							
Balance at 1 January 2018	11,390	578,126	31,760	(33,115)	588,161	235,899	824,060
Currency translation adjustment	–	–	–	(22,803)	(22,803)	(16,533)	(39,336)
Post-employment benefits (note 36)	–	(98)	–	–	(98)	(89)	(187)
Effective portion of changes in fair value of derivatives	–	–	–	315	315	227	542
Profit for the year	–	13,308	–	–	13,308	20,497	33,805
Total income and expense for the year	–	13,210	–	(22,488)	(9,278)	4,102	(5,176)
Dividends	–	(24,754)	–	–	(24,754)	(17,914)	(42,668)
Share options exercised in subsidiary (note 28)	–	96	–	–	96	94	190
Share based payment expense (note 6)	–	–	–	–	–	1,303	1,303
Balance at 31 December 2018	11,390	566,678	31,760	(55,603)	554,225	223,484	777,709
For the year ended 31 December 2019							
Balance at 1 January 2019	11,390	566,678	31,760	(55,603)	554,225	223,484	777,709
Currency translation adjustment	–	–	–	(6,546)	(6,546)	(4,591)	(11,137)
Post-employment benefits (note 36)	–	(677)	–	–	(677)	(491)	(1,168)
Effective portion of changes in fair value of derivatives	–	–	–	401	401	288	689
Profit for the year	–	46,852	–	–	46,852	14,197	61,049
Total income and expense for the year	–	46,175	–	(6,145)	40,030	9,403	49,433
Dividends	–	(24,754)	–	–	(24,754)	(17,428)	(42,182)
Tax incentives	–	–	231	–	231	166	397
Share options exercised in subsidiary (note 28)	–	61	–	–	61	72	133
Share based payment expense (note 6)	–	–	–	–	–	370	370
Balance at 31 December 2019	11,390	588,160	31,991	(61,748)	569,753	216,067	785,860

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:

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

Hedging and translation reserve

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

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

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Net cash inflow from operating activities	29	106,309	113,710
Investing activities			
Interest received		3,379	5,031
Dividends received from trading investments	7	2,781	2,133
Proceeds on disposal of trading investments	19	55,882	63,922
Purchase of trading investments	19	(35,489)	(56,225)
Proceeds on disposal of property, plant and equipment		871	600
Purchase of property, plant and equipment		(85,686)	(59,554)
Purchase of intangible assets	15	(1,545)	(2,033)
Capital increase – Wilson, Sons Ultratug Participações S.A	18	(3,527)	(4,003)
Net cash used in investing activities		(63,334)	(50,129)
Financing activities			
Dividends paid	11	(24,754)	(24,754)
Dividends paid to non-controlling interests in subsidiary		(17,428)	(17,914)
Repayments of borrowings		(85,856)	(54,223)
Payments of lease liabilities		(6,424)	(665)
New bank loans drawn down		113,629	9,381
Derivative payments		(339)	(771)
Net cash inflow arising from issue of new shares in subsidiary under employee stock option scheme	28, 31	133	190
Net cash used in financing activities		(21,172)	(88,756)
Net increase/(decrease) in cash and cash equivalents		21,803	(25,175)
Cash and cash equivalents at beginning of year		43,801	83,827
Effect of foreign exchange rate changes		3,242	(14,851)
Cash and cash equivalents at end of year		68,979	43,801

Notes to the Accounts

for the year ended 31 December 2019

1 General Information

Ocean Wilsons Holdings Limited is a company incorporated in Bermuda under the Companies Act 1981 and the Ocean Wilsons Holdings Limited Act, 1991. The address of the registered office is given on page 20. The nature of the Group's operations and its principal activities are set out in the operating and financial review on pages 6 to 19.

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

2 Significant accounting policies and critical accounting judgements

Basis of accounting

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

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US\$69.0 million in cash and cash equivalents and the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's statement, Operating review and Investment Manager's report on pages 2 to 19. The financial position, cash flows and borrowings of the Group are set out in the financial review in pages 6 to 12. In addition note 35 to the financial statements include details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's borrowings are set out in note 23. Based on the Group's forecasts and sensitivities run, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Basis of consolidation

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

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

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

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

Foreign currency

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

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

2 Significant accounting policies and critical accounting judgements (continued)

Investments in joint ventures

Interests in joint ventures

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

Interests in joint operations

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

The consolidated financial statements include the accounts of joint ventures and joint operations which are listed in Note 18.

Employee Benefits

Short-term employee benefits

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

Stock option plan

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

Share-based payment transactions

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

Defined health benefit plans

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

The calculation of the liability of the defined health benefit plan is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined health benefit obligation, which include actuarial gains and losses, are immediately recognised in other comprehensive income. The Group determines the net interest on the net amount of defined benefit liabilities for the period by multiplying them by the discount rate used to measure the defined health benefit obligation. Defined benefit liabilities for the period take into account the balance at the beginning of the period covered by the financial statements and any changes in the defined health benefit net liability during the period due to the payment of contributions and benefits. Net interest and other expenses related to defined health benefit plans are recognised in the statement of comprehensive income.

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

Other long-term employee benefits

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

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Benefits of termination of employment relationship

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

Taxation

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

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes or includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences and tax losses (i.e. differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax liabilities are generally recognised for all taxable temporary differences except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The Company offsets current tax assets against current tax liabilities when these items are in the same entity and relate to income taxes levied by the same taxation authority and the taxation authority permits the company to make or receive a single net payment. In the consolidated financial statements, a deferred tax asset of one entity in the Group cannot be offset against a deferred tax liability of another entity in the Group as there is no legally enforceable right to offset tax assets and liabilities between Group companies.

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

Property, plant and equipment

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

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

Freehold Buildings:	25 to 60 years
Leasehold Improvements:	Lower of the rental period or useful life considering residual values
Floating Craft:	25 to 35 years
Vehicles:	5 years
Plant and Equipment:	5 to 30 years

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

2 Significant accounting policies and critical accounting judgements (continued)

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

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

Dry docking costs are capitalised and depreciated over the period in which the economic benefits are received. Docking costs are included in the floating craft category.

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

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

Borrowing costs

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

Goodwill

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

Sale of non-controlling interest

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

Intangible assets

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

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

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

Impairment

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

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

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

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

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

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

Inventories

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

Financial instruments

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

a. Financial assets

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

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

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

Financial assets at amortised cost

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

- Cash and Cash Equivalents/Investments: Cash and cash equivalents comprise cash on hand and other short-term highly liquid cash equivalents with maturities of less than 90 days which are subject to an insignificant risk of changes in value and Investments comprise cash in hand and other investments with more than 90 days of maturity.
- Trade Receivables: Trade receivables and other amounts receivable are stated at the present value of the amounts due, reduced by any impairment loss.

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

Financial assets at fair value through profit or loss

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

2 Significant accounting policies and critical accounting judgements (continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset due to financial difficulties.

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

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

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

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

Derecognition of financial assets

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

b. Financial liabilities

Financial liabilities are classified as either "FVTPL" or "other financial liabilities". Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Other financial liabilities are initially measured at fair value, net of transaction costs and then subsequently measured at amortisation cost using the effective interest method with interest expense recognised on an effective yield basis.

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

There are no financial liabilities classified at FVTPL.

Other financial liabilities

- Bank loans: Interest-bearing bank loans are recorded at the proceeds received net of direct issue costs. Finance charges including premiums payable on settlement or redemption and direct issue costs are accounted for on the accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
- Trade Payables: Trade payables and other amounts payable are measured at fair value, net of transaction costs.

Derivatives

One of the Group's subsidiaries held derivatives to hedge foreign currency exposure arising from capital expenditure denominated in Real. These derivatives were marked to market at the end of every month. This swap was settled in January 2019.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue

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

Shipyard revenue

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

Port terminals revenue

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

Oil & Gas support base revenue

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

Towage revenue

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

Ship agency and logistics revenues

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders right to receive payment has been established.

Construction contracts

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, has been agreed with the customer and consequently is considered probable.

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

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

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

2 Significant accounting policies and critical accounting judgements (continued)

Leased assets

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4 and the lease liability opening balance was calculated considering the outstanding payments as from 1 January 2019. Also, the Group decided to adopt the portfolio approach for the interest rate estimation and hence, similar commitments related to similar assets rented for similar periods are discounted considering the same discount rate.

Accounting policy applicable from 1 January 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key criteria:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group measures the lease liability at the present value of the lease payments unpaid at that date using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Generally the Group applies the incremental borrowing rate. For a portfolio of leases with similar characteristics, lease liabilities are discounted using single discount rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

In accessing certain commitments related to the rent of buildings, the Group cannot readily determine the lease term as these can be terminated with no penalty every year. For these cases, the Group defines a standard lease term of 5 years. For machinery which the Group cannot readily determine the lease term, the Group defines the lease term as the useful life of the machinery.

Subsequent to the initial measurement, the carrying amount of the liability is reduced to reflect the lease payments made and increased to reflect the interest payable. If there is a change in the expected cashflows, the lease liability is recalculated. If the modification is related to a change in the amounts to be paid, the discount rate is not revised. Otherwise the Group revises the discount rate as if a new lease arrangement had been made.

When the lease liability is revised, the corresponding adjustment is reflected in the right-of-use asset. When the right-of-use asset is reduced to zero, the amount is recognised in the statement of comprehensive income.

The Group amortises the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients method. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Accounting policy applicable before 1 January 2019

Leasing

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

The Group as lessee:

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

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

Determining whether an arrangement contains a lease

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

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

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

Finance income and finance costs

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

a. Provisions for tax, labour and civil risks – Judgement

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

The amount of provisions for tax, labour and civil risks at the end of the reporting period was US\$14.6 million (2018: US\$17.3 million). Details are disclosed in Note 26.

2 Significant accounting policies and critical accounting judgements (continued)

b. Impairment of goodwill – Judgement and estimation

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The recoverable amount calculation requires the entity's management to estimate growth rate, discount rate and inflation rate. Further estimates include sales and operating margins which are based on past experience taking into account the effect of known or likely changes in market or operating conditions and the weighted average cost of capital.

The carrying amount of goodwill at the end of the reporting period was US\$14.1 million (2018: US\$27.5 million). Details are disclosed in Note 13. An impairment of US\$13.0 million was recorded in the year attributed to Offshore Support Bases.

c. Leases – Estimating the incremental borrowing rate – Estimation

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

d. Valuation of unquoted investments – Judgement and estimation

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

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

The amount of Level 3 assets at the end of the reporting period was US\$101.3 million (2018: US\$111.3 million). Details are disclosed in note 35.

Changes in accounting policies and disclosures

First-time adoption of new accounting standard

IFRS 16 – Leases

IFRS 16 was adopted as of 1 January 2019 and eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model that consists of: (a) initially recognising all leased assets (Right-of-use assets) and liabilities (Other liabilities) at the net present value of the lease payments; and (b) recognising depreciation of the right-of-use assets and interest from the lease separately in the statement of comprehensive income. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a term of 12 months or less).

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

Identification of contracts

Management prepared a full lease contract inventory identifying the types of contracts that would be in the scope of the standard. The Group elected to use the exemption allowed by the standard for lease contracts where the lease terms ends within 12 months of the initial application date and low value lease contracts.

Transition approach

The Group applied IFRS 16 with effect from 1 January 2019 using the modified retrospective approach. Accordingly, the comparative information has not been restated and continues to be reported under International Accounting Standard ("IAS") 17 and International Financial Reporting Interpretations Committee ("IFRIC") 4.

The Group used the following practical expedients when applying IFRS 16:

- Applied a single discount rate to portfolios of leases with similar characteristics. The weighted average rate applied was 8.76% p.a. depending on the contractual terms.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases where the lease term ends within 12 months of initial application date and leases of low-value assets. The payments associated with these leases will be recognised as an expense on a straight-line basis over the lease term.
- Used hindsight when determining the lease term to determine if the contract contained options to extend or terminate the lease.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

The following are lease liabilities under IFRS 16 reconciled to the disclosed operating lease commitments under IAS 17 at 31 December 2018.

	Lease commitments disclosed at 31 December 2018	Present value adjustment	Liability recognised at 1 January 2019
Operational facilities	499,828	(320,987)	178,841
Vessels	5,108	(583)	4,525
Buildings	7,896	(1,172)	6,714
Machinery, equipment and vehicles	5,520	(1,467)	4,053
Total	518,342	(324,209)	194,133

Effects of first-time adoption

For more details about the IFRS 16 adoption, please see Note 14.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assesses whether the Interpretation has an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

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

Other standards or amendments

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

- Insurance Contracts (IFRS 17);
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform; and
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current.

3 Revenue

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Sales of services	406,128	446,158
Revenue from construction contracts	–	14,038
	406,128	460,196
Income from underlying investment vehicles (note 7)	2,781	2,133
Other investment income (note 8)	6,039	4,152
	414,948	466,481

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

3.1 Disaggregated revenue information

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Towage and ship agency services		
Harbour manoeuvres	148,330	152,376
Special operations	11,194	13,212
Ship agency	9,241	9,950
Total	168,765	175,538
Port terminals		
Container handling	92,341	97,627
Warehousing	33,545	43,995
Ancillary services	21,607	24,432
Oil & Gas support bases	19,357	20,813
Other services	20,317	16,920
Total	187,167	203,787
Logistics		
Logistics	45,691	56,908
Total	45,691	56,908
Shipyard		
Shipyard construction contracts	–	14,038
Repairs/dry-docking	4,505	9,939
Total	4,505	23,977
Other services		
Other services	–	(14)
Total	406,128	460,196

Notes to the Accounts

3 Revenue (continued)

3.1 Disaggregated revenue information (continued)

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Timing of revenue recognition		
At a point of time	401,623	436,219
Over time	4,505	23,977
	406,128	460,196

3.2 Contract balance

Trade receivables are generally received within 30 days. The carrying amount of operational trade receivables at the end of the reporting period was US\$47.2 million (2018: US\$57.7 million). These amounts include US\$12.4 million (2018: US\$15.3 million) of contract assets (unbilled accounts receivables).

There were no contract liabilities as at 31 December 2019 or 31 December 2018.

3.3 Performance obligations

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

Performance obligation	When performance obligation is typically satisfied
Towage and agency services	
Harbour Manoeuvres	At a point in time
Special Operations	At a point in time
Ship Agency	At a point in time
Port Terminals	
Container handling	At a point in time
Warehousing	At a point in time
Ancillary services	At a point in time
Oil & Gas support bases	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 from completion of the service.

The performance obligation of ship construction contracts, technical assistance and drydocking is satisfied over time and the revenue related to these contracts is recognised when the work in proportion to the stage of completion of the transaction 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 has two reportable segments: maritime services and investments. The maritime services segment provides towage and ship agency, port terminals, offshore, logistics and shipyard services in Brazil. The investment segment holds a portfolio of international investments. Segment information relating to these businesses is presented below.

	Maritime Services Year ended 31 December 2019 US\$'000	Investment Year ended 31 December 2019 US\$'000	Unallocated Year ended 31 December 2019 US\$'000	Consolidated Year ended 31 December 2019 US\$'000
For the year ended 31 December 2019				
Revenue	406,128	–	–	406,128
Result				
Segment result	75,200	(3,648)	(2,539)	69,013
Share of results of joint ventures	564	–	–	564
Return on investment portfolio at fair value through P&L	–	34,716	–	34,716
Other investment income	6,045	7	–	6,052
Finance costs	(27,736)	–	–	(27,736)
Foreign exchange (losses)/profit on monetary items	(634)	(14)	569	(79)
Profit/(loss) before tax	53,439	31,061	(1,970)	82,530
Tax	(21,481)	–	–	(21,481)
Profit/(loss) after tax	31,958	31,061	(1,970)	61,049
Other information				
Capital additions	89,482	–	–	89,482
Right-of-use asset additions	14,434	–	–	14,434
Depreciation, amortisation and impairment	(66,758)	–	–	(66,758)
Amortisation of right-of-use assets	(12,352)	–	–	(12,352)
Balance Sheet				
Assets				
Segment assets	1,151,527	286,009	4,091	1,441,627
Liabilities				
Segment liabilities	(654,018)	(923)	(826)	(655,767)

Notes to the Accounts

4 Business and geographical segments (continued)

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

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. The Group, through its participation in an offshore vessel joint venture in Panama, earns income in that country and in Uruguay. 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	
	31 December 2019 US\$'000	31 December 2018 US\$'000	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Brazil	1,109,485	909,385	89,482	61,706
Bermuda	332,142	303,064	–	–
	1,441,627	1,212,449	89,482	61,706

5 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Depreciation of property, plant and equipment	50,353	52,757
Impairment charge	13,025	–
Amortisation of intangible assets	3,380	3,421
Operating lease rentals	–	22,104
Amortisation of right-of-use assets	12,389	–
Auditor's remuneration (see below)	795	735
Non-executive directors' emoluments	521	536

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

Auditor's remuneration for audit services	732	721
Other services	63	14
	795	735

6 Employee charges and benefits expense

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Aggregate remuneration comprised:		
Wages, salaries and benefits	111,066	119,402
Share based payments	370	1,331
Social security costs	28,157	24,507
Other pension costs	755	1,087
	140,348	146,327

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Unrealised gains/(losses) on financial assets at fair value through profit or loss	24,438	(18,654)
Income from underlying investment vehicles	2,781	2,133
Profit on disposal of financial assets at fair value through profit or loss	7,497	8,579
	34,716	(7,942)

8 Other investment income

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Interest on bank deposits	1,740	3,565
Other interest	4,312	587
	6,052	4,152

Notes to the Accounts

9 Finance costs

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Interest on lease liabilities	15,912	62
Interest on bank overdrafts and loans	10,823	12,300
Exchange loss on foreign currency borrowings	778	10,009
Other interest	223	580
	27,736	22,951

Borrowing costs incurred on qualifying assets of US\$2.3 million (2018: US\$0.1 million) were capitalised in the year at an average interest rate of 2.85% (2018: 3.38%).

10 Taxation

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Current		
Brazilian taxation		
Corporation tax	16,202	20,764
Social contribution	6,155	8,270
Total current tax	22,357	29,034
Deferred tax		
(Credit)/Charge for the year in respect of deferred tax liabilities	(5)	16,044
Credit for the year in respect of deferred tax assets	(871)	(18,645)
Total deferred tax	(876)	(2,601)
Total taxation charge	21,481	26,433

Brazilian corporation tax is calculated at 25% (2018: 25%) of the assessable profit for the year. Brazilian social contribution tax is calculated at 9% (2018: 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 Taxation (continued)

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Profit before tax	82,530	60,238
Tax at the aggregate Brazilian tax rate of 34% (2018: 34%)	28,060	20,481
Utilisation of net operating losses	(506)	(4,839)
Net operating losses in the period	1,712	1,336
Amortisation of goodwill	-	(1,093)
Exchange variance on loans	(804)	(10,988)
Tax effect of share of results of joint ventures	(192)	1,381
Tax effect of foreign exchange gains or losses on monetary items	494	3,397
Retranslation of non-current assets	(592)	9,826
Share option scheme	126	443
Non-deductible expenses	1,701	952
Leasing	(133)	730
Termination of tax litigation	(126)	35
Impairment charge	(1,438)	-
Other	-	404
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9,697)	4,368
Tax expense for the year	21,481	26,433
Effective rate for the year	26%	44%

The Group earns its profits primarily in Brazil. Therefore, the tax rate used for tax on profit on ordinary activities is the standard rate in Brazil of 34% (2018: 34%), consisting of corporation tax (25%) and social contribution (9%).

11 Dividends

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2018 of 70c (2017: 70c) per share	24,754	24,754
Proposed final dividend for the year ended 31 December 2019 of 70c (2018: 70c) per share	24,754	24,754

12 Earnings per share

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	46,852	13,308
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

Notes to the Accounts

13 Goodwill

	31 December 2019 US\$'000	31 December 2018 US\$'000
Cost and carrying amount attributed to:		
Tecon Rio Grande	12,793	13,307
Brasco offshore base	–	11,728
Tecon Salvador	2,480	2,480
Total	14,090	27,515

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

Each CGU is assessed for impairment annually and whenever there is an indication of impairment. The carrying value of goodwill has been assessed with reference to its value in use reflecting the projected discounted cash flows of each CGU to which goodwill has been allocated.

Salvador and Rio Grande container terminals

The cash flows of these CGUs are derived from the most recent financial budget for which its estimate life is the remaining period of the concessions.

The key assumptions used in determining value in use relate to growth rate, discount rate and inflation rate. Further projections include sales and operating margins which are based on past experience taking into account the effect of known or likely changes in market or operating conditions. Projected volumes for Tecon Rio Grande and Tecon Salvador are driven by the expected performance of the Brazilian economy until reaching operating capacity. The discount rate assumes the cost of capital whereas the growth rate for perpetuity projection is based on the inflation rate only after reaching operating capacity.

The estimated average growth rate used does not exceed the historical average for Tecon Rio Grande and Tecon Salvador, while the discount rate used was 9.3% (2018: 10.5%). The growth rates reflect the products, industries and country in which the businesses operate.

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

Offshore support bases

The cash-flows are based on ten-year cash flow projections plus terminal value. Future cash flows are derived from the most recent financial budget. The period of the cash flows has been determined in excess of 5 years to reflect the longer cycle period of the oil and gas industry. The key assumptions used in determining value in use relate to growth rate, discount rate and inflation rate. Further projections include sales and operating margins which are based on past experience taking into account the effect of known or likely changes in market or operating conditions. Projected volumes for Brasco are driven by the expected performance of the Brazilian economy and demand from the Brazilian offshore oil & gas industry production, until reaching operating capacity. The discount rate assumes the cost of capital whereas the growth rate for perpetuity projection is based on the inflation rate only after reaching operating capacity and a growth rate that doesn't exceed past performance.

The discount rate applied to the cash flow projections is 14.5% (2018: 10.5%) and cash flows beyond the ten-year period are extrapolated using a 1.0% terminal growth rate and 4.0% inflation (2018: 4.9%).

It was concluded that carrying value of Brasco's assets of US\$83.6 million exceeded the value in use of US\$70.4 million. As a result of this analysis, an impairment charge has been recognised of US\$13.0 million in the current year, of which US\$12.7million is against goodwill and the remaining against other intangible assets. The impairment charge is recorded within a separate line item in the statement of comprehensive income. The reason for the impairment charge arising in the year was an increase in the discount rate applied to the cash flows and continued difficult trading conditions the CGU is experiencing.

13 Goodwill (continued)

Key assumptions used in the value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the Brasco unit is most sensitive to the following assumptions:

- Growth rate
- Discount rate
- Inflation rate

Growth rate – The growth rate is determined based on management’s best estimates using data from Petroleum National Agency (ANP), Energy Research Agency (EPE, subordinated to Ministry of Energy), Oil Companies’ releases and specialised industry reports. The business is expected to contract in 2020 due to market demand and recover in subsequent years. Decrease in demand can lead to a decrease in growth rate. A decrease in the growth by 1% would result in a further impairment of US\$5.2 million. An increase in the growth by 1% would result in a reversal of the impairment recorded in other intangible assets of US\$0.5 million.

Discount rate – The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and its operating segments and is a weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on the investment by the potential investors. The cost of debt is based on an assessment of the interest-bearing borrowings the CGU is able to borrow in the market. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre tax discount rate. The Group has applied a specific risk premium to its discount rate due to the uncertainty related to its not yet contracted projected revenue for future periods.

A rise in the pre-tax discount rate to (i.e., +0.5%) would result in a further impairment of US\$5.2 million. A decrease in the discount rate by -0.5% would result in a reversal of the impairment recorded in other intangible assets of US\$0.5 million.

Inflation rate – The inflation rate is based on published market data available at the time of the assessment. Management recognises that the volatility in the Brazilian market and its impact on the inflation rates of the country can have a significant impact on the model. An increase in the inflation rate by 0.5% would result in a reversal of the impairment recorded in other intangible assets of US\$0.5 million. A reduction by 0.5% in the inflation rate would result in a further impairment of US\$6.0 million.

Notes to the Accounts

14 Lease arrangements

14.1 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
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
Carrying Amount					
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 Tecon Rio Grande lease was signed on 3 February 1997 for a period of 25 years renewable for a further 25 years. Tecon Rio Grande was granted the right to renew the lease as set out in the contract amendment signed on 7 March 2006 due to compliance with the contractual requirements to make additional investments in expanding the terminal by constructing a third berth and achieving the minimum annual container volume handled.

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;
- 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.

14 Lease arrangements (continued)

14.1 Right-of-use assets (continued)

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;
- 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, Brazil 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

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.

Notes to the Accounts

14.2 Lease liabilities

	Discount rate	31 December 2019 US\$'000
Lease liabilities by class of asset		
Operational facilities	8.75%	183,895
Buildings	8.75%	5,072
Vehicles, plant and equipment	8.88% – 12.90%	2,887
Floating craft	9.25%	2,294
Total		194,148
<hr/>		
Total current		21,938
Total non-current		172,210

	31 December 2019 US\$'000
Maturity analysis – contractual undiscounted cash flows	
Within one year	22,918
In the second year	20,456
In the third to fifth years inclusive	60,954
After five years	371,236
Total borrowings	475,564
Adjustment to present value	(281,416)
Total lease liabilities	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. For the purposes of this calculation, all other assumptions were maintained.

	31 December 2019 US\$'000	31 December 2018 US\$'000
Actual flow	475,564	518,353
Lease liabilities	(281,416)	(324,220)
Embedded interest	194,148	194,133

14.3 Amounts recognised in profit and loss

	31 December 2019 US\$'000
Amortisation of right-of-use assets	(13,542)
Amortisation of PIS and COFINS	1,153
Interest on lease liabilities	(16,799)
Interest of PIS and COFINS	887
Variable lease payments not included in the measurement of lease liabilities ^{1, 2}	(2,222)
Expenses relating to short-term leases	(15,852)
Expenses relating to low-value assets	(908)

1. The amounts refers to payments which exceeded the minimum forecast volumes of Tecon Rio Grande and Tecon Salvador.

2. The payments related to the number of vessel trips which were not included in the measurement of lease liabilities.

The Group is unable to estimate the future cash outflows relating to variable lease payments due to operational, economic and foreign exchange uncertainties.

14.4 Amounts recognised in the cash flow statement

	31 December 2019 US\$'000
Repayment of lease liability	(6,424)
Interest paid – lease liability	(16,806)
Short-term leases paid	(15,852)
Variable lease payments	(2,222)
Low-value leases paid	(908)
Total	(37,726)

15 Other intangible fixed assets

	Computer Software US\$'000	Concession-rights US\$'000	Other US\$'000	Total US\$'000
Cost				
At 1 January 2018	42,897	25,418	75	68,390
Additions	2,033	–	–	2,033
Disposals	(553)	–	–	(553)
Exchange differences	(2,028)	(3,694)	(11)	(5,733)
At 1 January 2019	42,349	21,724	64	64,137
Additions	1,545	–	–	1,545
Transfers to property, plant and equipment	(72)	–	–	(72)
Impairment charge	–	(488)	–	(488)
Disposals	(927)	(422)	(1)	(1,350)
Exchange differences	(475)	(840)	(2)	(1,317)
At 31 December 2019	42,420	19,974	61	62,455
Amortisation				
At 1 January 2018	30,372	7,426	–	37,798
Charge for the year	2,784	637	–	3,421
Disposals	(551)	–	–	(551)
Exchange differences	(897)	(1,102)	–	(1,999)
At 1 January 2019	31,708	6,961	–	38,669
Charge for the year	2,822	558	–	3,380
Disposals	(926)	(422)	–	(1,348)
Exchange differences	(278)	(281)	–	(559)
At 31 December 2019	33,326	6,816	–	40,142
Carrying amount				
31 December 2019	9,094	13,158	61	22,313
31 December 2018	10,641	14,763	64	25,468

The impairment charge in the year refers to the impairment of Brasco's assets as described in note 13.

Notes to the Accounts

16 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 2018	301,306	462,105	259,518	2,760	1,025,689
Additions	16,827	12,620	8,856	21,370	59,673
Transfers	1,163	13,997	(1,163)	(13,997)	–
Exchange differences	(35,009)	–	(33,782)	–	(68,791)
Disposals	(1,781)	–	(2,865)	–	(4,646)
At 1 January 2019	282,506	488,722	230,564	10,133	1,011,925
Transfers to right-of-use assets	–	–	(9,798)	–	(9,798)
Additions	40,320	14,450	27,325	5,842	87,937
Transfers	212	15,712	(241)	(15,683)	–
Transfers from intangible assets	(11)	(22)	105	–	72
Exchange differences	(9,301)	–	(7,662)	–	(16,963)
Disposals	(294)	(2,501)	(9,067)	–	(11,862)
At 31 December 2019	313,432	516,361	231,226	292	1,061,311
Accumulated depreciation and impairment					
At 1 January 2018	91,919	167,158	131,731	–	390,808
Charge for the year	8,589	25,499	18,669	–	52,757
Elimination on construction contracts	–	163	–	–	163
Exchange differences	(11,968)	–	(17,461)	–	(29,429)
Disposals	(1,405)	–	(3,420)	–	(4,825)
At 1 January 2019	87,135	192,820	129,519	–	409,474
Transfers to right-of-use assets	–	–	(7,969)	–	(7,969)
Charge for the year	8,018	26,741	15,594	–	50,353
Elimination on construction contracts	–	128	–	–	128
Exchange differences	(2,974)	–	(4,001)	–	(6,975)
Disposals	(234)	(2,320)	(8,195)	–	(10,749)
At 31 December 2019	91,945	217,369	124,948	–	434,262
Carrying Amount					
At 31 December 2019	221,487	298,992	106,278	292	627,049
At 31 December 2018	195,371	295,902	101,045	10,133	602,451

Land and buildings with a net book value of US\$0.2 million (2018: US\$0.2 million) and plant and machinery with a net book value of US\$0.2 million (2018: US\$0.2 million) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of US\$269.3 million (2018: US\$293.8 million) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2019 is US\$2.3 million (2018: US\$0.1 million) at an average interest rate of 2.85% (2018: 3.38%).

17 Principal subsidiaries

	Place of incorporation and operation	Effective interest*	Method used to account for investment
OCEAN WILSONS (INVESTMENTS) LIMITED Investment holding and dealing company	Bermuda	100%**	Consolidation
WILSON SONS LIMITED Holding company	Bermuda	58.16%**	Consolidation
WILSON, SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA Holding company	Brazil	58.16%	Consolidation
WS PARTICIPAÇÕES S.A. Holding company	Brazil	58.16%	Consolidation
WS PARTICIPACIONES S.A. Holding company	Uruguay	58.16%	Consolidation
WILSON, SONS ADMINISTRAÇÃO DE BENS LTDA Holding company	Brazil	58.16%	Consolidation
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA Tug operators	Brazil	58.16%	Consolidation
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÊNCIA DENAVEGAÇÃO LTDA Shipbuilders	Brazil	58.16%	Consolidation
WILSON, SONS ESTALEIRO LTDA Shipbuilders	Brazil	58.16%	Consolidation
WILSON SONS AGENCIA MARÍTIMA LTDA Ship Agency	Brazil	58.16%	Consolidation
TRANSAMERICA VISA SERVIÇOS DE DESPACHOS LTDA Ship Agency	Brazil	58.16%	Consolidation
WILSON, SONS LOGÍSTICA LTDA Logistics	Brazil	58.16%	Consolidation
WILPORT OPERADORES PORTUÁRIOS LTDA Port operator	Brazil	58.16%	Consolidation
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA Bonded warehousing	Brazil	58.16%	Consolidation
TECON RIO GRANDE S.A. Port operator	Brazil	58.16%	Consolidation
BRASCO LOGÍSTICA OFFSHORE LTDA Port operator	Brazil	58.16%	Consolidation
TECON SALVADOR S.A. Port operator	Brazil	58.16%	Consolidation

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

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

The Group also has a 58.16% effective interest in a private investment fund Hydrus Fixed Income Private Credit Investment Fund. This private fund is administrated by Itaú BBA S.A. and the investment policy and objectives are determined by the Wilson Sons treasury department in line with their policy.

Notes to the Accounts

18 Joint ventures

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

	Place of incorporation and operation	Proportion of ownership	
		31 December 2019	31 December 2018
Towage			
Consórcio de Rebocadores Barra de Coqueiros ¹	Brazil	50%	50%
Consórcio de Rebocadores Baía de São Marcos ¹	Brazil	50%	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda	Brazil	50%	50%
Offshore			
Wilson, Sons Ultratug Participações S.A. ²	Brazil	50%	50%
Atlantic Offshore S.A. ³	Panamá	50%	50%

1 Joint operations.

2 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.

3 Atlantic Offshore S.A. controls South Patagonia S.A. This company is an indirect joint venture of the Company.

Joint operations

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Income	13,310	14,598
Expenses	(7,397)	(7,544)
Profit for the year	5,913	7,054

	31 December 2019 US\$'000	31 December 2018 US\$'000
Property, plant and equipment	2,619	2,688
Right-of-use assets	3	–
Intangible assets	13	24
Inventories	482	385
Trade and other receivables	2,365	2,418
Cash and cash equivalents	874	796
Total assets	6,356	6,311
Trade and other payables	(6,235)	(6,172)
Deferred tax liabilities	(118)	(139)
Lease liabilities	(3)	–
Total liabilities	(6,356)	(6,311)

18 Joint ventures (continued)**Joint ventures**

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

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Revenue	130,911	117,055
Raw materials and consumables used	(7,590)	(9,758)
Employee benefits expense	(40,594)	(40,396)
Amortisation of right-of-use assets	(10,205)	–
Depreciation and amortisation expenses	(39,636)	(41,907)
Other operating expenses	(15,037)	(16,390)
Loss on disposals of property, plant and equipment	(2)	(26)
Results from operating activities	17,847	8,578
Finance income	747	302
Finance costs	(18,236)	(17,318)
Foreign exchange losses on monetary items	(2,073)	(9,160)
Loss before tax	(1,715)	(17,598)
Income tax credit	2,843	9,474
Profit/(loss) for the year	1,128	(8,124)
Participation	50%	50%
Equity result	564	(4,062)

	31 December 2019 US\$'000	31 December 2018 US\$'000
Right-of-use assets	1,160	–
Property, plant and equipment	596,213	628,135
Long-term investment	2,185	2,171
Other assets	11,753	8,821
Trade and other receivables	34,517	24,223
Derivatives	3	507
Cash and cash equivalents	21,183	18,145
Total assets	667,014	682,002
Bank overdrafts and loans	440,561	484,009
Lease liabilities	(922)	–
Other non-current liabilities	39,884	31,468
Trade and other payables	92,640	77,746
Equity	94,851	88,779
Total liabilities and equity	667,014	682,002

The Group has not given separate disclosure of each of our material joint ventures because they belong to the same economic group. Wilson Sons Limited holds a non-controlling interest in Wilson, Sons Ultratug 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

Wilson Sons Ultratug Participações S.A. loans with the BNDES are guaranteed by a lien on the financed supply vessel and in the majority of the contracts a corporate guarantee from both Wilson Sons de Administração e Comércio Ltda and Remolcadores Ultratug Ltda, each guaranteeing 50% of its subsidiary's debt balance with BNDES. A 50% share of the loan agreements amount to US\$176.5 million.

Notes to the Accounts

18 Joint ventures (continued)

Wilson, Sons Ultratug Participações S.A. subsidiary's loan with Banco do Brasil is guaranteed by a pledge over the financed supply vessels. The security package also includes a standby letter of credit issued by Banco de Crédito e Inversiones – Chile for part of the debt balance, assignment of Petrobras' long-term contracts and a corporate guarantee issued by Inversiones Magallanes Ltda – Chile. A cash reserve account, accounted for under long-term investments and funded with US\$2.2 million, is to be maintained until full repayment of the loan agreement. A 50% share of the loan agreements amount to US\$28.2 million).

The loan that Atlantic Offshore S.A. has with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB" for the financing of the offshore support vessel "Pardela" is guaranteed by a pledge over the vessel, the shares of Atlantic Offshore S.A. and a corporate guarantee for half of the credit from Wilson Sons de Administração e Comércio Ltda. Remolcadores Ultratug Ltda, the 50% partner in the business guarantees the other half of the loan. A 50% share of the loan agreements amount to US\$11.7 million.

Covenants

At 31 December 2019, Wilson Sons Ultratug Participações S.A.'s subsidiary was in compliance with all covenant ratios in respect of the Banco do Brasil loan.

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 31 December 2019 the subsidiary was in compliance with all loan agreement clauses.

Provisions for tax, labour and civil risks

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

Wilson, Sons Ultratug Participações S.A. booked provisions related to labour claims amounting to US\$100,000 (2018: US\$50,000), whose probability of loss was estimated as probable.

In addition to the cases for which the joint ventures have made a provision, there are other tax, civil and labour disputes amounting to US\$15.5 million (2018: US\$14.5 million) whose probability of loss was estimated by legal counsel as possible.

The breakdown of aggregated possible losses is as follows:

	31 December 2019 US\$'000	31 December 2018 US\$'000
Tax cases	8,304	6,901
Labour claims	7,192	7,629
Civil cases	6	–
Total	15,502	14,530

Below is the reconciliation of the investment in joint ventures recognised in the balance sheet including the impact of profit recognised by joint ventures:

	US\$'000
At 1 January 2018	26,644
Share of result of joint ventures	(4,062)
Capital increase	4,032
Elimination on construction contracts	(86)
Post-employment benefits	(10)
Derivatives	58
Exchange movements	(48)
At 1 January 2019	26,528
Share of result of joint ventures	564
Capital increase	3,527
Elimination on construction contracts	156
Post-employment benefits	(51)
Derivatives	(380)
Exchange movements	(10)
At 31 December 2019	30,334

19 Financial assets at fair value through profit or loss

	2019 US\$'000	2018 US\$'000
Financial assets at fair value through profit or loss		
At 1 January	287,298	305,070
Additions, at cost	35,489	56,225
Disposals, at market value	(55,882)	(63,992)
Increase/(decrease) in fair value of financial assets at fair value through profit or loss	24,438	(18,654)
Profit on disposal of financial assets at fair value through profit or loss	7,497	8,579
At 31 December	298,840	287,298
Ocean Wilsons (Investment) Limited Portfolio	284,763	258,188
Wilson Sons Limited	14,077	29,110
Financial assets at fair value through profit or loss held at 31 December	298,840	287,298

Wilson Sons Limited

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

Ocean Wilsons (Investments) Limited portfolio

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

Financial assets at fair value through profit or loss above represent investments in listed equity securities, funds and unquoted equities that present the Group with opportunity for return through dividend income and capital appreciation.

Included in financial assets at fair value through profit or loss are open ended funds whose shares may not be listed on a recognised stock exchange but are redeemable for cash at the current net asset value at the option of the Group. 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).

20 Inventories

	31 December 2019 US\$'000	31 December 2018 US\$'000
Operating materials	9,228	8,906
Raw materials for third party vessel construction	1,279	1,969
Total	10,507	10,875

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

Notes to the Accounts

21 Trade and other receivables

	31 December 2019 US\$'000	31 December 2018 US\$'000
Trade and other receivables		
Other trade receivables	354	483
Total other non-current trade receivables	354	483
Amount receivable for the sale of services	47,991	59,224
Allowance for bad debts	(837)	(1,490)
Total current trade receivables	47,154	57,734
Prepayments	6,452	10,917
Insurance claim receivable	1,972	3,314
Other receivables	1,165	1,706
Total other current trade receivables	9,589	15,937
Total current trade and other receivables	56,743	73,671

	31 December 2019 US\$'000	31 December 2018 US\$'000
Ageing of trade receivables		
Current	37,146	45,243
From 0 – 30 days	7,641	9,325
From 31 – 90 days	1,434	2,405
From 91 – 180 days	694	1,276
More than 180 days	1,076	973
Total	47,991	59,224

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 provision matrix is disclosed in note 35.

	2019 US\$'000	2018 US\$'000
Movement in the allowance for bad debts		
Balance at 1 January 2019	1,490	958
Amounts written off as uncollectable	(28)	(5,171)
(Decrease)/increase in allowance recognised in profit or loss	(534)	5,861
Exchange differences	(91)	(158)
Balance at 31 December 2019	837	1,490

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

22 Recoverable taxes

	2019 US\$'000	2018 US\$'000
PIS and COFINS recoverable ¹	18,467	17,306
FUNDAF recoverable ²	4,578	3,828
Judicial bond recoverable	2,698	3,681
Other recoverable taxes	758	788
Total recoverable taxes non-current	26,501	25,603
PIS and COFINS recoverable ¹	11,764	12,993
Income tax and social contribution recoverable	8,377	5,718
FUNDAF recoverable ²	1,954	2,819
Judicial bond recoverable	1,911	–
ISS recoverable ³	1,264	1,303
INSS recoverable ⁴	238	409
Other recoverable taxes	39	41
Total recoverable taxes current	25,547	23,283
Total	52,048	48,886

- 1 The PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) are Brazilian federal taxes based on the turnover of companies.
- 2 FUNDAF (Fundo Especial de Desenvolvimento e Aperfeiçoamento das Atividades de Fiscalização) is a Brazilian sales tax charged on the gross sales revenue in ports and bonded airports.
- 3 The Brazilian Municipal Service Tax, ISS (Imposto Sobre Serviços) is a tax levied on the provision of services.
- 4 INSS (Instituto Nacional do Seguro Social) is a Brazilian payroll tax.

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

23 Bank loans and overdrafts

	Annual interest rate %	31 December 2019 US\$'000	31 December 2018 US\$'000
<i>Secured borrowings</i>			
BNDES – FMM linked to US Dollar ¹	2.07% to 5%	148,564	152,002
BNDES – Real	5.95% to 8.54%	39,807	14,267
BNDES – FMM Real ¹	9.28%	1,064	1,250
BNDES – Finame Real ²	4.50% to 5.50%	35	150
Total BNDES		189,470	167,669
Banco do Brasil – FMM linked to US Dollar ¹	2.00% – 3.00%	79,535	85,142
Bradesco – NCE – Real ³	6.70%	50,043	–
Itaú – NCE – Real ³	5.88%	15,930	–
Santander – US Dollar	3.97%	–	25,523
IFC – US Dollar	7.00%	–	21,547
China Construction Bank – US Dollar	6.14%	–	6,364
Eximbank – US Dollar	6.22%	–	1,061
Total others		145,508	139,637
Total		334,978	307,306

- 1 As an agent of Fundo da Marinha Mercante's ("FMM"), Banco Nacional de Desenvolvimento Econômico e Social ("BNDES") and Banco do Brasil ("BB") finances the construction of tugboats and shipyard facilities.
- 2 Finame is the financing for the acquisition of machinery and equipment.
- 3 NCE is an export credit note.

Notes to the Accounts

23 Bank loans and overdrafts (continued)

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

	31 December 2019 US\$'000	31 December 2018 US\$'000
Within one year	36,636	60,209
In the second year	41,492	30,504
In the third to fifth years (inclusive)	106,523	79,460
After five years	150,327	137,133
Total	334,978	307,306
Amounts due for settlement within 12 months	36,636	60,209
Amounts due for settlement after 12 months	298,342	247,097

The analysis of borrowings by currency is as follows:

	BRL US\$'000	BRL linked to US Dollars US\$'000	US Dollars US\$'000	Total US\$'000
31 December 2019				
Bank loans	106,879	228,099	–	334,978
Total	106,879	228,099	–	334,978
31 December 2018				
Bank loans	15,667	237,144	54,495	307,306
Total	15,667	237,144	54,495	307,306

Loan agreement for civil works

In December 2018, the subsidiary Tecon Salvador S.A. signed a US\$67.9 million financing agreement with the BNDES, to be used for civil works during the terminal's expansion. During 2019 US\$29.7 million of the loan was disbursed. Due to the new financing contract, the loan agreement with the IFC was prepaid on 30 January 2019.

Guarantees

Loans with the BNDES and Banco do Brasil rely on corporate guarantees from Wilson Sons de Administração e Comércio Ltda. For some contracts, the corporate guarantee is in addition to a pledge of the respective financed tugboat or a lien over the logistics and port operations equipment financed.

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

The loan agreement for Tecon Rio Grande from the Export-Import Bank of China for the purchase of equipment is guaranteed by a standby letter of credit issued by Itaú BBA S.A., which in turn had a pledge on the equipment financed until its payment in full on 21 January 2019.

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

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

The loan agreement for Tecon Salvador from Banco Bradesco for purchase of equipment relies on a corporate guarantee from Wilport Operadores Portuários Ltda.

Undrawn credit facilities

At 31 December 2019, the Group had available US\$104.3 million of undrawn borrowing facilities. For each disbursement there is a set of conditions precedent that must be satisfied.

23 Bank loans and overdrafts (continued)

Covenants

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

Wilport Operadores Portuários Ltda as corporate guarantor for loan agreements signed between BNDES and 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 Tecon Salvador has to comply with a debt service coverage ratio covenant. The ratios are calculated excluding the impact of IFRS16.

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

At 31 December 2019, the Group was in compliance with all covenants in the above mentioned loan contracts.

Fair value

The directors estimate the fair value of the Group's borrowings as follows:

	31 December 2019 US\$'000	31 December 2018 US\$'000
Bank loans		
BNDES	189,470	167,669
Banco do Brasil	79,535	85,142
Bradesco – NCE – Real	50,043	–
Itaú	15,930	–
Santander	–	25,523
IFC	–	21,547
China Construction Bank	–	6,364
Eximbank China	–	1,061
Total	334,978	307,306

24 Deferred tax

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

	Accelerated tax depreciation US\$'000	Unrealised foreign exchange variance on loans US\$'000	Other differences US\$'000	Retranslation of non-current asset valuation US\$'000	Total US\$'000
At 1 January 2018	(38,108)	26,684	33,473	(44,941)	(22,892)
(Charge)/credit to income	(6,218)	10,137	8,508	(9,826)	2,601
Compensation of tax losses	–	–	(1,679)	–	(1,679)
Exchange differences	5,998	(4,647)	(1,181)	–	170
At 1 January 2019	(38,328)	32,174	39,121	(54,767)	(21,800)
(Charge)/credit to income	(587)	(1,978)	2,849	592	876
Exchange differences	1,641	(817)	(605)	–	219
At 31 December 2019	(37,274)	29,379	41,365	(54,175)	(20,705)

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

Notes to the Accounts

24 Deferred tax (continued)

	31 December 2019 US\$'000	31 December 2018 US\$'000
Deferred tax liabilities	(52,525)	(50,023)
Deferred tax assets	31,820	28,223
	(20,705)	(21,800)

At the balance sheet date the Group had unused tax losses of US\$64.0 million (2018: US\$46.2 million) available for offset against future profits in the company in which they arose. No deferred tax asset has been recognised in respect of US\$6.3 million (2018: US\$4.4 million) due to the unpredictability of future profit streams. In Brazil a tax asset of one entity in the Group cannot be offset against a tax liability of another entity in the Group as there is no legally enforceable right to offset tax assets and liabilities between Group companies.

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

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

25 Trade and other payables

	31 December 2019 US\$'000	31 December 2018 US\$'000
Trade creditors	20,400	21,510
Other taxes	9,848	11,215
Salaries, provisions and social contribution	18,544	16,585
Accruals and deferred income	7,630	8,145
Share based payment liability	186	185
Total	56,608	57,640

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

The average credit period for trade purchases is 29 days (2018: 26 days). For most suppliers, interest is charged on outstanding trade payable balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe.

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

Taxes Payable

	2019 US\$'000	2018 US\$'000
INSS payable	4,041	4,125
PIS and COFINS payable	1,853	2,768
ISS payable	1,686	1,956
Income tax payable	1,365	1,342
FGTS ¹ payable	668	643
Other payable taxes	235	381
Total current taxes payable	9,848	11,215

1. FGTS is Fundo de Garantia do Tempo de Serviço and is a fund for dismissed employees.

26 Provisions for tax, labour and civil cases

	Labour claims US\$'000	Tax cases US\$'000	Civil cases US\$'000	Total US\$'000
Cost				
At 1 January 2018	14,942	2,468	822	18,232
Increase in provisions in the year	3,297	754	15	4,066
Utilisation of provisions	(2,197)	–	(14)	(2,211)
Exchange difference	(2,229)	(384)	(139)	(2,752)
At 1 January 2019	13,813	2,838	684	17,335
Increase in provisions in the year	1,326	322	1,445	3,093
Utilisation of provisions	(3,878)	(977)	(308)	(5,163)
Exchange difference	(557)	(73)	8	(622)
At 31 December 2019	10,704	2,110	1,829	14,643

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

Other non-current assets of US\$9.4 million (2018: US\$7.4 million) represent legal deposits required by the Brazilian legal authorities as security to contest legal actions.

In addition to the cases where the Group has booked a provision, there are other tax, civil and labour disputes amounting to US\$103.6 million (2018: US\$120.2 million) where the probability of loss was estimated by the legal counsels as possible.

The analysis of possible claims by type is as follows:

	31 December 2019 US\$'000	31 December 2018 US\$'000
Tax cases	78,258	86,204
Labour claims	14,223	18,839
Civil and environmental cases	11,108	15,156
Total	103,589	120,199

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

Tax cases – The Group defends against government tax assessments considered inappropriate.

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

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

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

- upon receipt of notices of new lawsuits, external lawyers generally classify the claim as possible recorded at the total amount at risk. The Group uses the estimated value at risk and not the total claim value involved in each process;
- if there is sufficient knowledge from the beginning that there is a very high or very low risk of loss, the lawyer may classify the claim as a probable loss or remote loss;
- during the course of the lawsuit the lawyer may re-classify the claim as a probable loss or remote loss based on information available including judicial decisions, legal precedents, claimant arguments, applicable laws, defence documentation and other variables; and
- when classifying the claim as a probable loss, the lawyer estimates the amount at risk for the claim.

Management are not able to give an indication of when the provisions are likely to be utilised as the majority of the litigation involves a high degree of uncertainty as to when the cases will be resolved.

Notes to the Accounts

27 Share capital

	2019 US\$'000	2018 US\$'000
Authorised		
50,060,000 ordinary shares of 20p each	16,119	16,119
Issued and fully paid		
35,363,040 ordinary shares of 20p each	11,390	11,390

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

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

28 Exercise of stock options in subsidiary

During 2019 participants of the Wilson Sons Limited stock option scheme exercised 17,400 options. As a result the non-controlling interest in Wilson Sons Limited increased from 41.83% at 31 December 2018 to 41.84% at 31 December 2019. The Group received US\$133,000 (2018: US\$190,000) from the exercise of stock options in the period.

	2019 US\$'000	2018 US\$'000
The following amounts have been recognised in the consolidated statement of comprehensive income		
Movement attributable to equity holders of parent	61	96
Movement attributable to non-controlling interest	72	94

29 Notes to the cash flow statement

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	82,530	60,238
Share of results of joint venture	(564)	4,062
Returns on investment portfolio at FVTPL	(34,716)	7,942
Other investment income	(6,052)	(4,152)
Finance costs	27,736	22,951
Foreign exchange losses on monetary items	79	8,459
Operating profit	69,013	99,500
Adjustments for:		
Amortisation of right-of-use assets	12,389	–
Depreciation of property, plant and equipment	50,353	52,757
Impairment charge	13,025	–
Amortisation of intangible assets	3,380	3,421
Share based payment credit	370	1,331
(Gain)/loss on disposal of property, plant and equipment	(294)	296
Increase/(decrease) in provisions	421	(418)
Operating cash flows before movements in working capital	148,657	156,887
Decrease in inventories	368	2,898
Decrease in receivables	16,213	1,228
Decrease in payables	(1,525)	(7,219)
(Increase)/decrease in other non-current assets	(5,123)	2,089
Cash generated by operations	158,590	155,883
Income taxes paid	(23,324)	(30,079)
Interest paid	(28,957)	(12,094)
Net cash from operating activities	106,309	113,710

29 Notes to the cash flow statement (continued)

Non-cash movements in financing

In addition to the cashflow movements in financing arrangements the group was subject to the following non cash movements:

- Exchange losses of \$0.8m (2018: \$10m)
- Increases in lease liabilities resulting from modifications of \$14.4m (2018: \$nil)

Cash and cash equivalents

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

Exclusive investment fund

The Group has investments in an exclusive investment fund managed by Itaú BBA S.A. that is consolidated in these financial statements. The fund portfolio is marked to fair value on a daily basis. This fund's financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses. The fund's investments are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Additionally, the Group has investments in an exchange fund managed by Itaú Cambial FICFI to reduce the currency volatility of US Dollar linked commitments.

Cash and cash equivalents held in Brazil amount to US\$35.7 million (2018: US\$28.2 million).

Cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment purposes.

30 Contingent liabilities

In the normal course of business in Brazil, the Group continues to be exposed to numerous local legal claims. It is the Group's policy to contest such claims vigorously, many of which appear to have little merit, and to manage such claims through its legal advisers. The total estimated contingent claims at 31 December 2019 are US\$103.6 million (2018: US\$120.2 million). These have not been provided for as the directors and the Group's legal advisers do not consider that there are any probable losses. Contingent liabilities relate to labour, civil and environmental and tax claims.

31 Share options

Stock option scheme

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

Options series	Grant date	Original vesting date	Expiry date	Exercise price (R\$)	Number	Expired	Exercised	Vested	Outstanding not Vested	Total Subsisting
07 ESO – 3 Year	10/1/2014	10/1/2017	10/1/2024	31.23	961,653	(178,695)	(39,039)	749,661	–	743,919
07 ESO – 4 Year	10/1/2014	10/1/2018	10/1/2024	31.23	961,653	(178,695)	(39,039)	749,661	–	743,919
07 ESO – 5 Year	10/1/2014	10/1/2019	10/1/2024	31.23	990,794	(184,110)	(27,982)	–	–	778,702
07 ESO – 3 Year	13/11/2014	13/11/2017	13/11/2024	33.98	45,870	(12,870)	(3,630)	29,370	–	29,370
07 ESO – 4 Year	13/11/2014	13/11/2018	13/11/2024	33.98	45,870	(12,870)	(3,630)	29,370	–	29,370
07 ESO – 5 Year	13/11/2014	13/11/2019	13/11/2024	33.98	47,260	(13,260)	(3,740)	–	–	30,260
07 ESO – 3 Year	11/08/2016	11/08/2019	11/08/2026	34.03	82,500	–	–	–	–	82,500
07 ESO – 4 Year	11/08/2016	11/08/2020	11/08/2026	34.03	82,500	–	–	–	82,500	82,500
07 ESO – 5 Year	11/08/2016	11/08/2021	11/08/2026	34.03	85,000	–	–	–	85,000	85,000
07 ESO – 3 Year	16/05/2017	16/05/2020	15/05/2027	38.00	20,130	–	–	–	20,130	20,130
07 ESO – 4 Year	16/05/2017	16/05/2021	15/05/2027	38.00	20,130	–	–	–	20,130	20,130
07 ESO – 5 Year	16/05/2017	16/05/2022	15/05/2027	38.00	20,740	–	–	–	20,740	20,740
07 ESO – 3 Year	09/11/2017	09/11/2020	09/11/2027	40.33	23,760	(11,880)	–	–	11,880	11,880
07 ESO – 4 Year	09/11/2017	09/11/2021	09/11/2027	40.33	23,760	(11,880)	–	–	11,880	11,880
07 ESO – 5 Year	09/11/2017	09/11/2022	09/11/2027	40.33	24,480	(12,240)	–	–	12,240	12,240
Total					3,436,100	(616,500)	(117,060)	2,438,040	264,500	2,702,540

Notes to the Accounts

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options over the last two years.

	Number	WAEP (R\$)
Subsisting at 1 January 2018	2,779,700	31.95
Exercised during the year ¹	(23,760)	31.23
Subsisting at 31 December 2018	2,755,940	31.96
Exercised during the year ²	(17,400)	31.23
Expired during the year	(36,000)	40.33
Subsisting at 31 December 2019	2,702, 540	31.85

1. The weighted average share price at the date of exercise of these options was R\$42.80.

2. The weighted average share price at the date of exercise of these options was R\$40.87.

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

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

Period	Projected IFRS2 Fair Value expense	
	US\$'000	
10 January 2014	2,826	
10 January 2015	3,296	
10 January 2016	3,409	
10 January 2017	2,331	
10 January 2018	1,303	
10 January 2019	370	
10 January 2020	206	
10 January 2021	99	
10 January 2022	27	
Total	13,867	

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

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

33 Commitments

At 31 December 2019 the Group had entered into commitment agreements with respect to the investment portfolio. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the outstanding commitments in question may be analysed as follows:

	2019 US\$'000	2018 US\$'000
Within one year	2,978	4,416
In the second to fifth year inclusive	4,453	5,305
After five years	32,222	25,903
	39,653	35,624

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

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US\$3.0 million (2018: US\$52.1 million). The amount mainly relates to capital expenditure for the Salvador container terminal.

33 Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to the income statement of US\$0.7 million (2018: US\$1.1 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan.

34 Related party transactions

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

Transactions between the Group and its associates, joint ventures and other investments are disclosed below:

	Revenue from services		Amounts paid/ Cost of services	
	31 December 2019 US\$'000	31 December 2018 US\$'000	31 December 2019 US\$'000	31 December 2018 US\$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada ¹	–	8	(339)	(376)
2. Consórcio de Rebocadores Barra de Coqueiros	–	–	–	–
3. Consórcio de Rebocadores Baía de São Marcos	470	26	–	–
4. Wilson Sons Ultratug Participações S.A. and subsidiaries ⁷	584	2,250	–	–
5. Atlantic offshore S.A. ⁸	–	–	–	–
Others				
6. Hanseatic Asset Management LBG ²	–	–	(3,417)	(2,742)
7. Gouvêa Vieira Advogados ³	–	–	(66)	(66)
8. CMMR Intermediação Comercial Limitada ⁴	–	–	(81)	(87)
9. Jofran Services ⁵	–	–	(178)	(173)
10. Hansa Capital GMBH ⁶	–	–	(98)	(93)

Notes to the Accounts

34 Related party transactions (continued)

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada ¹	–	–	(28)	(1)
2. Consórcio de Rebocadores Barra de Coqueiros	62	85	–	–
3. Consórcio de Rebocadores Baía de São Marcos	2,383	2,199	–	–
4. Wilson Sons Ultratug and subsidiaries ⁷	10,088	10,072	–	–
5. Atlantic offshore S.A. ⁸	20,167	20,167	–	–
Others				
6. Hanseatic Asset Management LBG ²	–	–	(902)	(256)
7. Gouvêa Vieira Advogados ³	–	–	–	–
8. CMMR Intermediação Comercial Limitada ⁴	–	–	–	–
9. Jofran Services ⁵	–	–	–	–
10. Hansa Capital GMBH ⁶	–	–	–	–

- Mr A C Baião, a director of Wilson Sons Limited is a shareholder and Director of Allink Transportes Internacionais Limitada. Allink Transportes Internacionais Limitada is 50% owned by the Group.
- Mr W H Salomon is chairman of Hanseatic Asset Management LBG. Fees were paid to Hanseatic Asset Management LBG for acting as Investment Manager of the Group's investment portfolio.
- 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.
- Mr C M Marote, a Director of Wilson Sons Limited is a shareholder and Director of CMMR Intermediação Comercial Limitada. Fees were paid to CMMR Intermediação Comercial Limitada for consultancy services.
- Mr J F Gouvêa Vieira is a Director of Jofran Services. Directors' fees were paid to Jofran Services.
- Mr C Townsend is a Director of Hansa Capital GmbH. Directors' fees were paid to Hansa Capital GmbH.
- 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.
- Related party loans with Atlantic Offshore S.A. (with no interest and with no maturity date).

Remuneration of key management personnel

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

	Year ended 2019	Year ended 2018
	US\$'000	US\$'000
Short-term employee benefits	7,958	9,798
Other long-term employee benefits	1,069	1,132
Share options issued	370	1,303
Share-based payment	–	28
	9,397	12,261

35 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity.

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

Externally imposed capital requirement

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	31 December 2019 US\$'000	31 December 2018 US\$'000
Financial assets		
Designated as fair value through profit or loss	284,763	258,188
Receivables (including cash and cash equivalents)	141,943	167,895
Financial liabilities		
Financial instruments classified as amortised cost	(575,866)	(353,836)
Financial instruments classified as cash flow hedge (Derivatives)	-	(422)

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.

Notes to the Accounts

35 Financial instruments (continued)

Operational trade receivables

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

	Current	1-30	31-90	91-180	More than	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2019						
Expected credit loss rate	0.19%	0.19%	1.78%	12.11%	60.38%	
Receivables for services	37,146	7,641	1,434	694	1,076	47,991
Accumulated credit loss	(63)	(15)	(26)	(84)	(649)	(837)

	Current	1-30	31-90	91-180	More than	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2018						
Expected credit loss rate	0.25%	0.25%	8.07%	32.01%	74.20%	
Receivables for services	45,245	9,325	2,405	1,276	973	59,224
Accumulated credit loss	(141)	(24)	(194)	(409)	(722)	(1,490)

Market risk

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

Foreign currency risk management

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

Cash flows from investments in fixed assets are denominated in Real and US Dollars. These investments are subject to currency fluctuations between the time that the price of goods or services are settled and the actual payment date. The resources and their application are monitored with 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.

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

	Liabilities		Assets	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Real	382,285	109,764	174,900	179,031
Sterling	21	59	11,094	11,373
Euro	–	–	27,033	21,590
Yen	–	–	4,022	5,333
	382,306	109,823	217,049	217,327

Foreign currency sensitivity analysis

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

35 Financial instruments (continued)

The sensitivity analysis below refers to the position at 31 December 2019 and estimates the impacts of a Real devaluation against the US Dollar. Three exchange rate scenarios are shown: a likely scenario (probable) and two possible scenarios of a 25% devaluation (possible) and a 50% devaluation (remote) in the exchange rate. The Group uses the Brazilian Central Bank's "Focus" report to determine the probable scenario.

Operation	Risk	Amount US Dollars	Result	31 December 2019 Exchange rates		
				Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Exchange rate				4.05	5.06	6.08
				US\$'000	US\$'000	US\$'000
Total assets	BRL	174,900	Exchange effects	(815)	(34,844)	(57,530)
Total liabilities	BRL	382,285	Exchange effects	1,822	77,914	128,643
			Net effect	1,007	43,070	71,113

Operation	Risk	Amount US Dollars	Result	31 December 2018 Exchange rates		
				Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Exchange rate				3.75	4.69	5.63
				US\$'000	US\$'000	US\$'000
Total assets	BRL	179,031	Exchange effects	5,873	(30,597)	(54,910)
Total liabilities	BRL	109,764	Exchange effects	(3,653)	19,030	34,153
			Net effect	2,220	(11,567)	(20,757)

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

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group holds most of its debts linked to fixed rates. Most of the Group's fixed 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;
- DI (Brazilian Interbank Interest Rate) for Brazilian Real denominated funding in logistics operations; and
- 6-month LIBOR (London Interbank Offered Rate) for US Dollar denominated funding for port operations (Eximbank).

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

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

Notes to the Accounts

35 Financial instruments (continued)

Interest rate sensitivity analysis

The following analysis concerns a possible fluctuation of income or expenses linked to the transactions and scenarios shown, without considering their fair value. For floating rate liabilities and investments, the analysis is prepared assuming the amount of the liability outstanding or cash invested at balance sheet date was outstanding or invested for the whole year.

Transaction	31 December 2019		
	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – LIBOR ⁴	1.97%	2.46%	2.95%
Loans – CDI ¹	4.50%	5.63%	6.75%
Loans – TJLP ²	5.09%	6.36%	7.64%
Loans – IPCA ³	4.31%	5.39%	6.47%
Investments – LIBOR ⁴	3.17%	3.67%	4.16%
Investments – CDI	4.50%	5.63%	6.75%

Transaction	Risk	Amount US Dollars	Result	31 December 2019		
				Probable scenario	Possible scenario (25%)	Remote scenario (50%)
				US\$ '000	US\$ '000	US\$ '000
Loans – LIBOR	LIBOR	–	Interest	–	–	–
Loans – CDI	CDI	65,974	Interest	(47)	(574)	(1,095)
Loans – TJLP	TJLP	1,190	Interest	–	(10)	(20)
Loans – IPCA	IPCA	39,680	Interest	–	(317)	(632)
Loans – Fixed	N/A	228,134	None	–	–	–
Total loans		334,978		(47)	(901)	(1,747)
Investments – LIBOR	LIBOR	24,153	Income	–	56	111
Investments – CDI	CDI	34,739	Income	85	1,105	2,125
Total investments		58,892		85	1,161	2,236
Net Income				38	260	489

1. CDI - Information source: B3 (Brasil Bolsa Balcão), report dated 13 January 2020.
2. TJLP - Information source: BNDES (Banco Nacional de Desenvolvimento Econômico e Social), report dated 14 January 2020.
3. IPCA - Information source: Bloomberg, report dated 14 January 2020.
4. LIBOR - Information source: BM&F (Bolsa de Mercadorias e Futuros), report dated 13 January 2020.

The net effect was obtained by assuming a 12-month period starting at 31 December 2019 in which interest rates vary and all other variables are held constant. The scenarios represent the difference between the weighted scenario rate and actual rate.

Transaction	31 December 2018		
	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – LIBOR	3.01%	3.76%	4.52%
Loans – TJLP	6.98%	8.73%	10.47%
Investments – LIBOR	2.62%	3.38%	4.13%
Investments – CDI	6.55%	8.19%	9.83%

35 Financial instruments (continued)

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

1. LIBOR – Information source: Bloomberg, report dated 16 January 2019.

2. CDI – Information source: BM&F (Bolsa de Mercadorias e Futuros), report dated 17 January 2019.

3. TJLP – Information source: BNDES (Banco Nacional de Desenvolvimento Economico e Social), reports from October to December 2018.

The net effect was obtained by assuming a 12-month period starting 31 December 2018 in which interest rates vary and all other variables are held constant. The scenarios represent the difference between the weighted scenario rate and actual rate.

Investment portfolio

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

Derivative financial instruments

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

The Group uses cash flow hedges to limit its exposure that may result from the variation of floating interest rates. On 16 September 2013, Tecon Salvador entered into an interest rate swap agreement to hedge a portion of its outstanding floating-rate debt with the IFC. Due to a new financing contract with the BNDES the derivative was settled in January 2019.

Market price sensitivity

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

The sensitivity analysis below has been determined based on the exposure to market price risks at the year end and shows what the impact would be if market prices had been 5, 10 or 20 percent higher or lower at the end of the financial year. The amounts below indicate an increase in profit or loss and total equity where market prices increase by 5, 10 or 20 percent, assuming all other variables are kept constant. A fall in market prices of 5, 10 or 20 percent would give rise to an equal fall in profit or loss and total equity.

	31 December 2019		
	5% scenario	10% scenario	20% scenario
	US\$'000	US\$'000	US\$'000
Profit or loss	14,238	28,476	56,953
Total equity	14,238	28,476	56,953
	31 December 2018		
	5% scenario	10% scenario	20% scenario
	US\$'000	US\$'000	US\$'000
Profit or loss	13,040	26,079	52,159
Total equity	13,040	26,079	52,159

Notes to the Accounts

35 Financial instruments (continued)

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 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.

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

	Weighted average effective interest rate %	Less than 12 months US\$'000	1-5 years US\$'000	5+ years US\$'000	Total US\$'000
31 December 2019					
Non-interest bearing	–	57,104	–	–	57,104
Variable interest rate instruments	3.07%	12,654	67,648	26,542	106,844
Fixed interest rate instruments	2.75%	30,869	101,423	138,093	270,385
Lease liability (under IAS 17)	3.17%	49	11	–	60
Lease liability	8.80%	22,918	81,410	371,236	475,564
		123,594	250,492	535,871	909,957
31 December 2018					
Non-interest bearing	–	58,539	–	–	58,539
Finance lease liability	7.06%	6	59	–	105
Variable interest rate instruments	4.78%	17,057	30,875	533	48,465
Fixed interest rate instruments	3.12%	43,152	79,089	136,600	258,841
		118,794	110,023	137,133	365,950

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

Fair value of financial instruments

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on 31 December 2019. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

Fair value measurements recognised in the statement of financial position

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

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

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

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

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

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

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2019				
Financial assets at FVTPL				
Non-derivative financial assets for trading	18,490	165,010	101,263	284,763
<hr/>				
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2018				
Financial assets at FVTPL				
Non-derivative financial assets for trading	13,729	133,150	111,309	258,188

Valuation Process

Investments whose values are based on quoted market prices in active markets and are classified within Level 1 include active listed equities. The Group does not adjust the quoted price for these investments.

Financial instruments that trade in markets that are not considered active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain private investments that are traded over the counter.

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

Valuations are the responsibility of the Board of directors of the Company. The Group's Investment Manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate. Therefore the net asset value ("NAV") of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, if necessary, for other relevant factors known of the fund. No such adjustments were identified in the year. In measuring fair value, consideration is also paid to any clearly identifiable transactions in the shares of the fund.

Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as either Level 2 or Level 3. As observable prices are not available for these securities, the Company values these based on an estimate of their fair value, which is determined as follows. The Group obtains the fair value of their holdings from valuation statements provided by the managers of the invested funds. Where the valuation statement is not stated as at the reporting date, the Group adjusts the most recently available valuation for any capital transactions made up to the reporting date. When considering whether the NAV of the underlying managed funds represent fair value, the Investment Manager considers the valuation techniques and inputs used by the managed funds in determining their NAV.

Notes to the Accounts

35 Financial instruments (continued)

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

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

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

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

Investment in private equity funds require a long-term commitment with no certainty of return and the Group's intention is to hold level 3 investments to maturity. In the unlikely event that the Group is required to liquidate these investments then the proceeds received may be less than the carrying value due to their illiquid nature. The following table summarises the sensitivity of the Company's level 3 investments to changes in fair value due to illiquidity at 31 December 2019. The analysis is based on the assumptions that the proceeds realised will be decreased by 5%, 10% or 20%, with all other variables held constant. This represents the directors' best estimate of a reasonable possible impact that could arise from a disposal due to illiquidity.

	31 December 2019		
	5% scenario	10% scenario	20% scenario
	US\$'000	US\$'000	US\$'000
Profit or loss	5,063	10,126	20,253
Total equity	5,063	10,126	20,253

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

Sensitivity analysis in relation to Level 3 investments has been included in the market price risk management analysis where the Group has shown impacts to the value of investments if market prices had been 5%, 10% or 20% higher or lower at the end of the financial year.

	2019	2018
	US\$'000	US\$'000
Reconciliation of Level 3 fair value measurements of financial assets:		
Balance at 1 January	111,309	112,088
Transfers out of level 3 to level 2	(10,732)	–
Total (losses)/profits in the Statement of Comprehensive Income	(1,546)	(9,682)
Purchases and drawdowns of financial commitments	10,462	10,002
Sales and repayments of capital	(8,230)	(1,099)
Balance at 31 December	101,263	111,309

During 2019, following the investment manager valuation of the investments, due to different levels of information available for investments when compared to the prior year, the Company has decided to reclassify the investments from Level 3 to Level 2 (US\$ 10.7 million)

36 Post-employment benefits

The Group operates a private medical insurance scheme for its employees which requires the eligible employees to pay fixed monthly contributions. In accordance with Brazilian law, eligible employees with greater than ten years' service acquire the right to remain in the plan following retirement or termination of employment, generating a post-employment commitment for the Group. Ex-employees remaining in the plan will be liable for paying the full cost of their continued scheme membership. The present value of actuarial liabilities at 31 December 2019 is approximately US\$2.4 million (2018: US\$1.2 million). The future actuarial liability for the Group relates to the potential increase in plan costs resulting from additional claims as a result of the expanded membership of the scheme.

	31 December 2019	31 December 2018
	US\$'000	US\$'000
Present value of actuarial liabilities	2,369	1,190

Actuarial assumptions

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

Economic and Financial Assumptions

	31 December 2019	31 December 2018
Annual interest rate	6.76%	9.20%
Estimated inflation rate in the long-term	3.50%	4.00%
Ageing Factor	Based on the experience of Wilson Sons ¹	
Medical cost trend rate	6.09% p.a	6.60% p.a

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

Biometric and Demographic Assumptions

	31 December 2019	31 December 2018
Employee turnover	21.27%	21.27%
Mortality table	AT-2000	AT-2000
Disability table	Álvaro Vindas	Álvaro Vindas
Retirement Age	100% at 62	100% at 62
Employees who opt to keep the health plan after retirement and termination	23%	23%
Probability of marriage	80% of the participants	80% of the participants
Age difference for active participants	Men 3 years older than the woman	Men 3 years older than the woman
Family composition after retirement	Composition of the family group	Composition of the family group

Statistical Statement (Unaudited)

2015 – 2019 (in US\$'000)

	Year to 31 December 2019 US\$'000	Year to 31 December 2018 US\$'000	Year to 31 December 2017* US\$'000	Year to 31 December 2016* US\$'000	Year to 31 December 2015* US\$'000
Closing rates of exchange – R\$ to US\$	4.03	3.86	3.31	3.26	3.90
Income Statement					
Group revenue	406,128	460,194	496,340	457,161	509,268
Raw materials and consumables used	(25,290)	(38,128)	(37,679)	(37,741)	(55,760)
Employee charges and benefits expense	(140,348)	(146,327)	(166,395)	(144,274)	(147,279)
Depreciation & amortisation expense	(53,733)	(56,178)	(57,481)	(52,585)	(53,214)
Amortisation of right-of-use assets	(12,389)	–	–	–	–
Impairment charge	(13,025)	–	–	–	–
Other operating expenses	(92,624)	(119,767)	(122,310)	(126,470)	(142,175)
Gain/(loss) on disposal of property, plant and equipment	294	(296)	(2,930)	745	(1,294)
Group operating profit	69,013	99,500	109,545	96,836	109,546
Share of results of joint ventures	564	(4,062)	3,366	8,073	4,843
Returns on investment portfolio at fair value through profit or loss	34,716	(7,942)	42,064	677	2,856
Other investment income	6,052	4,152	9,715	10,254	12,664
Finance costs	(27,736)	(22,951)	(21,976)	(599)	(45,403)
Foreign exchange (losses)/gains on monetary items	(79)	(8,459)	2,750	2,286	(15,792)
Profit before tax	82,530	60,238	145,464	117,527	68,714
Income tax expense	(21,481)	(26,433)	(36,056)	(36,836)	(39,455)
Profit for the year	61,049	33,805	109,408	80,691	29,259
Profit for the period attributable to:					
Equity holders of parent	46,852	13,308	78,315	45,060	15,470
Non-controlling interests	14,197	20,497	31,093	35,631	13,789
	61,049	33,805	109,408	80,691	29,259
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance Sheet					
Net assets					
Brazilian interests	444,599	463,211	494,745	464,988	394,807
Investments held for trading	284,763	258,188	273,434	238,781	236,155
Other net assets	56,498	56,310	55,881	53,223	49,520
	785,860	777,709	824,060	756,992	680,482
Attributable net assets – per share (US\$)					
Brazilian interests – book amount	12.57	13.10	13.99	13.15	11.16
Other assets – book and market amount	9.65	8.89	9.31	8.26	8.08
	22.22	21.99	23.30	21.41	19.24
Key Statistics					
Earnings per share (US)	132.5c	37.6c	221.5c	127.4c	43.7c
Cash dividends per share paid (US)	70c	70c	63c	63c	63c
Mid-market quotation at end of period	£9.90	£11.70	£10.95	£10.22	£7.65
Mid-market quotation at end of period in US Dollars	\$13.13	\$14.92	\$14.79	\$12.50	\$11.27

* The 2015 to 2017 comparative for "Income from underlying investment vehicles" and "Other gains and losses" have been shown under "Returns on investments held at fair value through profit and loss". The change was made in order to improve presentation of items of similar nature.

Notice of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of the Company will be held at the offices of Conyers Dill & Pearman Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda on 28 May 2020 at 11:00 am for the following purposes.

- 1 To appoint a chairperson of the meeting.
- 2 To confirm notice.
- 3 To consider and, if thought fit, approve the amendment of the bye-laws of the Company in the manner following, namely:
 - (a) By deleting bye-law number 6(c) in its entirety and substituting the following new bye-law number 6(c): “(c) A Director shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated.”
 - (b) By deleting the following sentence at the end of bye-law 8: “A Director so ceasing to hold office shall not be taken into account in determining the number of Directors to retire by rotation at such meeting in accordance with Bye-laws 16(a) to 16(c).”
 - (c) By deleting the following sentence at the end of bye-law 14: “A Director so retiring shall not be taken into account in determining the number of Directors to retire by rotation at such meeting in accordance with Bye-law 16.”
 - (d) By deleting the text of bye-law 16 in its entirety and substituting with “INTENTIONALLY OMITTED”.
 - (e) By deleting the figure “US\$700,000” and inserting “US\$900,000” in its place in order to increase the maximum aggregate fees to be paid to Directors (other than Directors appointed to an executive office).
- 4 To receive and, if approved, adopt the Directors’ Report and Accounts for the year ended 31 December 2019.
- 5 To declare a dividend of 30 cents per share.
- 6 To determine the maximum number of Directors for the ensuing year as nine and to authorise the Board of Directors to fill any vacancy in their number left unfilled for any reason to serve until the conclusion of the next Annual General Meeting.
- 7 To re-elect Mr C Maltby as a Director until the next Annual General Meeting.
- 8 To re-elect Mr J F Gouvea Vieira as a Director until the next Annual General Meeting.
- 9 To re-elect Mr W Salomon as a Director until the next Annual General Meeting.
- 10 To re-elect Mr K Middleton as a Director until the next Annual General Meeting.
- 11 To re-elect Mr A Berzins as a Director until the next Annual General Meeting.
- 12 To re-elect Mr C Townsend as a Director until the next Annual General Meeting.
- 13 To elect Ms F Beck as a Director until the next Annual General Meeting.
- 14 To re-appoint Ernst & Young LLP as the Auditor and to authorise the Directors to determine the remuneration of the Auditor.
- 15 Ratification and confirmation of all and any actions taken by the Board of Directors and the persons entrusted with Company’s management in the year ended 31 December 2019.

By Order of the Board
 Malcolm Mitchell
 Company Secretary
 Clarendon House, Church Street, Hamilton HM 11, Bermuda
 25 March 2020

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

Form of Proxy

*I/We

*of

being a Member of Ocean Wilsons Holdings Limited, hereby appoint Mr J F Gouvêa Vieira, or failing him any Director of the Company as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 28 May 2020 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

Or

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 28 May 2020 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

	For	Against	Withheld
1 To consider and, if thought fit approve amendments to the bye-laws of the Company so that all Directors will be subject to annual re-election and to increase the maximum aggregate fees to be paid yearly to Directors (other than Directors appointed to an executive office) from US\$700,000 to US\$900,000.			
2 To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2019.			
3 To declare a dividend of 30 cents per share.			
4 To determine the maximum number of Directors for the ensuing year as nine and authorise the Board of Directors to elect or appoint on the Members' behalf a person or persons to act as additional Directors up to such maximum number to serve until the conclusion of the next Annual General Meeting.			
5 To re-elect Mr C Maltby as a Director until the next Annual General Meeting.			
6 To re-elect Mr J F Gouvea Vieira as a Director until the next Annual General Meeting.			
7 To re-elect Mr W Salomon as a Director until the next Annual General Meeting.			
8 To re-elect Mr K Middleton as a Director until the next Annual General Meeting.			
9 To re-elect Mr A Berzins as a Director until the next Annual General Meeting.			
10 To re-elect Mr C Townsend as a Director until the next Annual General Meeting.			
11 To elect Ms F Beck as a Director until the next Annual General Meeting.			
12 To re-appoint Ernst & Young LLP as the Auditor and authorise the Directors to fix the remuneration of the Auditor.			
13 Ratification and confirmation of all and any actions taken by the Board of Directors and the persons entrusted with Company's management in the year ended 31 December 2019.			

Signature

Dated

2020

Notes

- If any other proxy is preferred, delete the names inserted above and add the name of the proxy whom you wish to appoint, and initial the alteration.
- Please indicate by a cross in the appropriate box how you wish your proxy to vote. If no indication is given your proxy will abstain or vote as he/she thinks fit.
- To be valid, the proxy should be deposited at the Transfer Agents of the Company, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, no less than 48 hours before the time for the Meeting.
- In the case of a corporation, this proxy must be under its Common Seal or under that of an Officer or Attorney duly authorised in writing.
- In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members, in respect of the joint holding.

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



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