Ocean Wilsons Holdings Limited

Annual Report 2012

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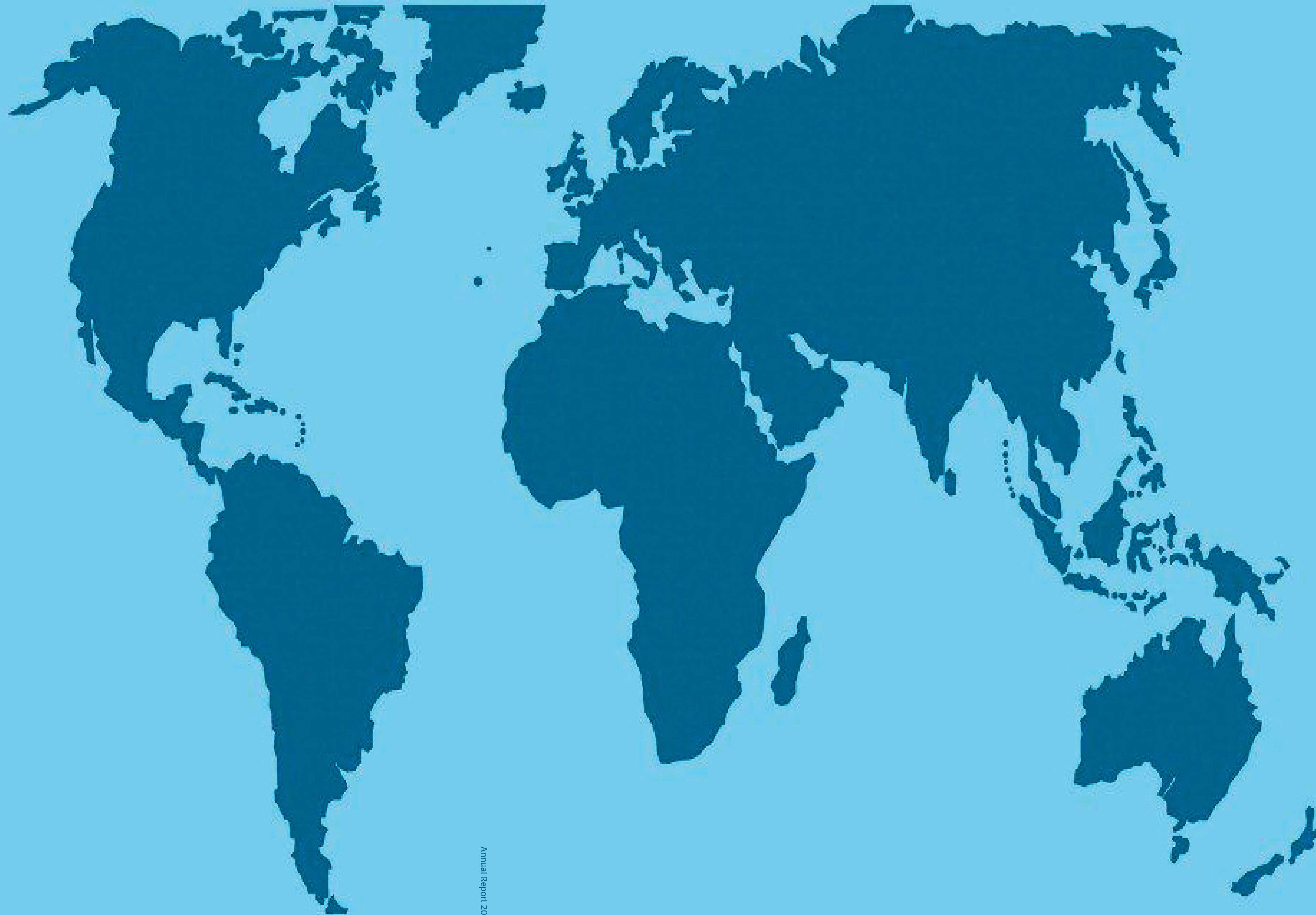

Annual Report 2012

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Ocean Wilsons Holdings Limited

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Company") is a Bermuda based investment holding company, and, 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 an autonomous Bermuda company listed on the Sao Paulo Stock Exchange (BOVESPA) and Luxembourg Stock Exchange. Ocean Wilsons holds a 58.25% interest in Wilson Sons, which is fully consolidated in the Group accounts with a 41.75% non-controlling interest. Wilson Sons is one of the largest providers of maritime services in Brazil. Wilson Sons activities include harbour and ocean towage, container terminal operation, offshore support services, logistics, small vessel construction and ship agency. Wilson Sons has over six thousand employees.

Ocean Wilsons Investments Limited is a wholly owned Bermuda investment company. The company holds a portfolio of international investments.

Objective

Ocean Wilsons Holdings Limited is run on a long-term basis. This applies to both the investment portfolio and our investment in Wilson Sons. The long-term view taken by the Board has allowed Wilson Sons to grow and develop its businesses without being pressured to produce short-term results at the expense of long-term value creation. The same long-term view allows our investment managers to make investment decisions that create long-term capital growth.

The success of this strategy is reflected in the growth in the Ocean Wilsons share price and total returns to shareholders. In the 10 years to 31 December 2012 the share price has risen 1,404% from 64.5p to 970p and total returns to shareholders in the period (assuming dividends are reinvested in Ocean Wilsons shares) of 1,989%.

Ocean Wilsons Holdings Limited Share Price Performance

Chairman's Statement

Introduction

2012 produced another solid performance for the Group. Following a challenging first half at Wilson Sons, operating results recovered significantly in the second half of the year as a result of improved operational efficiencies. Wilson Sons continues to invest heavily in growing its businesses with the expansion of the Tecon Salvador container terminal successfully concluded in the year and the new shipyard in Guarujá close to completion. Both these projects deliver important additional capacity and leave the Group well positioned for the many market opportunities in Brazil. Following the fall in global equity markets in 2011 the investment portfolio generated positive returns in the year under review and continues to create significant value in the longer term.

Group Results

Group revenue was 8% lower at US$645.3 million (2011: US$698.0 million) due principally to lower port terminal and logistics revenue and the higher average USD/BRL exchange rate during the year which is used to convert the income statement. Approximately two thirds of the Group's revenue is denominated in BRL.

Operating profit for the year at US$79.4 million was US$17.5 million lower than 2011 (US$96.9 million) principally due to the lower revenue and to lower operating profit margins for the year which at 12% were 2% lower than prior year (2011:14%). After adjusting for the impact of the long-term incentive plan, operating margins at 13% were in line with 2011 (13%). Costs benefitted from the higher average USD/BRL exchange rate during the year.

Profit before tax increased by US$28.6 million from US$58.6 million to US$87.2 million due principally to higher gains in the investment portfolio of US$16.4 million (2011: US$27.8 million loss).

The income tax expenses of US$25.5 million and profits attributable to non-controlling interests of US$20.4 million resulted in a profit attributable to equity holders of the parent of US$41.3 million (2011: US$8.6 million loss).

Profit per share based on ordinary activities after taxation and non-controlling interests were 116.7 cents (2011: loss 24.4 cents).

Investment portfolio performance

The trading investment portfolio and cash under management increased by US$8.3 million after capital redemptions of US$8.5 million from US$229.4 million at 31 December 2011 to US$237.7 million at 31 December 2012. The portfolio generated a time weighted return of 8.8% in the year. The long only equity segment of the portfolio performed particularly well returning 15.1% in the period. As expected returns from the Private Assets portfolio remain low as it is at a relatively immature stage of value creation. However we expect returns and distributions to increase from 2016 onwards as investments mature, confident that over the investment cycle these investments will generate valuable returns for the portfolio. The investment portfolio is run on a long-term basis and its long-term performance remains strong with a time weighted return of 139.6% in the last 10 years against a performance benchmark of 34% and a MSCI cumulative world index of 116.0%.

The portfolio at year end was principally invested in global equities, 52%, with 21% in private assets, 10% in market neutral funds and the balance of 17% in bonds, cash and liquidity funds. The percentage of the portfolio invested in bonds, cash and liquidity funds increased from 12% at last year end due to investments in BlueBay EM Corporate Alpha Fund and Stratton Street Renminbi Bond Fund plus higher cash balances arising from disposals settled near the year end. The percentage of the portfolio held in market neutral funds declined to 10% from 20% at last year end as disposals were made to fund private asset investments and changes in the underlying investment fundamentals at some funds.

Emerging markets accounted for 44% of the portfolio net asset value.

Net asset value

At the close of business on the 31 December 2012, the Wilson Sons share price was R$31.99, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.25% of Wilson Sons) of approximately US$648.6 million which is the equivalent of US$18.34 (GBP11.25) per Ocean Wilsons Holdings Limited share.

The investment portfolio valuation at 31 December 2012 of US$237.7 million is equivalent to US$6.72 (GBP 4.12) per Ocean Wilsons Holdings Limited share.

Adding together the market value of Wilsons Sons and the investment portfolio results in a net asset value per Ocean Wilsons Holdings Limited share of approximately US$25.06 (GBP 15.38). The Ocean Wilsons Holdings Limited share price of GBP 9.53 at 31 December 2012 represents an implied discount of 38%.

While I am disappointed by the current implied discount this has fluctuated significantly since the IPO in May 2007. The Wilson Sons component of the balance sheet makes the relationship between market capitalisation and NAV considerably more complex than would be the case for a passive investment company. We do not seek to manage the discount but believe long-term shareholder value will best benefit from the continued strong performance of our underlying businesses.

Dividend
The Board is declaring a final dividend of 38 cents per share (2011: 29 cents per share) to be paid on the 31 May 2013, to shareholders of the Company as of the close of business on 3 May 2013. The total dividend for the year of 42 cents per share (2011: 33 cents per share) represents a 27% increase over 2011.

The dividend for the year represents the full dividend to be received from Wilson Sons relating to 2012 plus 1.85% of the average capital employed in the investment portfolio. This is consistent with the Board's dividend policy in respect of each financial year which is to pay the Company's full dividend to be received from Wilson Sons in the period plus a percentage of the average capital employed in the investment portfolio to be determined annually by the Board.

Dividends are set in USD and to date have been paid twice yearly. From 2013 onwards the Directors have decided to no longer pay an interim dividend and combine the normal interim dividend payment of 4 cents a share into the final dividend for 2013. This change will not impact the total dividend paid in the year.

Shareholders receive dividends in Sterling by reference to the exchange rate applicable to the USD on the dividend record date, except for those shareholders who elect to receive dividends in USD.

The Board of Directors may review and amend the dividend policy from time to time in light of our future plans and other factors. The payment of dividends cannot be guaranteed and may be discontinued or varied at the discretion of the Board.

Long-term incentive plan
Ocean Wilsons Holdings Limited implemented a cash settled phantom option scheme that was approved by shareholders at the Special General Meeting held on 19 April 2007. The scheme was for selected senior management and the options provide for the option holder to receive on exercise the difference between the option price and the market value of Wilson Sons per Ocean Wilsons share at the time of exercise.

The final tranche of options issued under the scheme vested in April 2012 and the total options outstanding under the scheme, (296,038) were exercised by participants during 2012. There is no remaining liability under the plan and no accrual (2011: US$3.7 million) has been included in the 2012 accounts for benefits accruing under the plan.

Charitable donations
Throughout the Group, our offices are actively engaged with the local community. We are proud to support a variety of Brazilian causes.
Group donations for charitable purposes amounted to US$113,000 (2011: US$42,000). The Group's principal contributions in 2012 were:

Criando Lacos – Through our corporate programme 'Criando Lacos" (Creating ties), the Group provides financial support and promotes voluntary employee involvement in social initiatives.

Escola de Gente – raising awareness and promoting social inclusion for all parts of the community. Located in Barra da Tijuca, Rio de Janeiro.

Brigada Mirim ecologica – maintaining the ecology of Ilha Grande in the state of Rio de Janeiro and raising the awareness of visitors and the local population about the environment.

Corporate governance
The Board has put in place corporate governance arrangements which it believes are appropriate for the operation of your Company. The Board has considered the principles and recommendations of the 2010 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons Holdings Limited is an investment holding company incorporated by an act of parliament in Bermuda with significant subsidiary operations in Brazil. The Company complies with the Code where it is beneficial for both its shareholders and its business to do so, and has done so throughout the year and up to the date of this report, but it does not fully comply with the Code. The areas where the Company does not comply with the Code, and an explanation of why we do not comply, are contained in the section on corporate governance in the Annual Report. The position is regularly reviewed and monitored by the Board.

Board of Directors
In January 2013 we were pleased to welcome Mr Colin Maltby as a non-executive director of the Company. Mr Maltby is 62, British and is resident in Switzerland. He is Chairman of BlackRock Absolute Return Strategies Limited and of HarbourVest Senior Loans Europe Limited, a Director of BACIT Limited and Abingworth BioEquities Fund Limited, and a member of the Supervisory Board of Bilfinger Berger Global Infrastructure SICAV SA. He was Head of Investments at BP from August 2000 to June 2007 and was previously Chief Investment Officer of Equitas Limited from its formation in 1996 and Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995.

Chairman's Statement

Outlook

The Group continues to grow and invest in a range of markets. The additional capacity at our shipyard at Guarujá is forecast to be completed in April 2013 doubling our shipbuilding capacity and significantly enhancing our ability to maintain our joint venture offshore fleet. Five platform supply vessels are expected to be delivered to our joint venture during the coming year, one of which is under construction in a third party shipyard. The acquisition of the Briclog offshore supply base announced in June 2011 is expected to be completed in 2013. The recently inaugurated logistics centre in Suape, Pernambuco state is bidding to become a bonded warehouse and if successful is expected to commence operations by the end of the year.

The strength in world equity markets in the latter part of 2012 has continued into 2013 which are supported by very loose monetary policy and favourable valuation metrics compared to bonds. However, the world economy remains in a fragile state and could easily be derailed by policy error in an environment of fiscal retrenchment. The world continues to face serious economic problems however there is potential for further upside in equities at the beginning of a new cycle.

Management and staff

On behalf of your 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
19 March 2013

Tecon Salvador container terminal in Salvador, Bahia. Following completion of the Tecon Salvador expansion in 2012, capacity increased to 530,000 TEUs.

Financial Review

Profit before tax

Profit before tax increased by US$28.6 million to US$87.2 million (2011: US$58.6 million) due to improved returns from the investment portfolio (US$44.2 million positive movement compared to prior year) and lower finance costs (US$5.6 million lower). This was partially offset by the US$17.5 million fall in operating profit and lower investment revenues in the period (US$3.7million lower).

Investment revenues

Investment revenue for the year fell by US$3.7 million from US$10.2 million to US$6.5 million in 2012, principally due to unfavourable foreign exchange movements on cash and cash equivalents of US$11.6 million (2011: US$7.3 million). Foreign exchange movements arose principally on BRL denominated cash balances. Interest on bank deposits in the year increased by US$1.8 million to US$15.3 million (2011: US$13.5 million).

Investment gains and losses

Other gains of US$16.4 million (of which US$13.4 million were realised) arose from the Group's portfolio of trading investments and reflect the improved investment performance during the year (2011: US$27.8 million loss).

Revenue from Maritime Services

Group revenue for the year was US$645.3 million, an 8% decrease on 2011 (US$698 million) principally due to the higher average USD/BRL exchange rate in the period (which is used to convert the income statement) which at 1.96 was 17% higher than the comparative period in 2011 (1.67). Approximately two thirds of the Group's revenue is denominated in BRL. In addition to the adverse currency effect, revenue at our port terminal business was impacted by the end of the Brasco public port operation for Petrobras. Towage revenue increased 6% in USD terms due to improved pricing and product mix and as approximately 75% of towage pricing is denominated in USD, this revenue is less sensitive to movements in the USD/BRL exchange rate. Offshore revenue increased reflecting the benefits of our expanded fleet and higher average daily rates due to new contracts and price renegotiations on some existing contracts in 2011. Logistics revenue (which is BRL denominated) declined as some low margin operations were concluded and the weaker BRL impacted revenues. Shipyard revenue in for the year was ahead of 2011 as the new drydock started operations in the fourth quarter. All Group revenue is derived from Wilson Sons operations in Brazil.

Operating profit

Operating profit for the year at US$79.4 million was US$17.5 million lower than the prior year (US$96.9 million) principally due to the fall in revenue and the impact of the share based payment expense. In 2012 the share based payment expense was US$2.2 million compared with a credit of US$7.9 million in the previous year, a difference of US$10.1 million. The share based payment expense rose due to the increase in the Wilson Sons share price at 31 December 2012 (R$31.99) compared with the share price at 31 December 2011 of R$25.40. Operating margins for the year at 12% were 2% lower than 2011 (14%). After adjusting for the impact of the long-term incentive plan, operating margins at 13% were in line with 2011 (13%).

Employee expenses excluding share based payment expenses increased in BRL driven by higher headcount and collective labour agreements. Headcount rose at our towage and offshore businesses to crew our expanded fleet while shipyard headcount grew in preparation for the opening of our new shipyard in Guarujá. Collective labour agreements continue ahead of inflation driven by low unemployment and strong demand for skilled labour in Brazil. However in USD terms employee expenses excluding share based payment expense for the year fell 4% to US$238.2 million (2011: US$247.4 million) due to the higher average USD/BRL exchange rate during the year.

Depreciation and amortisation in the period increased 12% to US$66.6 million from US$59.5 million in 2011 reflecting the investment undertaken by the Group in recent years. The majority of the Group's depreciation charge is denominated in USD and therefore not affected by movements in the average USD/BRL exchange rate.

Other operating expenses decreased US$40.6 million to US$180.6 million from US$221.2 million in 2011 due to a weaker average BRL against our reporting currency, the USD, the termination of the Brasco public port operation, the phasing out of some low margin logistic operations and lower stevedoring costs at both container terminals.

Depreciation

As part of the continuing review of the useful economic life of vessels, during the period the Group concluded an assessment of its fleet of tugboats and Platform Supply Vessels. Following the review the Group increased the economic life of our vessels from 20 years to 25 years for all vessels built since 1986. Vessels built prior to 1986 which have received new motors are depreciated over periods from 30 to 35 years. As a result of these changes, the depreciation expense for the year is US$4.1 million lower at US$61.2 million. Had the change not occurred, the depreciation charge would have been US$65.3 million.

Exchange rates

The Group reports in USD and has revenue, costs, assets and liabilities in both BRL and USD. Therefore movements in the USD/BRL exchange rate can impact the Group both positively and negatively from year to year. In 2012 the BRL depreciated 9% against the USD from R$1.88 at 1 January 2012 to R$2.04 at the year end.

The principal effects from the depreciation of the BRL against the USD at year end on the income statement are a net exchange loss of US$11.6 million (2011: US$7.3 million) on the Group's BRL denominated cash balances and a US$0.7 million net exchange gain on USD loans in BRL functional currency businesses (2011: US$5.3 million loss). A currency translation adjustment loss of US$7.0 million (2011: US$12.3 million) on the translation of operations with a functional currency other than USD is included in other comprehensive income and charged to equity.

The average USD/BRL exchange rate during the year was 17% higher at 1.96 (2011: 1.67). A higher average exchange rate adversely impacts BRL

The platform supply vessel Atoba operated by our offshore joint venture under long-term contract to Petrobras.

Financial Review

denominated revenues and benefits BRL denominated costs when converted into our reporting currency.

Finance costs
Finance costs for the year decreased by US$5.6 million from US$20.7 to US$15.1 million as exchange movements on foreign currency borrowings generated a gain of US$0.7 million in 2012 compared with a US$5.3 million loss in 2011. Interest payments on overdrafts and loans increased US$1.3 million to US$14.3 million (2011: US$13.0 million) due to higher debt levels to fund capital expenditure.

Taxation
The US$25.5 million tax charge for the year (2011: US$51.6 million) represents an effective tax rate for the period of 29% (2011: 88%). The corporate tax rate prevailing in Brazil is 34%. The difference in the effective tax rate principally reflects profits arising in our Bermudian companies that are not subject to income or capital gains tax and movements in Brazilian deferred tax.

The high effective tax rate in 2011 was due principally to losses in our Bermudian companies in 2011 of US$26.6 million and the deferred tax charge at US$10.3 million against a deferred tax credit in 2012 of US$10.1 million. The Group recognised a deferred tax asset in 2012 of US$8.1 million in respect of unused tax losses from prior periods as there is now associated foreseeable future taxable profit streams. This together with deferred taxes credits arising from exchange losses on loans and further unused tax losses recognised in the period were partially offset by the deferred tax charge arising on the retranslation of non-current asset values caused by the depreciation of the BRL against the USD at year end and accelerated depreciation.

Profit for the year
Profit attributable to equity holders of the parent is US$41.3 million after deducting profit attributable to non-controlling interests of US$20.4 million.

Earnings per share
Basic earnings per share for the year were 116.7 cents, compared with losses per share of 24.4 cents in 2011.

Cash flow
Net cash flow from operating activities for the year at US$115.6 million was US$45.1 million higher than prior year (2011: US$70.5 million) principally due to improved working capital movements during 2012 of US$16.6 million (2011: US$24.9 million adverse movement).

Investments in capital expenditure during the year at US$162.5 million was US$71.5 million lower than 2011 (US$234.0 million). Investment was mainly on the expansion of Tecon Salvador, the development of the new shipyard in Guarujá and new vessels for offshore and towage.

The Group raised new loans of US$108.0 million (2011: US$196.0 million) to finance capital expenditure. Capital repayments on existing loans in the year in accordance with debt repayment schedules were US$37.6 million (2011: US$28.4 million).

At 31 December 2012 the Group had US$141.3 million in cash and cash equivalents (31 December 2011: US$119.3 million).

Balance sheet
Net equity attributable to equity holders of the parent company increased US$25.7 million from US$506.2 million at the beginning of the year to US$531.9 million at year end due principally to profits in the period of US$41.2 million, less a negative currency translation adjustment of US$4.0 million and dividends paid of US$11.7 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 net equity is the equivalent of US$15.04 per share (31 December 2011: US$14.31 per share).

Included in the Group's trading investments of US$241.6 million at 31 December 2012 is US$20.0 million in USD denominated fixed rate certificates held by Wilson Sons Limited. These investments are not part of the Group's investment portfolio managed by Hanseatic Asset Management LBG and are intended to fund Wilson Sons Limited operations in Brazil.

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

The Group's borrowings are used principally to finance vessel construction, the development of the container terminals at Rio Grande and Salvador and equipment for logistic operations. Of the debt 92% is long-term and 95% is USD denominated or linked to the USD. At 31 December 2012 the Group's borrowings (including obligations under finance leases) were US$572.1 million (31 December 2011: US$491.1 million).

Keith Middleton
Finance Director

The Group's new shipyard in Guarujá in the state of Sao Paulo.

Wilson Sons Limited

The Wilson Sons 2012 Earnings Report released on 19 March 2013 is available on the Wilson Sons Limited website: www.wilsonsons.com.

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

"We will remember 2012 as the year Wilson Sons celebrated its 175th Anniversary, and for the conclusion of important projects which significantly improved capacity.

In response to a challenging economic environment with reduced trade flow, we advanced by successfully inaugurating the expansion of Tecon Salvador, and recently completed works of the Company's new shipyard facility, both of which will help achieve economies of scale fundamentally important for increasing service levels to our clients.

We remain optimistic with the opportunities brought with new capacity, and conscious of the challenges ahead. Our team will continue to analyse new projects with responsibility and diligence ensuring appropriate returns to our shareholders.

In 2013, we will be looking at return on investments made in recent years and for this we wish to thank our truly talented employees for their professionalism and determination. Thank you."

Investment Portfolio

Investment managers
The Group's investment portfolio is held by Ocean Wilson Investments Limited ("OWIL"), a wholly owned subsidiary registered in Bermuda. OWIL appointed Hanseatic Asset Management LBG, a Guernsey registered and regulated investment group as its Investment Manager in November 2000.

Investment objective
The Board of OWIL determines investment guidelines and restrictions in conjunction with the Investment Manager, these together with the Investment Manager's reports are reviewed at the OWIL board meetings.

The investment objective is to achieve real returns through long-term capital growth, whilst emphasising preservation of capital. Investment views are expressed through an unconstrained globally diversified portfolio, without regard to short-term moves in equity markets or any benchmark allocation. Individual opportunities are considered on the contribution that the investment's expected returns would make to the overall portfolio set against the potential impact of a permanent loss of capital.

Performance is measured against an absolute benchmark of one-year US Dollar LIBOR (prevailing on 1 January each year) plus 2%. This benchmark reflects the portfolio's long-term time horizon and unconstrained mandate where there is no compulsion to invest in any specific asset class or geographic region. Moreover, the Investment Manager is more concerned about absolute loss of capital rather than any short-term underperformance versus an index.

Investment Policy
The Investment Manager will seek to achieve the Investment Objective through investments in publicly quoted and private (unquoted) assets across four 'silos': public equities, private assets (predominantly private equity), market neutral funds and bonds. 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 four 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 to opportunistically use derivative instruments (such as index hedges using call and put options) to actively protect the portfolio.

Investment Process
Manager selection is central to the successful management of the investment portfolio. Potential individual investments are considered based on their risk-adjusted expected returns in the context of the portfolio as a whole.

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

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

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

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 Managers Report

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

Market background
The start of 2012 was characterised by an uptick in risk appetite, spurred by strengthening data in the US, which momentarily masked the deteriorating fundamentals in most major economies. Investor focus soon tilted towards the generally negative economic data, as the ongoing threat of derailing events, such as a potential Greek exit from the European Union and a hard landing in China, became more of a concern in the second quarter.

The notable turning point in investor confidence occurred in July, when Mario Draghi stated that he would do "*whatever it takes*" to protect the eurozone from collapse. This prompted a significant rally in equity markets in the latter half of the year, despite growing concerns surrounding the US fiscal cliff and US presidential election. Economic momentum in both China and the Eurozone began to improve on the back of policy initiatives, resulting in strong gains across most major indices. The MSCI All Country World Index finished the year with a strong return of +16.1%.

The MSCI World (Developed) Index rose +15.8% over the year. Europe was a notable strong performer, with the MSCI Europe ex UK Index rising +21.3%, benefiting from a strong fourth quarter, which saw gains of +8.6%. The S&P 500 Index finished the year up +16%, despite being one of the few Developed Market indices to register a loss during the fourth quarter, falling -0.4%. The NASDAQ ended the year up +15.9%, whilst the Dow Jones Industrial Average rose by +7.3%. The MSCI Emerging Markets Index rose +18.2%, boosted by a +5.6% gain in the fourth quarter.

During the course of 2012, European equity markets experienced significant volatility, approaching multi-year lows at the start of the year and rebounding in the summer following the ECB's announcement of a bank recapitalisation package in June and an unlimited bond purchasing programme in September. This sparked a recovery in the bond markets, with yields on Spanish 10-year sovereign debt ending the year at 5.3%, having reached 7.8% in July. Similarly, the yield on Italian 10-year sovereign debt ended the year at 4.5%, having reached a 2012 high of 7.2% in January.

Increased risk appetite fed through to European equity markets, resulting in strong year-end performances across most major European indices, with the exception of the Spanish IBEX 35 Index, which ended the year down -2.9%, having risen +50.1% from its five-year low in July. The French CAC 40 Index rose +22.6% during the year, whilst the German DAX Index boasted the strongest performance of the major economies in the region, rising by +31.7%. Despite signs of a moderate recovery, the underlying economic picture remains grim. Germany's economy contracted in the fourth quarter, marking the worst quarterly performance since Germany fell into recession in 2008, whilst Eurozone unemployment hit a record high in the fourth quarter at 11.7%.

The US was a significant outperformer at the start of the year, as a result of robust corporate earnings. However, uncertainty surrounded the US presidential election, and this, combined with the US fiscal cliff, weighed heavily on equity markets in the latter half. As expected, at the eleventh hour, a temporary agreement was reached regarding the fiscal cliff, although it is likely that further negotiations will be required, owing to significant omissions in the deal. US fundamentals strengthened throughout the year, with US housing starts recording their highest December reading in four years, whilst unemployment fell modestly. The S&P 500 Index ended the year slightly above its pre-crisis 2007 high, representing a rally of +129.0% from its March 2009 low.

During 2012, China experienced its slowest level of growth in more than a decade. Uncertainty surrounding the future policy direction of China's new leadership, which was announced in November, also played on market sentiment. However, the economy began to show signs of stabilising in the fourth quarter, which was reflected in a +12.9% rise in the MSCI China Index for the fourth quarter alone. The rebound was driven by government statements regarding future infrastructure spending. A loosening of monetary policy also saw two mid-year rate cuts, which fed into improved sentiment on property, accounting for more than 10% of GDP.

India benefited from an increase in global risk appetite in the latter half of the year and the BSE Sensex Index rose +21.8% in 2012. The government also moved towards a more proactive policy stance, implementing several executive changes which saw the replacement of India's finance minister, alongside initiatives to improve the government's budget deficit. In Brazil, the BOVESPA posted a loss of -2% over the year and was the worst performing index (in US Dollar terms) amongst the BRIC economies, impacted by a -8.9% depreciation of the Real against the US Dollar. In Russia, the RTS Index ended the year with a gain of +10.7%. A notable development occurred in August, when Russia joined the WTO following 18 years of negotiations. However, the economy began to stall in the third quarter, hit by the effect of drought as well as weaker demand from Western Europe and China for metals and energy exports.

Commodities generally suffered during the fourth quarter. Gold fell by -5.5%, finishing the year up +7.1% at $1,675/ounce, whilst Copper rose +21.7% over the year, ending the period at $365/lb. Despite a fall of -0.9% in the Brent Oil price over the year, 2012 marked the highest annual average Brent oil price ($111//barrel) on record. The oil price was been supported by ongoing tensions in the Middle East, including concerns regarding Western efforts to halt Iran's nuclear ambitions.

The yield on US Treasuries, German Bunds and UK Gilts rose slightly during the latter half of the year, as investor appetite shifted towards risk assets. The US 10-year sovereign debt yield ended the year at 1.8%, having reached a 2012 low of 1.4% in July. The 10-year UK Gilt yield and the 10-year

German Bund yield closed the year at 1.8% and 1.3% respectively, having reached 2012 lows of 1.5% and 1.2% respectively. The Barclays Capital Global Treasury Index posted a gain of +1.8% for the year, whilst gains within high yield were significantly higher, as evidenced by the Barclays Capital Global High Yield Index rising +19.6%. In Emerging Markets, the JP Morgan Emerging Markets Bond Index (US Dollar denominated sovereign/quasi-sovereign bonds) performed strongly, posting a gain of +18.5% in 2012.

In a year of generally rising risk assets, the US Dollar depreciated against most freely traded currencies, with the exception of the Brazilian Real and the Japanese Yen, which saw significant depreciation against the US Dollar.

Note: All Index performance numbers are in US dollar terms, unless specifically stated in local currency terms.

Portfolio construction

The portfolio's net asset value at the end of 2012 was $237.7 million (2011: $229.4 million), which is comprised of four 'silos':

i. Global Equities

ii. Private Assets

iii. Market Neutral Funds

iv. Bonds/Other

(i) '**Global Equities**' $123.9 million 52.1% of NAV (2011: $117.8 million: 51.4% of NAV) is comprised of holdings that are sensitive to stock market movements and may take the form of 'long-only' or long/short funds, as well as direct quoted equities. There is a strong bias towards fundamental, research-driven stock-pickers with a proven ability to produce attractive compounded returns.

(ii) '**Private Assets**' $49.4 million 20.8% of NAV (2011: $39.8 million: 17.3% of NAV) contains fixed life investments typically with lives of approximately ten years and often structured through commitments to limited partnership vehicles that make investments in private equity, real assets (such as property and natural resources) and private debt.

These investments are driven by a 'bottom-up' analysis of the manager's value creation attributes, regardless of the prevailing economic climate. Managers reliant on financial engineering as a primary driver of returns are avoided. Moreover, it is essential that the manager provides more than capital to its portfolio companies – e.g. strong operational capabilities. Investments should be made into companies where there is a clearly defined exit route, which is not solely reliant on IPO markets.

These investments often offer access to differentiated opportunities and fast growing businesses not normally available through public markets. For example, immature capital markets in most Emerging Markets often results in limited access to certain attractive sectors or public market where valuations may be excessive. Furthermore, Private Assets often exhibit low correlation to public security markets and phased drawdown of capital helps to reduce market timing risk.

- The first commitment to Private Assets was made in 2007.
- 20 commitments (totalling $85.1 million) have been made as at 31 December 2012.
- $56.2 million has been drawn down.
- To date, cumulative distributions received total c$12.6 million.
- Overall, this silo has progressed from being at an immature stage to showing greater visibility on value creation. The Investment Manager remains confident that the significant capital deployed into 'post-crisis' vintages will produce attractive returns for the portfolio.

(iii) '**Market Neutral Funds**' $23.3 million 9.8% of NAV (2011: $45.7 million: 19.9% of NAV) contains generally lower volatility investments in a small number of funds that engage in a variety of trading strategies across asset classes. Each market neutral fund has a different investment mandate and it is expected that their collective performance will not be dependent on the direction of global security markets. What they have in common is a focus on generating positive absolute returns while providing downside protection in volatile markets.

In addition, Market Neutral Funds act as a secondary backstop to cash in covering long-term capital commitments (thus helping to avoid excessive cash drag – especially in the current environment of near-zero interest rates) and other opportunistic investments. In short, the Investment Manager believes that they provide a better risk/reward allocation than other investments that are perceived to be 'lower risk' such as government bonds.

(iv) '**Bonds/Other**' $41.1 million 17.3% of NAV (2011: $26.4 million: 11.4%) – Bonds are comprised of two constituents: (i) Investment Grade Bonds and (ii) High Yield Bond. Returns may be generated from rising capital value and coupons as well as currency exposure.

Investment Grade Bonds (0% of NAV) would contain investments in sovereign (government) bonds as well as corporate bonds with high credit ratings (typically at least 'BBB' as defined by Standard & Poor's). High Yield Bonds ($25.0 million, 10.5% of NAV) include investments in Emerging Market (sovereign and corporate debt) and other Developed Market high yield corporate debt. 'Other' is comprised of cash valued at $16.1 million 6.8% of NAV (2011: $12.6 million: 5.5% of NAV).

Investment Managers Report

Performance

Cumulative returns since inception

Performance (Time-weighted)	Since Inception
Portfolio Performance	118.3%
MSCI World (Developed) Index	30.5%
Performance Benchmark	62.6%

2012 Performance

*Note: Performance information for the MSCI All Country World Index, which includes Developed, Emerging and Frontier Markets (weighted by market capitalisation), is only available from 31 May 2002.

Performance (Time-weighted)	2012
Portfolio Performance	8.8%
MSCI World (Developed) Index	15.8%
MSCI All Country World Index	16.1%
MSCI Emerging Markets Index	18.2%
Performance Benchmark	3.1%

Investment Portfolio Performance

The portfolio generated a time weighted return of 8.8% in 2012.

2012 Performance by Silo	%
Cash	0.8
Bonds	8.6
Market Neutral	6.2
Global Equities	12.9
Private Assets	1.0

The top contributors were:

Top Five Contributors (in USD)	Contribution %	Performance %	Gain $m
Jupiter European Opportunities Trust*	1.2	48.2	2.8
Findlay Park American Fund	0.8	16.3	1.8
NTAsian Discovery Fund	0.7	32.7	1.6
Lansdowne Developed Markets Fund	0.6	18.0	1.3
AR New Asia Fund	0.5	15.9	1.2
TOTAL	**3.8**		**8.7**

*Sold during the year.

Global Equities

Global Equities can broken down into long-only equities totalling $88.2 million and long/short equity totalling $35.7 million.

The long-only equity portfolio gained +15.1% over the year. The top performing investments in this category were **Jupiter European Opportunities Trust** +48.2%, **VinaCapital Vietnam Opportunity Fund** +43.4%, **Prusik Asian Smaller Companies** +38.7% and **Findlay Park Latin American** +32.7%. The principal detractors to performance were in the energy and commodity sectors. Relative to global stock market indices, a cautious stance towards Europe was detrimental but the ASEAN region where the portfolio is overweight outperformed.

The long/short equity portfolio returned +7.5% as managers typically focused on limiting risk, erring on the side of caution as opposed to the opportunity set. The exception was the **Lansdowne Developed Markets Fund** which appreciated by +18%.

Private Assets

The silo returned 1%. The Private Assets portfolio is at a relatively immature stage of value creation. With total distributions amounting to $4.1 million, the largest of which were from $1.4 million from **Gramercy Distressed Opportunities Fund** and $1.3 million from **Riverstone Carlyle Energy and Power Fund**. It is currently estimated that a more meaningful level of annual distributions will be realised from this silo from 2016 onwards.

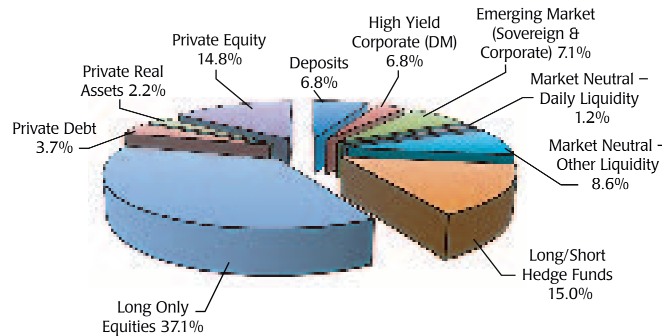
Market Neutral Funds

The silo returned +6.2%. T**he QFR Victoria Fund** (+13.6%) was the top performing fund but solid returns were also generated by **BlueBay Macro** (+9.5%) and **BlueCrest AllBlue Leveraged Feeder** (+8.2%).

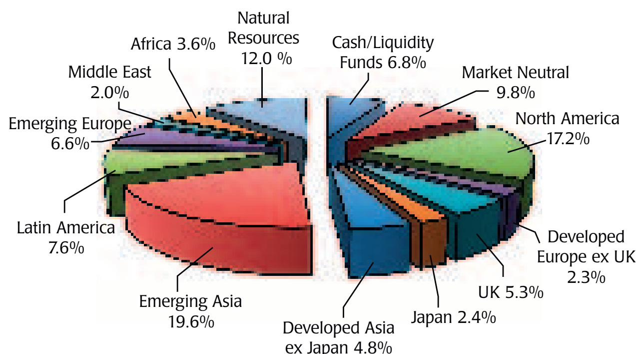
Bonds

The silo returned +8.6% with the best performing investment being **Oaktree Value Opportunities** (+15.2%).

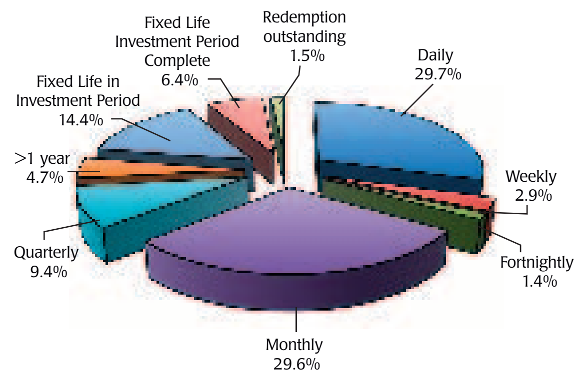
Asset Allocation at 31 December 2012



Geographical Distribution at 31 December 2012



Underlying Liquidity at 31 December 2012



Investment Managers Report

Portfolio activity – for the year to 31 December 2012

During 2012, there were total purchases of $49.3 million, including purchases of new positions totalling $36.5 million and total sales of $82.9 million.

Within the portfolio's private assets silo, there were new commitments made of $6.0 million and drawdowns of $12.6 million. During 2012, investments in private assets generated distributions of $4.1 million.

Significant Purchases

New Positions	$m
Schroder ISF Asian Total Return Fund	6.0
Instinct Dark Horse Fund	5.0
CCI Technology Partners II	5.0
NTAsian Discovery Fund	5.0
BlueBay EM Corporate Alpha Fund	5.0
Stratton Street Renminbi Bond Fund	4.0
BlackRock Mining Opportunities Fund	3.5
Equinox Russian Opportunities Fund	3.0
Total	**36.5**

Schroder ISF Asian Total Return Fund – is an Asia ex Japan absolute return equity strategy, with a focus on high quality companies, managed with a macro overlay to reduce volatility.

Instinct Dark Horse Fund – is a long/short Japanese equities hedge fund utilising a fundamental trading strategy with a focus on catalysts and special situations.

CCI Technology Partners II – is a long/short equities hedge fund investing in technology companies, predominantly listed in the US.

NTAsian Discovery Fund – invests in Asian small and mid-cap equities with a particular focus on ASEAN countries (e.g. Indonesia, Malaysia, Philippines, Singapore and Thailand).

BlueBay EM Corporate Alpha Fund – is a long/short credit hedge fund investing in (predominantly USD denominated) Emerging Market corporate debt.

Stratton Street Renminbi Bond Fund – is a long only fund investing in Pan-Asian investment grade quasi-sovereign credit, with currency exposure hedged into the Renminbi.

BlackRock Mining Opportunities Fund – invests in a portfolio of mining equities with a greater focus, compared to the BlackRock World Mining Trust Plc, on mid-caps and companies in the exploration and development phase. Reduced fees were negotiated as a day one investor.

Equinox Russian Opportunities Fund – invests in a concentrated portfolio of 'value' Russian equities. The manager may opportunistically raise cash to high levels.

Sales

There were sales totalling $82.9 million in 2012.

Private Assets – Commitments

There were two new commitments to private assets in 2012:

New Commitments	$m
African Minerals Exploration & Development Fund, SICAR	3.0
Riverstone Global Energy & Power Fund V, LP	3.0
Total	**6.0**

African Minerals Exploration & Development Fund, SICAR – will invest in 10 to 15 African mineral extraction projects, with an average equity ticket range of between $20.0 million and $30.0 million. The Fund will target brown field projects in minerals where the global supply is not expected to keep up with global demand in the coming decade, such as gold, platinum, copper, nickel, niobium, coal and fluorspar. It will also seek to create significant value in more advanced projects through conducting additional geological and legal work in order to make a project an attractive acquisition target for a large mining company.

Riverstone Global Energy & Power Fund V, LP – the manager will make 15 to 25 privately negotiated investments in companies operating in the energy and power sector. While the manager has the potential to invest globally, it is anticipated that the majority of investments will be focused in North America. As was the case with the predecessor funds, investment activity will be primarily targeted in four main industry sectors: (i) Exploration and Production, (ii) Midstream, (iii) Energy Services and (iv) Power & Coal.

The manager is expected to make both controlling and strategic minority investments, with deals being completed in six principal areas: (i) 'Build-ups' orchestrated by management teams known to Riverstone, (ii) Buyouts of non-core 'orphan' assets from large corporations, (iii) Growth capital to support business development, (iv) Distressed opportunities, (v) Take-private transactions and (vi) Restructuring of established companies.

Analysis of Private Assets

Investments in Private Assets are at a relatively immature stage of value realisation. With a high allocation to post-2008 vintages.

Outstanding commitments of $32.2 million are well covered by cash, investments in market neutral funds and investment grade bond funds ($16.1 million, $23.3 million and $4.0 million respectively).

Commitments and Cover	Value	Weighting
	$m	%
Total level of commitments		
Drawn – Investment Value	49.4	17.0
Undrawn	32.2	13.6
Cash	16.2	6.8
Market Neutral and Investment Grade Bond Funds (see table below)	27.3	11.5

Market Neutral Funds	Liquidity	Value
		$m
BlueCrest AllBlue Leveraged Feeder	Quarterly	7.6
BlueBay Macro Fund	Monthly	6.8
QFR Victoria Fund	Quarterly	5.9
GLG Emerging Currency and Fixed Income Fund	Daily	3.0

Primary Cover	Liquidity	Value
Stratton Street Renminbi Bond Fund	Weekly	4.0
Total		**27.3**

Market 0utlook

The strength in world equity markets in the latter part of 2012 has continued into the opening weeks of 2013. Many macroeconomic commentators have been confounded by the buoyancy of share prices in the face of economic headwinds posed by the US 'fiscal cliff', recessionary conditions throughout Europe and a more challenging environment throughout the major emerging economies. However, the disconnect between stock markets and economic performance is a ubiquitous theme in investment. Multiple factors determine market actions and markets typically give their best returns when scepticism abounds. The 'crisis fatigue' that enveloped investors in the first half of last year meant that any sniff of 'good' news would have more market impact than a continuation of 'bad'. Distortions in the relationship between debt and equity valuations resulting from extremes of monetary policy and institutional bearishness have created the potential for significant stock market rallies as and when asset allocators reduce bond exposure in favour of shares. The yield on company dividends in many cases exceeds that of corporate bonds. This valuation support underpins the outlook for equities.

Despite the emergence and rapid growth rates of the BRIC countries over the last decade or so, the USA remains the most powerful economy and largest stock market. While the worst fears over the fiscal cliff may prove overblown, the USA is clearly going to enter a phase of fiscal consolidation which will act as a drag on growth. Unlike Europe, however, this 'drag' will occur when the economy is already showing signs of recovery and has been through the worst of the Post-2008 crisis. In the near term 'fiscal drag' will negatively impact corporate profits and may well lead to a correction in the stock market after its recent gains. However, beyond that, investors have several reasons to justify optimism over prospects for Obama's second term. The 2008 crisis originated with excesses in real estate securitisation and consumer debt. Currently, the level of debt service ratio to income for US homeowners is at the low end of the range that prevailed in the 1980s and 1990s. The level of housing starts and permits issued to build is lower than at any time in the post war period despite a demographic profile that implies pent up demand. A recovery to the average level of the last 60 years would entail a near doubling of activity from current levels. Other cyclical industries such as the auto sector are also underpinned by favourable 'reversion to the mean' metrics.

As well as favourable cyclical factors, prospects for the USA are reinforced by important structural changes. In energy, the US has managed to reduce its levels of demand while increasing its levels of supply. Despite the size of the economy being 5% larger than in 2006, oil consumption has decreased by 10%. Developments in shale fracking are potentially hugely beneficial for the US and the surge of available cheap natural gas should further drive substitution of natural gas liquids for oil derived gasoline. Lower energy costs not only boost the disposable incomes of consumers but increase the competitiveness of US-based manufacturing, reinforcing the trend to relocate offshore manufacturing back to the US. In short, while near-term earnings expectations are vulnerable to downward revisions and Wall Street is vulnerable to profit taking, the medium term prospects for the US appear more soundly based than at any time for a decade or more.

As far as Europe is concerned, a full blown Euro crisis appears to have been averted for now although the deep structural flaws, inconsistencies and distortions at the heart of the Euro project remain. The ECB policy of Outright Monetary Transactions (OMT) in "unlimited" quantities has proved successful in heading off speculative selling in the Spanish and Italian sovereign bond markets. This safety net for capital markets and pragmatic concessions from Germany towards the more challenged economies of Southern Europe should help keep the Euro crisis out of the headlines in the build-up to this autumn's elections in Germany. Recent relaxation in the Basel rules governing bank liquidity should also help shore up sentiment towards the Euro and European

Investment Managers Report

assets generally. The extent to which growth rates recover in Europe, however, is much less certain. Fiscal tightening is having a negative multiplier effect in the underlying economies. Deficit levels have not ameliorated despite ongoing austerity measures. It is hard to see how the current policy set will be sufficient to lift Europe out of the mire it is currently in.

Sentiment towards the Japanese market has improved recently following the LDP landslide victory in the Lower House election. A new political order now exists to pave the way for more stimulative policies and a weakening of the Yen. International investors will be sceptical after the experience of Koizumi's 2005 victory, which many thought signalled the end of Japan's secular bear market, only for the rally to fizzle out followed by new lows in the stock market and general policy paralysis. Despite this a greater sense of urgency amongst policy makers in Japan will be welcomed. Prime Minister Abe has named his new cabinet the "Crisis Breaking Cabinet". Since 2008, the Yen has appreciated by 60% against the Korean Won and 40% against the US Dollar. A weaker Yen should be stimulative for the economy and bullish for corporate earnings.

The post 2008 environment has proved something of a 'reality check' for Emerging Market investors. Contrary to more bullish predictions, growth rates have not been immune to the global economic context. Corruption and administrative incompetence have been sufficiently embedded to further compromise growth potential. In the World Bank 'Doing Business' rankings, China was 91st, Russia 112th, Brazil 130th and India 132nd. However, corporate profits in the Emerging Markets should re-accelerate on any rebound in the global economy while current valuations leave potential for positive re-rating. More decisive policy moves in China following the election should boost growth there. In India, a more benign regime for foreign investment and personnel changes in government should encourage investment flows. Brazil's exporters will benefit from last year's retracements of the Real and Russia remains a very cheap stock market. Emerging Markets seem poised to outperform if global trade activity builds on the early signs of improvement. The largest threat to this asset class is probably the very low spreads against US Treasuries that prevail in most domestic bond markets when bond yields themselves are so compressed.

In summary, there is more mileage in global equities which remain supported by very loose monetary policy, geared earnings potential to any recovery in the global economy and very favourable valuation metrics compared to bonds. However, the world economy is in a very fragile state and could be easily derailed by policy error in an environment of fiscal retrenchment. Investors need to tread a fine line between caution based on the seriousness of the problems the world faces, and an awareness of the potential returns equities can offer at the beginning of a new cycle.

Hanseatic Asset Management LBG
March 2013

Investment Portfolio at 31 December 2012

	Market Value $000	% of NAV	Silo
Findlay Park American Fund	13,170	5.5	Global Equities (Long Only)
Egerton European Dollar Fund	10,330	4.4	Global Equities (Long/Short)
AR New Asia Fund	8,790	3.7	Global Equities (Long Only)
Oaktree CM Value Opportunities Fund	8,220	3.5	Bonds
BlueCrest AllBlue Leveraged Feeder	7,650	3.2	Market Neutral
Lansdowne Developed Markets Fund	7,450	3.1	Global Equities (Long/Short)
BlackRock UK Emerging Companies Hedge Fund	6,980	2.9	Global Equities (Long/Short)
Artemis Global Energy Fund	6,970	2.9	Global Equities (Long Only)
Prosperity Quest Fund	6,970	2.9	Global Equities (Long Only)
BlueBay Macro Fund	6,850	2.9	Market Neutral
Top 10 Holdings	**83,380**	**35.1**	
NTAsian Discovery Fund	6,640	2.8	Global Equities (Long Only)
Schroder ISF Asian Total Return	6,210	2.6	Global Equities (Long Only)
QFR Victoria Fund	5,890	2.5	Market Neutral
Gramercy Emerging Market Debt	5,880	2.5	Bonds
BlackRock World Mining Trust	5,810	2.4	Global Equities (Long Only)
Instinct Dark Horse Fund	5,270	2.2	Global Equities (Long/Short)
BlueBay EM Corporate Alpha Fund	5,140	2.2	Bonds
CCI Technology Partners II	4,850	2.0	Global Equities (Long/Short)
Greenspring Global Partners IV, LP	4,560	1.9	Private Assets
China Harvest Fund II, LP	4,430	1.9	Private Assets
Top 20 Holdings	**138,060**	**58.1**	
African Development Partners I, LLC	4,140	1.7	Private Assets
Schroder ISF Global Energy Fund	4,140	1.7	Global Equities (Long Only)
Stratton Street Renminbi Bond Fund	4,000	1.7	Bonds
Oaktree CM Principal Fund V, LP	3,960	1.7	Private Assets
Prince Street Opportunities Fund	3,930	1.7	Global Equities (Long Only)
BlackRock Mining Opportunities Fund	3,760	1.6	Global Equities (Long Only)
Capital International Private Equity Fund V, LP	3,690	1.6	Private Assets
R/C Global Energy and Power Fund IV, LP	3,600	1.5	Private Assets
Vinacapital Vietnam Opportunity Fund	3,380	1.4	Global Equities (Long Only)
Atlantis China Fund	3,360	1.4	Global Equities (Long Only)
Top 30 Holdings	**176,020**	**74.0**	
27 remaining holdings	**45,570**	**19.2**	
Cash	**16,150**	**6.8**	
TOTAL	**237,740**	**100.0**	

Directors and Advisers

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

Secretary
Malcolm S Mitchell

Profiles of Non-executive Directors
J F Gouvêa Vieira is Brazilian, aged 63 and joined the Group in 1991. He is a partner of the Brazilian law firm of Gouvêa Vieira Advogados. He is a member of the Board of Concremat Engenharia, PSA Finance Brasil, International Meal Company, Wilson Sons Limited and a member of the consultative Board of Vio;y & Co (New York) and a number of other Companies.

W H Salomon is German and British, aged 55 and joined the Group in 1995. He is senior partner of Hansa Capital Partners LLP. He is also a non-executive director of Hansa Trust PLC, Wilson Sons Limited and New India Trust.

C F A Cooper is Bermudian, aged 70 and joined the Group in 1994. He was a partner of Conyers, Dill & Pearman. He is also a Director of Stevedoring Services Limited and Bermuda Cablevision Limited.

Mr C Maltby is aged 62, British and resident in Switzerland. He is Chairman of BlackRock Absolute Return Strategies Limited and of HarbourVest Senior Loans Europe Limited, a Director of BACIT Limited and Abingworth BioEquities Fund Limited, and a member of the Supervisory Board of Bilfinger Berger Global Infrastructure SICAV SA.

Mr A Rozental is Mexican, aged 67 and is the founding partner of Rozental & Asociados. He is a Director of Wilson Sons Limited, Chairman of the Board of Directors of ArcelorMittal Mexico and an independent Director of ArcelorMittal Brazil. He serves on the advisory boards of Kansas City Southern de México, EADS de México, Toyota de México and is an operating partner of Advent International Private Equity.

Mr C Townsend is German and British and resident in Switzerland. He is aged 39 and is a solicitor and has an MBA from the London Business School. He is an investment director at HAML Consulting GmbH.

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Ocean Wilsons Dividend Address
Ocean Wilsons Dividend Election
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Bankers
Deutsche Bank International Limited
Jersey

Investment Managers
Hanseatic Asset Management LBG
Guernsey, Channel Islands

Report of the Directors

The Directors submit herewith their Report and Accounts for the year ended 31 December 2012.

The Group accounts, presented under International Financial Reporting Standards (IFRS), comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1-38.

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

The Group's profit after tax on ordinary activities attributable to equity shareholders amounted to US$41,263,000 (2011: US$8,639,000 loss).

An interim dividend of 4.0c (2011: 4.0c) gross per share was paid on 5 October 2012 and the Directors are declaring the payment of a final dividend for the year of 38.0c (2011: 29.0c) gross per share. The final dividend will be paid on 31 May 2013 to all shareholders who are on the register at close of business on 3 May 2013.

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 Company's investment managers 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.

Through our subsidiary, Wilson Sons Limited, the Group has provided maritime services in Brazil for 175 years. The Group's 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 Managers report and Financial review on pages 6 to 19.

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

Mr C Maltby was appointed as a non-executive Director of Ocean Wilsons Holdings Limited effective from the 1 January 2013. Mr C Maltby is aged 62. He is Chairman of BlackRock Absolute Return Strategies Limited and of HarbourVest Senior Loans Europe Limited, a Director of BACIT Limited and Abingworth BioEquities Fund Limited, and a member of the Supervisory Board of Bilfinger Berger Global Infrastructure SICAV SA. He was Head of Investments at BP from August 2000 to June 2007 and was previously Chief Investment Officer of Equitas Limited from its formation in 1996 and Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995. In accordance with the Company's bye-laws, Mr C Maltby, Mr A Rozental and Mr J F Gouvea Vieira will retire at the next annual general meeting and, being eligible, offer themselves for election and re-election. The Directors who held office at 31 December 2012 had the following interest in the Company shares:

	Interest	**2012**	2011
C F A Cooper	Beneficial	**46,450**	46,450
J F Gouvêa Vieira	Beneficial	**146,600**	146,600
K W Middleton	Beneficial	**10,000**	10,000
W H Salomon*	Beneficial	**4,659,349**	4,659,349
C Townsend	Beneficial	**33,208**	14,708

*Additional indirect interests of W H Salomon in the company are set out in substantial shareholdings below.

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

Employees
The average number of persons, including Directors, employed by the Group was 6,762 (2011: 6,157).

Charitable and Political Donations
During the year the Group made charitable donations of US$113,000 (2011: US$42,000) principally to social programmes in Brazil. There were no political contributions in either year.

Report of the Directors

Long-term incentive plan

In March 2007, the Finance Committee introduced a cash settled long-term incentive plan for senior management with rewards linked to the performance of the Ocean Wilsons Holdings Limited share price. The plan was approved at the Special General Meeting held on 19 April 2007. During the year all outstanding options under the scheme were exercised and the scheme has now terminated. No accrual (2011: US$3,664,000) has been included in the 2012 accounts for benefits accruing under the plan.

On 9 April 2007, the boards of Ocean Wilsons Holding Limited and Wilson Sons Limited approved a stock option plan which allows for the granting of phantom options to eligible employees selected by the Wilson Sons Limited Board. The options will provide cash payments, on exercise, based on the number of options multiplied by the growth in the price of a Wilson Sons Limited Brazilian Depositary Receipt "BDR" between the date of grant (the Base Price) and the date of exercise (the Exercise Price). The plan is a Brazilian Real denominated scheme. An accrual of US$12,328,000 (2011: US$14,371,000) has been included in the 2012 accounts for benefits accruing under the plan.

Auditor

KPMG LLP were appointed auditor at the 2012 annual general meeting and have expressed their willingness to continue in office as auditor and a resolution to reappoint them 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 7 March 2012 the Company has been notified of the following holdings of its shares, in excess of 3% of the issued ordinary share capital:

Name of holder	Number of shares	% held
Hansa Trust PLC	9,352,770	26.4
Nicholas B Dill Jnr and Codan Trustees (BVI) Limited	8,364,113	23.6
Utilico Emerging Markets Utilities Limited	2,365,838	6.7
Montanaro Asset Management	1,399,599	3.9

The Company has been advised that Mr W H Salomon and Mrs C A Townsend are interested in the shares registered in the name of Nicholas B Dill Jnr and Codan Trustees (BVI) Limited.The Company has also been advised that Mr W H Salomon has an interest in 26.4% and Mrs C A Townsend an interest in 25.9% of the voting shares of Hansa Trust PLC. Mr C Townsend is the son of Mrs C A Townsend who is interested in the 8,364,113 shares registered in the name of Nicholas B Dill Jnr and Codan Trustees (BVI) Limited.

Contracts and agreements with substantial shareholders

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

Corporate Governance

The Board has put in place corporate governance arrangements which it believes are appropriate for the operation of your Company. The Board has considered the principles and recommendations of the 2010 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and decided to apply those aspects which are appropriate to the business. This reflects the fact that Ocean Wilsons Holdings Limited is an investment holding Company incorporated by an act of parliament in Bermuda with significant operations in Brazil. The Company complies with the Code where it is beneficial for its business to do so, and has done so throughout the year and up to the date of this report, but as noted below, it does not fully comply with the Code. The position is regularly reviewed and monitored by the Board.

The Board

The Board currently comprises the chairman, Mr J F Gouvea Vieira, deputy chairman Mr W Salomon, a further three non-executive directors, Mr A Cooper, Mr A Rozental and Mr C Townsend and one executive director, Mr K Middleton. Mr C Maltby a non-executive director was appointed to the Board effective 1 January 2013. Mr Cooper,Mr Rozental and Mr Maltby are considered by the Board to be independent under the Code. Although Mr Cooper has served as a director of Group Companies for more than nine years he has been assessed as independent by virtue of his personal characteristics, experience and performance.

The directors biographies appear on page 20. The Code states that the Board should appoint one independent director to be the senior independent director. Due to the small size of the Board and the fact that Ocean Wilsons Holdings Limited is an investment holding company, the Board does not consider it appropriate to appoint a senior independent non-executive director. If a shareholder feels it is inappropriate to relay views through the chairman or executive director, all non-executive directors are available.

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. Directors serving more than nine years are not subject to annual re-election as your Board considers continuity and knowledge of the Company's investments and business acquired over time is of great value. Mr C Maltby is offering himself for election and Mr A Rozental and Mr J F Gouve Vieira are offering themselves for re-election at the next AGM. The Board considers on a regular basis how to refresh itself.

Non-executive directors hold letters of appointment. The other commitments of directors appear on page 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 division of responsibilities between the chairman and the executive director has been clearly established, set out in writing and agreed by the Board. The Group does not have a chief executive.

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

Our maritime services subsidiary, Wilson Sons Limited (an autonomous listed company) is supervised by the Board of Wilson Sons Limited who have appointed Mr C Baiao as chief executive to run the business in Brazil. The chief executive in turn delegates responsibility to senior executives, in particular strategic business unit directors. Ocean Wilsons Holdings Limited manages its interest in Wilson Sons Limited through the appointment of three Ocean Wilsons Holdings Limited Directors as non-executive directors of Wilson Sons Limited, (presently Mr J F Gouvea Vieira, Mr W Salomon and Mr A Rozental) voting on matters requiring Wilson Sons Limited shareholder approval and the relationship agreement between Ocean Wilsons Holdings Limited and Wilson Sons Limited signed following the listing of Wilson Sons Limited on the Sao Paulo and Luxembourg Stock Exchanges. The relationship agreement details areas of co-operation between Ocean Wilsons Holdings Limited and Wilson Sons Limited in meeting accounting, reporting and compliance requirements for both companies.

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

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

- Determining the overall strategy of the Group
- Establishing the finance committee and their terms of reference
- Determining the responsibilities of the chairman and directors
- Approving changes to the capital structure of the Company or other matters relevant to its status as a listed Company
- Approving significant matters relating to capital expenditure, acquisitions and disposals and consideration of significant financial matters outside the Wilson Sons Limited Group
- Appointment of directors to Ocean Wilsons Holdings Limited and Ocean Wilsons Investments Limited
- Appointment and removal of the company secretary
- Appointment and removal of executives
- To decide on potential conflicts of interest
- Approval of annual and interim reports
- Approving any dividends
- Appointment of external auditor, financial advisor or corporate broker
- To vote the shares in Wilson Sons Limited on matters presented to shareholders for shareholder approval
- To approve changes in Wilson Sons Limited auditor or accounting policies
- Agree the strategy of Wilson Sons Limited

Report of the Directors

The Board of Ocean Wilsons Investments Limited is currently constituted by the same directors as the Board of Ocean Wilsons Holdings Limited. The Board delegates authority to run the investment portfolio held by Ocean Wilsons Investments Limited to the investment manager within certain guidelines. The Board of Ocean Wilsons Investments Limited has a formal schedule of matters specifically reserved for its attention which include:

- Appointment, removal and terms of an investment manager
- Determine investment guidelines and restrictions in conjunction with the investment manager
- Review the performance of the investment manager
- Approval of the annual accounts for Ocean Wilsons Investments Limited
- Approving any dividends

The Company has a procedure in place by which directors can seek independent professional advice at the Company's expense if the need arises. The Board has full and timely access to all relevant information to enable it to perform its duties. The Company has directors and officers insurance in place. The executive directors 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 2012 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 2012 two telephone Board meetings were held.

Directors' attendance at Board and Finance Committee meetings:

Director	Board Meetings attended	Finance Committee Meetings attended
Mr J F Gouvêa Vieira	6	3
Mr W Salomon	6	3
Mr A Cooper	5	3
Mr K Middleton	5	2
Mr A Rozental	4	3
Mr C Townsend	6	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 receive an induction on joining the Company. This covers such matters as strategy, operation and activities of the Group and corporate governance matters. Site visits and meetings with senior management are also arranged. The Board as a whole make periodic operational site visits. Directors are encouraged to visit other sites. Directors are also provided with industry and regulatory updates.

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

Board Evaluation

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

Board Committees

The Board has established a finance committee which has formal terms of reference approved by the Board and are reviewed on an ongoing basis by the Board. The committee's terms of reference are available at the Company's registered office. Mr C Maltby an independent director was appointed chairman of the committee on the 18th March 2013 replacing the previous chairman, Mr J F Gouvea Vieira who was chairman throughout 2012.

The Code states there should be a Board nomination committee. The Board does not have a separate nomination committee as the identification and appointment of a new Board member is a matter for the full Board. The Board reviews Board composition on an ongoing basis and regularly considers

whether any skill gap exists. Any new appointments to the Board will be considered in this context. Any director may suggest a person to be appointed a non-executive director of the Company. The procedure to be followed is:

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

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

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

Following an internal review of our Board composition and evaluation of the balance of skills, the Board considered it appropriate to appoint an additional Board member in 2012. A description of the role and candidate capabilities required for the appointment was prepared and passed to an independent external search consultant. The external search consultant (Trust Associates) conducted a search for appropriate candidates with the right blend of skills and experience which were then submitted to the Board. Mr C Maltby was appointed as a non-executive Director of Ocean Wilsons Holdings Limited effective from 1 January 2013

Finance Committee report

The finance committee comprises all non-executive directors, two of whom are considered by the Board to be independent during 2012. The Board is satisfied that during 2012 two directors, Mr Salomon and Mr Rozental, have recent and relevant financial experience as both have served on the audit committees of other listed companies. Mr Salomon also has considerable experience in finance and investment banking. Following the appointment of Mr C Maltby on 1 January 2013 the Board considers three members to be independent and three directors to have relevant financial experience as Mr Maltby holds an accounting qualification and has served on the audit committee of other listed companies.

The finance committee met three times in 2012. At the request of the finance committee the chief executive of Wilson Sons Limited and the finance director of Wilson Sons Limited attended each of these meetings and the executive director of Ocean Wilsons Holdings Limited attended two. The external auditor attended one meeting.

The finance committee meets with the external auditor without the executive present.

The Code states that the finance committee should not be chaired by the Company chairman. Mr C Maltby an independent director was appointed chairman of the committee on 18 March 2013 replacing the previous chairman, Mr J F Gouvea Vieira who was chairman during the year. Prior to Mr Maltby's appointment the Board did not consider it appropriate for the committee to be chaired by a senior independent director due to the size of the Board and so the committee was chaired by the chairman of the Board Mr J F Gouvea Vieira. The committee has defined terms of reference.
The principal responsibilities of the committee are:

- to review the integrity of the interim and full year financial statements of the company, reviewing significant financial reporting judgements contained in them;
- to review the company's internal control and risk management systems;
- to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- to consult with the Group's auditor and, where necessary the auditor of the subsidiary companies, regarding any matters arising in the course of the annual audit or interim review which should be brought to the attention of the Board;
- to monitor the Group's risk exposure;
- 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 Bonus scheme.

Report of the Directors

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

Since the beginning of 2012 the Finance Committee has:

- reviewed the December 2011 report and financial statements, the June 2012 half yearly financial report and the interim management statements issued in May and November. As part of the review of the December 2011 report, the Committee received a report from the external auditor on their audit of the annual report and financial statements;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of audit work to be undertaken by the auditor;
- Selected auditor to be appointed;
- agreed the fees to be paid to the external auditor for the audit of the December 2012 financial statements;
- assessed the qualification, expertise and resources, and independence of the external auditor; and
- reviewed the need for an internal audit function.

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

- the external auditor plan for the current year, noting the role of the audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years and any changes in key audit staff;
- a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditor, in addition to approving the provision of significant non-audit services by the external auditor.

In addition the Group does not currently employ any former external audit staff.

Non-executive Directors' fees are set out within limits set in the Company's Articles of Association. The present limit is US$400,000 in aggregate per annum and the approval of shareholders in a General Meeting is required to change this amount. We are proposing to increase this amount at the next annual general meeting to US$600,000 due to an increase in the number of Board members and increased Directors fees.

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

Internal Controls

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

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

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

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

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

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

The Code states that the finance committee should review arrangements by which staff can raise concerns about possible improprieties in matters of financial reporting. Ocean Wilsons Holdings Limited does not have a whistleblowing policy as there is only one employee. The Wilson Sons Limited Group whistleblowing policy and procedures enable employees who have concerns about the application of the Group's Code of Ethics to raise them with the Ethics Committee. The Ethics Committee will maintain their anonymity and report back to the employee on actions taken.

Relations with Shareholders

Communications with shareholders are important to the Board. Ocean Wilsons Holdings Limited sends both its annual report and accounts and half year accounts to all shareholders. To ensure Board members develop an understanding of the views of major shareholders there is regular dialogue with major institutional shareholders. The chairman and executive director usually attend a number of these meetings. A report of meetings with shareholders is distributed to all directors. All broker reports are distributed to all Board members. The Annual General Meeting of the Company will be held in Bermuda The Company website oceanwilsons.bm contains copies of the annual and interim report and stock exchange announcements.

Going Concern

The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$141.3 million in cash and cash equivalents and the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's statement, operating review and investment managers report on pages 1 to 19. The financial position, cash flows and borrowings of the Group are set out in the Financial review in pages 6 to 9. In addition note 37 to the financial statements includes details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's borrowings are set out in note 22. Based on the Group's forecasts and sensitivities run, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities

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

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

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

By Order of the Board

Malcolm Mitchell
Secretary
19 March 2013

Independent Auditor’s Report

to the Members of Ocean Wilsons Holdings Limited

We have audited the financial statements of Ocean Wilsons Holdings Limited for the year ended 31 December 2012 set out on pages 29 to 67. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 27 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group’s affairs as at 31 December 2012 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- the group financial statements have been prepared in accordance with the requirements of the Bermudan Companies Act 1981.

Opinion on other matters

Under the Listing Rules we are required to review:

- the directors’ statement, set out on page 27 in relation to going concern; and
- the part of the Corporate Governance Statement on pages 22 to 27 relating to the company’s compliance with the nine provisions of the UK Corporate Governance Code.

KPMG LLP

Chartered Accountants
15 Canada Square, London E14 5GL
19 March 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	**Year to 31 December 2012 US$'000**	Year to 31 December 2011 US$'000
Revenue	3	**645,327**	698,044
Raw materials and consumables used		**(77,719)**	(82,889)
Employee benefits expense	6	**(240,427)**	(239,543)
Depreciation & amortisation expense	5	**(66,619)**	(59,479)
Other operating expenses		**(180,591)**	(221,159)
Profit on disposal of property, plant and equipment		**(546)**	1,959
Operating profit		**79,425**	96,933
Investment revenue	7	**6,526**	10,203
Other gains and losses	8	**16,394**	(27,818)
Finance costs	9	**(15,120)**	(20,741)
Profit before tax		**87,225**	58,577
Income tax expense	10	**(25,540)**	(51,615)
Profit for the year		**61,685**	6,962
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(6,987)**	(12,277)
Other comprehensive loss for the year		**(6,987)**	(12,277)
Total comprehensive income/(loss) for the year		**54,698**	(5,315)
Profit/(loss) for the period attributable to:			
Equity holders of parent		**41,263**	(8,639)
Non-controlling interests		**20,422**	15,601
		61,685	6,962
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of parent		**37,268**	(15,708)
Non-controlling interests		**17,430**	10,393
		54,698	(5,315)
Earnings/(loss) per share			
Basic and diluted	12	**116.7c**	(24.4c)

Consolidated Balance Sheet

as at 31 December 2012

	Notes	As at 31 December 2012 US$'000	As at 31 December 2011 US$'000
Non-current assets			
Goodwill	13	**15,612**	15,612
Other intangible assets	14	**29,899**	28,546
Property, plant and equipment	15	**828,764**	725,869
Deferred tax assets	24	**29,827**	28,525
Trade and other receivables	21	**18,015**	28,240
Long-term investments	18	**1,072**	1,072
Other non-current assets	27	**9,197**	8,412
		932,386	836,276
Current assets			
Inventories	19	**27,697**	21,142
Trading investments	18	**241,582**	251,297
Trade and other receivables	21	**168,267**	135,574
Cash and cash equivalents		**141,335**	119,323
		578,881	527,336
Total assets		**1,511,267**	1,363,612
Current liabilities			
Trade and other payables	26	**(163,762)**	(120,324)
Current tax liabilities		**(3,124)**	(3,472)
Obligations under finance leases	25	**(1,222)**	(3,787)
Bank overdrafts and loans	22	**(43,179)**	(32,672)
		(211,287)	(160,255)
Net current assets		**367,594**	367,081
Non-current liabilities			
Trade and other payables	26	**(1,134)**	(2,471)
Bank loans	22	**(524,908)**	(451,381)
Deferred tax liabilities	24	**(17,802)**	(26,093)
Provisions	27	**(10,872)**	(13,378)
Obligations under finance leases	25	**(2,800)**	(3,278)
		(557,516)	(496,601)
Total liabilities		**(768,803)**	(656,856)
Net assets		**742,464**	706,756
Capital and reserves			
Share capital	28	**11,390**	11,390
Retained earnings		**482,798**	453,205
Capital reserves		**31,760**	31,760
Translation and hedging reserve		**5,966**	9,831
Equity attributable to equity holders of the parent		**531,914**	506,186
Non-controlling interests		**210,550**	200,570
Total equity		**742,464**	706,756

The accounts on pages 29 to 67 were approved by the Board on 19 March 2013. 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 2012

For the year ended 31 December 2011	Share capital US$'000	Retained earnings US$'000	Capital reserves US$'000	Hedging and Translation reserve US$'000	Attributable to equity holders of the parent US$'000	Non controlling interests US$'000	Total equity US$'000
Balance at 1 January 2011	11,390	475,042	31,760	16,900	535,092	194,128	729,220
Currency translation adjustment	–	–	–	(7,069)	(7,069)	(5,208)	(12,277)
(Loss)/profit for the period	–	(8,639)	–	–	(8,639)	15,601	6,962
Total income and expense for the period	–	(8,639)	–	(7,069)	(15,708)	10,393	(5,315)
Dividends	–	(14,853)	–	–	(14,853)	(7,543)	(22,396)
Sale of non-controlling interest	–	1,655	–	–	1,655	3,592	5,247
Balance at 31 December 2011	11,390	453,205	31,760	9,831	506,186	200,570	706,756
For the year ended 31 December 2012							
Balance at 1 January 2011	11,390	453,205	31,760	9,831	506,186	200,570	706,756
Currency translation adjustment	–	–	–	(3,995)	(3,995)	(2,992)	(6,987)
Profit for the year	–	41,263	–	–	41,263	20,422	61,685
Total income and expense for the period	–	41,263	–	(3,995)	37,268	17,430	54,698
Dividends	–	(11,670)	–	–	(11,670)	(7,543)	(19,213)
Derivatives	–	–	–	130	130	93	223
Balance at 31 December 2012	11,390	482,798	31,760	5,966	531,914	210,550	742,464

Share capital

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

Capital reserves

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

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

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

Hedging and translation reserve

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

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

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	**Year to 31 December 2012 US$'000**	Year to 31 December 2011 US$'000
Net cash inflow from operating activities	30	**115,597**	70,533
Investing activities			
Interest received		**9,320**	10,158
Dividends received from trading investments		**2,854**	4,002
Proceeds on disposal of trading investments		**134,624**	98,323
Proceeds on disposal of property, plant and equipment		**2,238**	7,384
Purchases of property, plant and equipment		**(162,481)**	(234,009)
Purchase of intangible asset		**(7,761)**	(6,807)
Purchases of trading investments		**(108,515)**	(81,237)
Prepayment on Briclog acquisition	38	**–**	(5,331)
Net cash used in investing activities		**(129,721)**	(207,517)
Financing activities			
Dividends paid	11	**(11,670)**	(14,853)
Dividends paid to non-controlling interests in subsidiary		**(7,543)**	(7,543)
Repayments of borrowings		**(37,559)**	(28,415)
Repayments of obligations under finance leases		**(3,331)**	(5,940)
New bank loans raised		**108,121**	195,979
(Decrease)/increase in bank overdrafts		**(132)**	(6,347)
Derivative paid		**(139)**	–
Net cash inflow arising on sale of non-controlling interest		**–**	670
Net cash from financing activities		**47,747**	133,551
Net decrease in cash and cash equivalents		**33,623**	(3,433)
Cash and cash equivalents at beginning of year		**119,323**	130,071
Effect of foreign exchange rate changes		**(11,611)**	(7,315)
Cash and cash equivalents at end of year		**141,335**	119,323

Notes to the Accounts

for the year ended 31 December 2012

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.

In the current year the following new and revised standards and interpretations have been adopted with no material effect on the consolidated financial statements:

IAS 1 (amended) *Presentation of Items of Other Comprehensive Income*
IAS 12 (amended) *Deferred Tax: Recovery of Underlying Assets*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

- IFRS 1 (Amended) Government loans
- IFRS 1 (Amended) Repeat application and borrowing costs
- IFRS 7 (Amended) Offsetting of assets and liabilities
- IFRS 9 Financial instruments – IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 1 (Amended) Comparative information
- IAS 16 (Amended) Servicing equipment
- IAS 19 (Amended) Post-employment benefits and termination benefits
- IAS 27 (Revised) Separate financial statements
- IAS 28 (Revised) Investments in associates and joint ventures
- IAS 32 (Amended) Tax effect of equity distributions
- IAS 34 (Amended) Interim reporting of segment assets
- IFRIC 20 Stripping costs in the production phase of a surface mine

Those which may be relevant to the Group are set out below.

(a) IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group does not plan to adopt this standard early. The adoption of IFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities. The Group has yet to quantify the impact.

(b) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011).

IFRS 10 introduces a single control model to determine whether an investee should be consolidated.

As a result, the Group will need to evaluate its consolidation conclusion in respect of its investees, which will lead to changes in the current accounting for these investees.

Notes to the Accounts

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013.

(c) IFRS 13 Fair Value Measurement (2011)
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, but does not expect this standard to have a material impact on shareholders equity, net income or earnings per share.

Comparison of the financial statements adjusted to IFRS 10 and 11 and those published

With the application of the new standard, the Group s Joint Ventures will be accounted for using the equity method of accounting. The impact of IFRS 11 on the current period (2012), of certain line items, is estimated to be a reduction of revenue of US$38.0 million and a reduction of operating profit of US$0.4 million as income from joint ventures will be presented outside operating profit going forward. Current assets and current liabilities will be raised by US$34.0 million and US$1.9 million respectively, while the impact on non-current assets and non-current liabilities will be a reduction of US$234.5 million and US$203.4 million respectively. There will be no change to shareholders equity, net income or earnings per share.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2 Significant accounting policies and critical accounting judgements

Basis of accounting

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

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The directors assessment of going concern is included in the Report of the Directors.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

2 Significant accounting policies and critical accounting judgements (continued)

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

Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates (its functional currency). Transactions other than those in the functional currency of the entity are translated at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Investments in associates

An associate is an entity over which the Group is in a position to exert significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under this method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post- acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled 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.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the joint venture.

When a joint venture is established the assets acquired from the joint venture partner are fair valued at the date of acquisition. In accordance with SIC 13 Jointly Controlled Entities non-monetary contributions to the joint venture from the Group are recognised at book value. The portion of gains or losses resulting from any difference between the net assets acquired and the net assets contributed to the joint venture are recognised in the statement of comprehensive income.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

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

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

- in respect of tax payable on undistributed earnings of subsidiaries, associates and joint ventures where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;
- on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and
- on the initial recognition of any non-tax deductible goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

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

Property, plant and equipment

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

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

Freehold Buildings:	25 years
Leasehold Buildings:	Period of the lease
Floating Craft:	25 to 35 years
Vehicles:	5 years
Plant and Equipment:	5 to 20 years

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

Borrowing costs incurred on qualifying fixed assets are capitalised in the period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

2 Significant accounting policies and critical accounting judgements (continued)

Dry docking costs are capitalised and depreciated over the period in which the economic benefits are received, or until the next scheduled dry dock.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Goodwill

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

Negative Goodwill

Where the fair value of identifiable assets and liabilities acquired exceed the fair value of consideration paid, the surplus on acquisition is taken to operating profit.

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.

Impairment of tangible and other intangible assets

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

Inventories

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

Financial instruments

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

- *Trade Receivables:* Trade receivables, loans and other amounts receivable are initially stated at the fair value of the amounts due, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.
- *Investments:* Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at the fair value, plus directly attributable transaction costs. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. Unquoted investments held for trading purposes are stated at fair value through profit and loss as determined by using various valuation techniques, except where fair value cannot be reliably measured, when the investment is held at cost less any provision for impairment. Fair valuations include using recent arms length transactions between knowledgeable and willing parties where available. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.
- *Cash and Cash Equivalents:* Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
- *Bank Borrowings:* Interest-bearing bank loans and overdrafts are recorded 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 an accruals basis to the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Derivatives

The Group periodically uses derivative financial instruments to reduce exposure to foreign exchange and interest rate movements. The Group has not adopted the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". Derivatives are measured at each balance sheet date at fair value. Gains and losses arising from changes in fair value are included in the income statement for the period within investment revenue or finance costs for exchange and interest derivatives.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the statement of comprehensive income.

Hedge Accounting (Cash flow hedge)

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and discounted where the effect is material.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear 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 they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable 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.

Share-based payments

The Group has applied the requirements of IFRS 2 Share based Payment. Cash settled long-term incentive plans are measured at fair value at the balance sheet date. A liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date. Any increase or decrease in the liability is recognised in the statement of comprehensive income.

Fair value is measured by use of a binomial model. The fair value calculated by the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations.

Revenue

Revenue is measured at fair value and represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes. If the Group is acting solely as an agent, amounts billed to customers are offset against relevant costs.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see above).

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

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

2 Significant accounting policies and critical accounting judgements (continued)

Operating profit

Operating profit is stated after the Group's share of results of associates but before investment revenue and finance costs and other gains and losses.

Leasing

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

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

Rentals payable under finance leases are charged to income on a straight-line basis over the term of the relevant lease.

Critical accounting judgements and key sources of estimation uncertainty

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

Legal cases

In the normal course of business in Brazil, the Group is exposed to local legal cases. Provisions for legal cases are made when the Group's management, together with their legal advisors, consider the probable outcome is a financial settlement against the Group. Provisions are measured at the director'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. For tax cases the provision is based on managements' best knowledge of the relevant facts and circumstances and legal advice received.

Brazilian taxes

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

Deferred and recoverable income tax and social contribution

The Group records assets related to deferred taxes resulting from temporary differences and tax losses between the book value of assets and liabilities and their tax bases. Deferred tax assets are recognized to the extent that the Group expects to generate sufficient taxable profit based on projections and forecasts prepared by Management. Such projections and forecasts include several assumptions regarding the Group's performance, foreign exchange rates, volume of services, other rates and factors that may differ from present estimates.

Under the current Brazilian tax legislation, tax losses do not expire for utilization. However, cumulative tax losses can only be offset by up to 30.0% of the annual taxable profit.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was US$15.6 million. Details of the impairment loss calculation are provided in note 13.

Cash settled share based payment schemes

The fair value of cash settled share based payments is determined using a binomial model. The assumptions used in determining this fair value include the life of the options, share price volatility, dividend yield and risk free rate. Expected volatility is determined by calculating the volatility of the Group's share price over a historical period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations. Expected dividend yields are based on the Group's dividend policy. In determining the risk free rate the Group utilises the yield on a zero coupon government

Notes to the Accounts

bond in the currency in which the exercise price is expressed. Forfeiture rates are applied and historical distributions to fair valuations in computing the share based payment charge. The Group uses forfeiture rates in line with management's best estimate of the percentage of awards which will be forfeited, based on the proportion of award holders expected to leave the Group.

Any changes in these assumptions will impact the carrying amount of cash settled share based payments liabilities.

Depreciation

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

Valuation of unquoted investments

These are valued by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines. There is a high level of subjectivity in the assessment of the value of these investments and so this is a critical area of management judgement, resulting in the directors' relying on the Investment Managers' expertise in the valuation of these investments. Unquoted portfolio investments are carried in the financial statements at 31 December 2012 at a valuation of $160.1 million.

3 Revenue

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

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Sales of services	**583,548**	642,680
Revenue from construction contracts	**61,779**	55,364
	645,327	698,044
Investment income (note 7)	**6,526**	10,203
	651,853	708,247

All revenue is derived from continuing operations.

4 Business and geographical segments

Business segments

Ocean Wilsons Holdings has two reportable segments: Maritime services and investments.

The maritime services segment provides towage, port terminals, ship agency, offshore, logistics and shipyard services in Brazil. The investment segment holds a portfolio of international investments.

Segment information relating to these businesses is presented below.

For the year ended 31 December 2012

	Maritime Services Year ended 31 December 2012 US$'000	Investment Year ended 31 December 2012 US$'000	Unallocated Year ended 31 December 2012 US$'000	Consolidated Year ended 31 December 2012 US$'000
Revenue	645,327	–	–	645,327
Result				
Segment result	84,792	(2,666)	(2,701)	79,425
Investment revenue	3,791	2,778	(43)	6,526
Other gains and losses	–	16,394	–	16,394
Finance costs	(15,120)	–	–	(15,120)
Profit before tax	73,463	16,506	(2,744)	87,225
Tax	(25,540)	–	–	(25,540)
Profit after tax	47,923	16,506	(2,744)	61,685
Other information				
Capital additions	(184,186)	–	(5)	(184,191)
Depreciation and amortization	(66,618)	–	(1)	(66,619)
Balance Sheet				
Assets				
Segment assets	1,269,251	238,904	3,112	1,511,267
Liabilities				
Segment liabilities	(768,121)	(320)	(362)	(768,803)

Notes to the Accounts

4 Business and geographical segments (continued)

For the year ended 31 December 2011

	Maritime Services Year ended 31 December 2011 US$'000	Investment Year ended 31 December 2011 US$'000	Unallocated Year ended 31 December 2011 US$'000	Consolidated Year ended 31 December 2011 US$'000
Revenue	698,044	–	–	698,044
Result				
Segment result	103,789	(2,800)	(4,056)	96,933
Investment revenue	6,068	4,129	6	10,203
Other gains and losses	–	(27,818)	–	(27,818)
Finance costs	(20,741)	–	–	(20,741)
Profit before tax	89,116	(26,489)	(4,050)	58,577
Tax	(51,615)	–	–	(51,615)
Profit after tax	37,501	(26,489)	(4,050)	6,962
Other information				
Capital additions	(262,934)	–	–	(262,934)
Depreciation and amortisation	(59,478)	–	(1)	(59,479)
Balance Sheet				
Assets				
Segment assets	1,130,328	230,848	2,436	1,363,612
Liabilities				
Segment liabilities	(650,667)	(300)	(5,889)	(656,856)

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.

Unallocated corporate costs, assets and liabilities include the Ocean Wilsons Holdings Limited long-term incentive plan. The long-term incentive plan is a cash settled phantom option scheme linked to the Wilson Sons Limited share price..

Geographical Segments

The Group's operations are located in Bermuda, Brazil, United Kingdom and Guernsey.

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

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31 December 2012 US$'000	31 December 2011 US$'000	**Year ended 31 December 2012 US$'000**	Year ended 31 December 2011 US$'000
Brazil	**1,200,369**	1,062,836	**184,191**	262,934
Bermuda	**309,872**	299,314	**–**	–
Other	**1,026**	1,462	**–**	–
	1,511,267	1,363,612	**184,191**	262,934

5 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Net foreign exchange losses	**(10,885)**	(12,618)
Depreciation of property, plant and equipment	**61,230**	56,779
Amortisation of intangible assets	**5,389**	2,700
Operating lease rentals	**14,128**	17,520
Auditor's remuneration for audit services (see below)	**625**	903
Non executive directors emoluments	**380**	283
A more detailed analysis of auditor's remuneration is provided below:		
Statutory audit	**625**	756
Further assurance services	**–**	141
Other services	**–**	6
	625	903

The prior years auditors remuneration was payable to the Group's previous auditor, Deloitte LLP

6 Employee benefits expense

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Aggregate remuneration comprised:		
Wages and salaries	**188,220**	197,591
Share based payment expense	**2,262**	(7,880)
Social security costs	**48,372**	48,604
Other pension costs	**1,573**	1,228
	240,427	239,543

7 Investment revenue

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Interest on bank deposits	**15,283**	13,463
Exchange losses on cash	**(11,611)**	(7,315)
Dividends from equity investments	**2,854**	4,002
Investment revenues from underwriting activities	**–**	53
	6,526	10,203

8 Other gains and losses

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Increase/(decrease) in fair value of trading investments held at year end	**3,005**	(28,148)
Profit on disposal of trading investments	**13,389**	330
	16,394	(27,818)

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

Notes to the Accounts

9 Finance costs

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Interest on bank overdrafts and loans	**14,287**	13,034
Exchange (gain)/loss on foreign currency borrowings	**(726)**	5,303
Interest on obligations under finance leases	**864**	1,433
Total borrowing costs	**14,425**	19,770
Other interest	**695**	971
	15,120	20,741

Borrowing costs incurred on qualifying assets of US$7.8 million 2011: US$4.9 million) were capitalised in the year at an average interest rate of 3.18% (2011: 3.37%).

10 Taxation

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Current		
Brazilian taxation		
Corporation tax	**25,625**	30,408
Social contribution	**10,075**	10,933
Total current tax	**35,700**	41,341
Deferred tax		
Charge/(credit) for the year in respect of deferred tax liabilities	**17,027**	(12,700)
(Credit)/charge for the year in respect of deferred tax assets	**(27,187)**	22,974
Total deferred tax	**(10,160)**	10,274
Total taxation	**25,540**	51,615

Brazilian corporation tax is calculated at 25% (2011: 25%) of the assessable profit for the year.

Brazilian social contribution tax is calculated at 9% (2011: 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.

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

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Profit before tax	**87,225**	58,577
Tax at the standard Brazilian tax rate of 34% (2011: 34%)	**29,657**	19,916
Tax effect of expenses/income that are not included in determining taxable profit	**(2,190)**	23,738
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,927)**	7,961
Tax expense and effective rate for the year	**25,540**	51,615
Effective rate for the year	**29%**	88%

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

11 Dividends

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2011 of 29.0c (2010: 38.0c) per share	**10,255**	13,438
First interim dividend paid for the year ended 31 December 2012 of 4.0c per share (2011: 4.0c)	**1,415**	1,415
	11,670	14,853
Proposed final dividend for the year ended 31 December 2012 of 38.0c (2011: 29.0c) per share	**13,438**	10,255

12 Earnings per share

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

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**41,263**	(8,639)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**35,363,040**	35,363,040

13 Goodwill

	2012 US$'000	2011 US$'000
Cost and carrying amount		
At 1 January and 31 December	**15,612**	15,612
Goodwill attributed to Tecon Rio Grande	**13,132**	13,132
Goodwill attributed to Tecon Salvador	**2,480**	2,480

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of testing goodwill for impairment the Group prepares cash flow forecasts for the relevant cash generating unit (Tecon Rio Grande and Tecon Salvador) derived from the most recent financial budget for the next year and extrapolates cash flows for the remaining life of the concession based on an estimated annual growth of between 6% for Tecon Rio Grande (2011: 8% to 9%) and 7% for Tecon Salvador (2011: 7% to 8%). This rate does not exceed the average long-term historical growth rate for the relevant market. Management estimates growth rates based on past performance, current market conditions and expectations of future market changes. The rate used after tax to discount forecast cash flows is 10% (2011: 12%).

Notes to the Accounts

14 Other intangible fixed assets

	US$'000
Cost	
At 1 January 2011	19,214
Additions	6,807
Transfer from property plant and equipment	15,149
Exchange differences	(2,063)
At 1 January 2012	39,107
Additions	7,818
Write off	(669)
Exchange differences	(1,518)
At 31 December 2012	**44,738**
Amortisation	
At 1 January 2011	2,373
Charge for the year	2,700
Transfer from property plant and equipment	5,789
Exchange differences	(301)
At 1 January 2012	10,561
Charge for the year	5,389
Write off	(612)
Exchange differences	(499)
At 31 December 2012	**14,839**
Carrying amount	
31 December 2012	**29,899**
31 December 2011	28,546

Intangible fixed assets arose from (i) the acquisition of concession rights for the container and heavy cargo terminal in Salvador in 2000, (ii) the purchase of the remaining 50% holding in Eadi Santo Andre concession and the extension of the concession rights in November 2008 at Eadi Santo Andre for a further 10 years (iii) the Ponta Norte expansion (Tecon Salvador) in 2010 (iv) and the implementation of integrated management software (SAP).

In 2011 and 2012 additions were principally costs relating to the implementation of integrated management software (SAP). Transfers relate to expenditure on SAP and other software in prior years. The total net book value included is US$7.6 million.

Intangible fixed assets are amortised over the remaining terms of the concessions at the time of acquisition which for Tecon Salvador, is 25 years, Eadi Santo Andre is 10 years and Ponta Norte is 15 years. The software is amortised over 5 years following completion of the installation.

15 Property, plant and equipment

	Land and buildings US$'000	Floating Craft US$'000	Vehicles, plant and equipment US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation					
At 1 January 2011	145,018	380,275	206,938	24,059	756,290
Additions	79,960	30,065	67,219	78,883	256,127
Transfers	–	73,258	–	(73,258)	–
Transfers to intangible assets	–	–	(15,149)	–	(15,149)
Exchange differences	(10,282)	–	(14,854)	–	(25,136)
Disposals	(594)	(1,394)	(10,333)	–	(12,321)
At 1 January 2012	214,102	482,204	233,821	29,684	959,811
Additions	68,113	10,476	23,402	74,384	176,375
Transfers	15	41,228	(15)	(41,228)	–
Exchange differences	(8,462)	–	(6,931)	–	(15,393)
Disposals	(1,168)	(113)	(5,114)	–	(6,395)
At 31 December 2012	**272,600**	**533,795**	**245,163**	**62,840**	**1,114,398**
Accumulated depreciation and impairment					
At 1 January 2011	27,908	100,173	67,363	–	195,444
Charge for the year	8,740	25,979	22,060	–	56,779
Transfers to intangible assets	–	–	(5,789)	–	(5,789)
Exchange differences	(1,283)	–	(4,297)	–	(5,580)
Disposals	(373)	(761)	(5,778)	–	(6,912)
At 1 January 2012	34,992	125,391	73,559	–	233,942
Charge for the year	12,790	24,809	23,631	–	61,230
Exchange differences	(1,268)	–	(4,127)	–	(5,395)
Disposals	(539)	11	(3,615)	–	(4,143)
At 31 December 2012	**45,975**	**150,211**	**89,448**	**–**	**285,634**
Carrying Amount					
At 31 December 2012	**226,625**	**383,584**	**155,590**	**62,840**	**828,764**
At 31 December 2011	179,110	356,813	160,262	29,684	725,869

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$20.5 million (2011: US$21.0 million) in respect of assets held under finance leases.

Land and buildings with a net book value of US$0.2 million (2011: US$0.3million) and tugs with a value of US$2.2 million (2011: US$2.4 million) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$644.4 million (2011: US$439.4 million) to secure loans granted to the Group.

At 31 December 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$15.8 million (2011: US$26.5 million).

As part of the continuing review of the economic useful life of vessels, during the period the Group concluded a review on the remaining economic useful life of its fleet of tugboats and Platform Supply Vessels. Following the review the Group increased the economic life of our vessels from 20 years to be 25 years for all vessels built since 1986. Vessels built prior to 1986 which have received new motors are depreciated over periods from 30 to 35 years. As a result of these changes, the depreciation expense for the period is US$4.2 million lower at US$61.1 million. Had the change not occurred the depreciation charge would have been US$65.3 million.

Notes to the Accounts

16 Subsidiaries

	Place of incorporation and operation	Effective interest*	Method used to account for investment
OCEAN WILSONS (INVESTMENTS) LIMITED	Bermuda	100%**	Consolidation
Investment holding and dealing company			
ASCENSION UNDERWRITING LIMITED	UK	100%	Consolidation
Corporate underwriting member of Lloyds			
WILSON SONS LIMITED	Bermuda	58.25%**	Consolidation
Holding company			
WILSON SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA	Brazil	58.25%	Consolidation
Holding company			
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA	Brazil	58.25%	Consolidation
Tug operators			
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÉNCIA DE NAVEGAÇÃO LTDA	Brazil	58.25%	Consolidation
Shipbuilders			
WILSON, SONS ESTALEIRO LTDA	Brazil	58.25%	Consolidation
Shipbuilders			
WILSON SONS AGENCIA MARÍTIMA LTDA.	Brazil	58.25%	Consolidation
Ship Agents			
WILSON, SONS NAVEGAÇÃO LTDA	Brazil	58.25%	Consolidation
Ship Agents			
SOBRARE-SERVEMAR LTDA	Brazil	58.25%	Consolidation
Tug operator			
WILPORT OPERADORES PORTUÁRIOS LTDA	Brazil	58.25%	Consolidation
Stevedoring			
WILSON, SONS LOGÍSTICA LTDA	Brazil	58.25%	Consolidation
Logistics			
WILSON, SONS TERMINAIS DE CARGAS LTDA	Brazil	58.25%	Consolidation
Transport services			
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA	Brazil	58.25%	Consolidation
Bonded warehousing			
VIS LIMITED	Guernsey	58.25%	Consolidation
Holding company			
TECON RIO GRANDE S.A.	Brazil	58.25%	Consolidation
Port operator			
WILSON, SONS APOIO MARITIMO LTDA	Brazil	58.25%	Consolidation
Tug operator			
WILSON SONS OPERACOES MARÍTIMAS ESPECIAS LTDA.	Brazil	58.25%	Consolidation
Tug operator			
BRASCO LOGÍSTICA OFFSHORE LTDA	Brazil	58.25%	Consolidation
Port operator			
TECON SALVADOR S.A.	Brazil	53.88%	Consolidation
Port operator			

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

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

The Group also has a 58.25% effective interest in a private investment fund Hydrus Fixed Income Private Credit Investment Fund.

This private fund is administrated by Itau bank and the investment policy and objectives are determined by the Group's treasury department in line with Group policy.

16 Subsidiaries (continued)

Ascension Underwriting Limited

Ascension Underwriting Limited is a wholly owned subsidiary which is a corporate underwriting member of the Lloyds insurance market in London. The results of the company's activities are included in the consolidated results of the Group. In addition, the company has assets and liabilities of US$0.1 million (2011: US$0.1 million) and US$0.1 million (2011: US$0.1 million) respectively through its underwriting interests in a number of Lloyds syndicates. These assets and liabilities are not controlled by the company and are not included in the consolidated results of the Group.

17 Joint ventures

The following amounts are included in the Group's financial statements as a result of proportionate consolidation of joint ventures.

	2012 US$'000	2011 US$'000
Current assets	**23,217**	23,165
Non-current assets	**267,164**	180,630
Current liabilities	**(56,398)**	(55,202)
Non-current liabilities	**(195,862)**	(155,642)

	2012 US$'000	2011 US$'000
Income	**69,766**	66,658
Expenses	**(58,352)**	(57,500)

The Group has the following significant interests in joint ventures.

	Place of incorporation and operation	Proportion of effective interest	Method used to account for investment
Wilson Sons Ulratug Particapacoes S.A. Offshore	Brazil	29.13%	Proportional consolidation
Consorcio de Rebocadores Baia de Sao Marcos Tug operator	Brazil	29.13%	Proportional consolidation
Allink Transportes Internacionais Limitada Non-vessel operating common carrier	Brazil	29.13%	Proportional consolidation
Consorcio de Rebocadores Barra de Coqueiros Tug operator	Brazil	29.13%	Proportional consolidation
Atlantic Offshore S.A. Offshore	Panama	29.13%	Proportional consolidation

Notes to the Accounts

18 Investments

	2012 US$'000	2011 US$'000
Trading investments		
At 1 January	**251,297**	297,273
Additions, at cost	**114,458**	80,165
Disposals, at market value	**(140,567)**	(98,323)
(Decrease)/increase in fair value of trading investments held at year end	**3,005**	(28,148)
Profit on disposal of trading investments	**13,389**	330
At 31 December	**241,582**	251,297
Ocean Wilsons Investment Limited Portfolio	**221,582**	226,797
Wilson Sons Limited	**20,000**	24,500
Trading investments held at fair value at 31 December	**241,582**	251,297

Wilson Sons Limited

During 2012 Wilson Sons Limited invested in Real denominated and US Dollar denominated fixed rate certificates. The Wilson Sons Limited investments are held and managed separately from the Ocean Wilsons Investment Portfolio.

Ocean Wilsons Investment Portfolio

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

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

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

Long-term investments

Long-term investments comprise restricted cash related to a loan agreement with Banco do Brasil held by a joint venture of the Group. This investment will be retained until financing settlement, with minimum remuneration at savings account or by other financial instrument with similar risk, at financial institution discretion, and operated exclusively by the financial institution.

19 Inventories

	2012 US$'000	2011 US$'000
Raw materials and spare parts	**27,697**	21,142

20 Construction contracts

	2012 US$'000	2011 US$'000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	**–**	–
Amounts due to contract customers included in trade and other payables	**(16,230)**	(11,904)
	(16,230)	(11,904)
Contract costs incurred plus recognised profits less recognised losses to date	**82,134**	36,307
Less progress billings	**(98,364)**	(48,211)
	(16,230)	(11,904)

21 Trade and other receivables

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Trade and other receivables		
Amount receivable for the sale of services	**71,421**	73,580
Allowance for doubtful debts	**(2,506)**	(927)
	68,915	72,653
Income taxation recoverable	**15,833**	11,486
Prepayments and other	**43,632**	37,384
Other recoverable taxes and levies	**57,411**	42,291
Derivative financial instruments	**491**	–
	186,282	163,814
Total current	**168,267**	135,574
Total non-current	**18,015**	28,240
	186,282	163,814

Non-current trade receivables relate to: recoverable taxes with maturity dates in excess of one year, which comprise mainly PIS, COFINS, ISS and INSS, customers with maturities over one year, and receivables from Intermarítima relating to the sale of the non-controlling interest in Tecon Salvador. There are no indicators of impairment related to these receivables.

Included in the Group's trade receivable balances are debtors with a carrying amount of US$17.3 million (2011: US$17.0 million) which are past due but not impaired at the reporting date for which the Group has not provided as there has not been a change in credit quality and the Group believes the amounts are still recoverable.

The Group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables	2012 US$'000	2011 US$'000
From 0 – 30 days	**8,584**	15,289
From 31 – 90 days	**3,907**	1,085
From 91 – 180 days	**4,802**	637
more than 180 days	**–**	–
Total	**17,293**	17,011

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

Included in the Group's allowance for doubtful debts are individually impaired trade receivables with a balance of US$2.5 million which are aged greater than 180 days. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected settlement proceeds.

The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables	2012 US$'000	2011 US$'000
From 0 – 30 days	**–**	–
From 31 – 90 days	**–**	–
From 91 – 180 days	**–**	–
more than 180 days	**2,506**	927
Total	**2,506**	927

Notes to the Accounts

21 Trade and other receivables (continued)

Movement in the allowance for doubtful debts	**2012 US$'000**	2011 US$'000
Balance at the beginning of the year	**927**	1,320
Amounts written off as uncollectable	**(5,643)**	(2,570)
Increase in allowance recognised in profit or loss	**7,348**	2,316
Exchange differences	**(126)**	(139)
Balance at the end of the year	**2,506**	927

In determining recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated except for one customer which accounts for 12% of Group revenue, US$79.8 million (2011: US$82.6 million). The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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

22 Bank loans and overdrafts

	Annual Interest rate	**Year ended 31 December 2012 US$'000**	Year ended 31 December 2011 US$'000
Unsecured borrowings			
Bank overdrafts	12.40%	**–**	132
Secured borrowings			
Towage, offshore and shipyard			
BNDES – FMM linked to US$	2.11% to 6.00%	**372,294**	300,460
Banco do Brasil – FMM linked to US$	3.10%	**50,155**	52,649
BNDES – FMM linked to $Real	9.71%	**3,994**	4,540
Total towage, offshore and shipyard		**426,443**	357,649
Port operations and logistics			
IFC – US$	3.43% to 8.50%	**77,607**	57,208
BNDES – FINAME $Real	4.50% to 12.50%	**19,401**	30,591
Eximbank – US$	2.43%	**13,686**	15,769
BNDES – linked to US$	5.07% to 5.36%	**17,426**	15,447
IFC – $Real	14.09%	**2,655**	3,618
Finimp – US$	2.34% to 4.54%	**10,605**	3,152
Caterpillar – $Real	4.41% to 7.44%	**264**	487
Total port operations and logistics		**141,644**	126,272
Total secured borrowings		**568,087**	483,921
Total borrowings		**568,087**	484,053

22 Bank loans and overdrafts (continued)

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
The borrowings are repayable as follows:		
On demand or within one year	**43,179**	32,672
In the second year	**48,219**	41,197
In the third to fifth years inclusive	**141,511**	127,351
After five years	**335,178**	282,833
Total borrowings	**568,087**	484,053
Amounts due for settlement within 12 months	**(43,179)**	(32,672)
Amounts due for settlement after 12 months	**524,908**	451,381

Analysis of borrowings by currency:

	$Real US$'000	$Real linked to US Dollars US$'000	US Dollars US$'000	Total US$'000
31 December 2012				
Bank overdrafts	**–**	**–**	**–**	**–**
Bank loans	**26,314**	**439,875**	**101,898**	**568,087**
Total	**26,314**	**439,875**	**101,898**	**568,087**
31 December 2011				
Bank overdrafts	132	–	–	132
Bank loans	39,236	368,556	76,129	483,921
Total	39,368	368,556	76,129	484,053

The Group's main sources of financing are:

BNDES (Banco Nacional de Desenvolvimento Economico e Social) acts as an agent for the "FMM" (Fundo de Marinha Mercante) financing tug boats, platform supply vessel and shipyard construction. Loans are secured by mortgages on the vessels financed. Loans received from the BNDES are predominantly $Real denominated loans linked to the US Dollar and are monetarily corrected by the movement in the US Dollar/$Real exchange rate and bear interest of between 2.11% and 6.0% per annum. The amounts outstanding at 31 December 2012 are repayable over periods varying up to 20 years.

The BNDES FINAME credit line through various agents finances equipment for logistics and port operations. The $Real denominated loans bear interest rates between 4.5% and 12.5% a year.

Banco do Brasil acts as agent of the for the "FMM" (Fundo de Marinha Mercante). Banco do Brasil finances platform supply vessel construction and secure mortgages on the vessels financed. Loans received from the Banco do Brasil are $Real denominated loans linked to the US Dollar and are monetarily corrected by the movement in the US Dollar/$Real exchange rate and bear a fixed interest rate of 3.1% per annum. The amounts outstanding at 31 December 2012 are repayable over periods varying up to 16 years.

IFC (International Finance Corporation). The IFC finances the Group's two container terminals, Tecon Rio Grande and Tecon Salvador. The majority of these loans are project finance to fund the expansion of the container terminal at Salvador and have no recourse to other companies in the Group. US dollar denominated loans consist of variable rate and fixed rate loans. Variable rate loans bear interest of US Dollar six month Libor per annum plus 2.75%. US dollar denominated fixed rate loans bear interest of 8.50% per annum. Real denominated loans bear interest at 14.09% per annum. The amounts outstanding at 31 December 2012 are repayable over periods varying up to 7 years.

The Export- Import Bank of China (Eximbank) finances Tecon Rio Grande's equipment. The amounts outstanding at 31 December 2012 are repayable over periods varying up to 6 years and bear interest of US Dollar six month libor per annum plus 1.7%. The loans are secured by a bank guarantee with Eximbank as beneficiary at a cost of 2% per year.

Notes to the Accounts

22 Bank loans and overdrafts (continued)

The Banco Itau BBA S.A. provides financing through an import finance facility (Finimp) to finance equipment for Tecon Rio Grande. The amounts outstanding at 31 December 2012 are repayable over periods varying up to 4 years and bears interest of between US Dollar six month libor per annum plus 1.63% and plus 3.8%. For the loan paying six month libor plus 1.63% there is also a 1.75% annual commission.

The weighted average interest rates paid were as follows:

	Year ended 2012	Year ended 2011
Bank overdrafts	**–**	12.4%
Bank loans in US$ and linked to the US$	**3.2%**	3.3%
Bank loans in $Real	**8.5%**	8.7%

At 31 December 2012, the Group had available US$500.5 million of undrawn committed borrowings facilities available. For each disbursement there are a set of conditions precedent that must be met (2011: US$344.0 million).

Guarantees

All loans with the BNDES are guaranteed by the Brazilian holding Company, Wilson Sons Administracao e Comercio Ltda. For some contracts the corporate guarantee is in addition to: (i) a mortgage on the respective tug boat or platform supply vessel (ii) three of the Group's platform supply vessels have a guarantee involving receivables from the client that has contracted the vessels. Funds received from the client pass through a special account before being immediately transferred to the Company's corporate account. (iii) lien of logistics or port operation equipment financed.

Loans from the Banco do Brasil are guaranteed by mortgages over the relevant platform supply vessel and a standby letter of Credit and fiduciary assignment of Petrobras long-term contracts The Magallanes Navegação Brasileira S.A. subsidiary, in accordance to this Financing Agreement with Banco do Brasil, operates a restricted cash account, (accounted for as a long-term investments), in the amount of US$2.3 million (R$4.6 million). This reserve will be retained until the financing is settled, with limited remuneration on the balance. Remuneration is savings account interest or another financial instrument with similar risk, at the financial institution's discretion, and operated exclusively by the financial institution.

The subsidiaries Tecon Rio Grande and Tecon Salvador and joint venture Wilson Sons, Ultratug Participacoes S.A. have specific restrictive clauses in their financing contracts with financial institutions related, basically, to the maintenance of liquidity ratios. The Brazilian holding Company, Wilson Sons de Administracao e Commercio Ltda also has specific restrictive covenants relating to financing for the shipyards. As at 31 December 2012, the Group was in accordance with all clauses of these contracts.

The IFC loans to Tecon Salvador and Tecon Rio Grande are guaranteed by shares of each company, the terminals' cash flows, equipment and buildings.

The loan with "The Export-Import Bank of China" is guaranteed by a "Standby Letter of Credit" issued for Tecon Rio Grande by Banco Itaú BBA S.A., with the financing bank as beneficiary, as counter-guarantee, Tecon Rio Grande obtained a formal authorization from IFC trustee to pledge the equipment funded by "The Export-Import Bank of China" to Banco Itaú BBA S.A.

Loan with Itaú BBA S.A. is guaranteed by the corporate guarantee from Wilson Sons de Administração e Comércio Ltda. The contract signed on 6 January 2012 is additionally guaranteed by promissory note and pledge of the respective financed equipment.

Debt Covenants

The financing agreements entered into by subsidiaries Tecon Rio Grande, Tecon Salvador and Magallanes Navegação Brasileira, with financial institutions contain specific financial covenants. Wilson, Sons de Administração e Comércio Ltda. also has to comply with specific financial covenants.

23 Derivative financial instruments

The Group may enter into derivatives contracts to manage risks arising from exchange rate fluctuations. The derivatives are entered into with bank and financial institution counterparties, which are rated AAA, based on rating agency Standard & Poor's ratings.

The Group buys and sells derivatives, in order to manage market risks. All such transactions are carried out within the guidelines set by the Wilson Sons Limited Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group entered into currency Put-options contracts during the years ended 31 December 2012 (31 December 2011: nil). Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specific price on or before a specified date.

23 Derivative financial instruments (continued)

The premium paid on acquired put options are recorded initially as an asset and adjusted to their respective fair values using valuation techniques as Black and Scholes option model. The model used to price option contracts includes observables inputs available on market.

At 31 December 2012 the notional value of outstanding derivative put contracts was US$15,5 million. The fair value was US$491,000.

Cash flow hedge

The Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Put option contracts described are designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect profit or loss. The effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The hedged item and the risk associated is the foreign currency exposure in BRL of payments to the shipyard.

24 Deferred tax

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

	Accelerated tax depreciation US$'000	Exchange variance on loans US$'000	Other differences US$'000	Retranslation of non-current asset valuation US$'000	Total US$'000
At 1 January 2011	(22,405)	(11,811)	15,077	32,989	13,850
(Charge)/credit to income	(2,668)	15,368	10,775	(33,749)	(10,274)
Exchange differences	–	(85)	(1,059)	–	(1,144)
At 1 January 2012	**(25,073)**	**3,472**	**24,793**	**(760)**	**2,432**
(Charge)/credit to income	(3,466)	10,191	16,996	(13,561)	10,160
Exchange differences	–	(61)	(506)	–	(567)
At 31 December 2012	**(28,539)**	**13,602**	**41,283**	**(14,321)**	**12,025**

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

	2012 US$'000	2011 US$'000
Deferred tax liabilities	**(17,802)**	(26,093)
Deferred tax assets	**29,827**	28,525
	12,025	2,432

At the balance sheet date the Group had unused tax losses of US$99.8 million (2011: US$56.1 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$7.3 million (2011: US$16.3 million) due to the unpredictability of future profit streams.

Notes to the Accounts

24 Deferred tax (continued)

Retranslation of non-current asset valuation deferred tax arises on Brazilian property, plant and equipment held in US dollar functional currency businesses. Deferred tax is calculated on the difference between the historical US Dollar balances recorded in the Groups accounts and the $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 $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 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Amounts payable under finance leases				
Within one year	**1,654**	4,607	**1,222**	3,787
In the second to fifth years inclusive	**3,555**	4,365	**2,800**	3,278
After five years	**–**	–	**–**	–
	5,209	8,972	**4,022**	7,065
Less future finance charges	**(1,187)**	(1,907)	**N/A**	N/A
Present value of lease obligations	**4,022**	7,065		
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(1,222)**	(3,787)
Amount due for settlement after 12 months			**2,800**	3,278

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4.5 years. All lease obligations are denominated in Brazilian Real.

For the year ended 31 December 2012 the average effective borrowing rate was 14.94% (2011: 16.65%). Interest rates are fixed at contract date.

All leases include a fixed repayment and a variable finance charge linked to the Brazilian interest rate. Interest rates range from 9.54% to 17.32%.

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

26 Trade and other payables

	2012 US$'000	2011 US$'000
Trade creditors	**105,240**	60,296
Amounts due to construction contract customers (note 20)	**16,230**	11,904
Other taxes	**17,950**	17,950
Accruals and deferred income	**13,148**	14,610
Share based payment liability	**12,328**	18,035
	164,896	122,795
Total current	**163,762**	120,324
Total non-current	**1,134**	2,471

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

The average credit period for trade purchases is 89 days (2011: 48 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.

27 Provisions

	US$'000
At 1 January 2012	13,378
Increase in provisions in the year	1,051
Utilisation of provisions	(3,334)
Exchange difference	(223)
At 31 December 2012	**10,872**

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

Analysis of provisions by type:

	2012 US$'000	2011 US$'000
Civil and environmental cases	**1,653**	1,910
Tax cases	**864**	169
Labour claims	**8,355**	11,299
	10,872	13,378

Civil and environment cases: these comprise indemnification for environmental damages caused by floating craft accidents and transport supply contract disputes.

Labour claims: These lawsuits relate to employee claims about salary differences, unpaid overtime worked, labour risks and work accident claims.

Tax cases: Brazilian taxes that the Group and its advisors consider have been incorrectly applied against the Group and are contesting in legal actions.

Other non-current assets of US$9.2 million (2011: US$8.4 million) represent legal deposits required by the Brazilian legal authorities as security to contest legal actions.

In addition to the cases for which the Group booked the provision there are other tax, civil and labour disputes amounting to US$93.5 million (2011: US$69.4 million) included in note 31, contingent liabilities, whose probability of loss was estimated by the legal counsel as possible.

The analysis of possible losses by type:

	2012 US$'000	2011 US$'000
Civil and environmental cases	**7,151**	6,261
Tax cases	**41,190**	25,775
Labour claims	**45,185**	37,382
	93,526	69,418

28 Share capital

	2012 US$'000	2011 US$'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 shares which carry 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$, being US$1.61 to £1.

Notes to the Accounts

29 Joint venture formation

In 2011 the Group disposed of a 7.5% equity interest in Tecon Salvador S.A.to Intermarítima Terminais Ltda ("Intermarítima") for a price of US$6.7million of which US$0.7 million was received in 2011. Following the sale of the 7.5% interest the Group retained a 53.88% interest in Tecon Salvador S.A.The difference between the consideration received and the book value of the net assets disposed of US$2.8 million was recognised in equity in 2011.

30 Notes to the cash flow statement

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**87,225**	58,577
Investment revenues	**(6,526)**	(10,203)
Other gains and losses	**(16,394)**	27,818
Finance costs	**15,120**	20,741
Operating profit	**79,425**	96,933
Adjustments for:		
Depreciation of property, plant and equipment	**61,230**	56,779
Amortisation of intangible assets	**5,389**	2,700
Share based payment expense	**2,262**	(7,880)
Gain on disposal of property, plant and equipment	**546**	(1,959)
Increase/(decrease) in provisions	**(2,506)**	1,089
Operating cash flows before movements in working capital	**146,346**	147,662
(Increase)/decrease in inventories	**(6,555)**	(995)
Increase in receivables	**(22,468)**	(17,466)
(Decrease)/increase in payables	**46,364**	(4,556)
(Increase)/decrease in other non-current assets	**(785)**	(1,862)
Cash generated by operations	**162,902**	122,783
Income taxes paid	**(30,931)**	(34,654)
Interest paid	**(16,374)**	(17,596)
Net cash from operating activities	**115,597**	70,533

Cash and cash equivalents

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

Private investment funds

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

The private investment funds are considered as cash equivalents, as despite the certificates of deposit having maturities up to January 2031, 83% of funds invested have daily liquidity. The intention of the Group is that these resources will be used in the trading activities of the Group. These private investment funds comprise certificates of deposit and equivalent instruments with final maturities ranging from January 2013 to October 2018 and government securities with final maturities ranging from September 2013 to January 2031. The securities included in the portfolio of the private investment funds have daily liquidity and are marked-to-market on a daily basis against current earnings. These private investment funds do not have significant financial obligations.

Any financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses.

Cash and cash equivalents held in Brazil amount to US$115.2 million (2011: US$111.8 million).

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

Additions to plant and equipment during the year amounting to US$0.7 million (2011: US$3.1 million) were financed by new finance leases.

31 Contingent liabilities

In the normal course of business in Brazil, the Group continues to be exposed to numerous local legal claims. It is the Group's policy to contest such claims vigorously, many of which appear to have little substance in merit, and to manage such claims through its legal advisers. The total estimated contingent claims at 31 December 2012 are US$93.5 million (2011: US$69.4 million). These have not been provided for as the Directors and the Group's legal advisors do not consider that there is any probable loss. Contingent liabilities relate to labour, civil and tax claims.

32 Cash-settled share-based payments

The Group issues to certain employees share appreciation rights in respect of the Group's long-term incentive plan "LTIP" that require the Group to pay the intrinsic value to the employee at the date of exercise.

The Group operates two long-term incentive plans, the Ocean Wilsons Holdings scheme and the Wilson Sons Limited scheme.

Ocean Wilsons Holdings Limited LTIP

The Company implemented a cash-settled phantom option scheme that was approved by shareholders at a Special General Meeting held on 19 April 2007. The scheme was for selected senior management and the options provide for the option holder to receive on exercise the difference between the option price of US$5.66 and the lower of US$19.98, being the market capitalisation of the Wilson Sons at the date of the IPO per OWHL share and the market value of Wilson Sons per OWHL share at the time of exercise. The awards vested in four tranches from April 2009 to April 2012 and expire in April 2016.

As at 31 December 2012 the scheme was closed and there were no outstanding options.

Details of the share options outstanding during the year as follows:

	2012 Number of share options	2011 Number of share options
Outstanding at the beginning of the period	**296,038**	576,318
Exercised during the period	**(296,038)**	(280,280)
Outstanding at the end of the period	**–**	296,038

The movement of the accrual relating to the plan is as follows:

	2012 US$'000	2011 US$'000
Liability at 1 January	**3,664**	6,676
Charge for the year	**572**	999
Exercise of options	**(4,236)**	(4,011)
Liability at 31 December	**–**	3,664

The group has recorded no liability (2011: US$3.7 million) in respect of this scheme. Fair value was determined using the Binomial model using the assumptions noted in the table below.

	2012	2011
Weighted average option price	**n/a**	$5.66
Expected volatility	**n/a**	36%
Average expected life	**n/a**	10 years
Average risk free rate	**n/a**	0.2 – 0.4%
Expected dividend yield	**n/a**	1.6%

Expected volatility was determined by calculating the historical volatility of the Group's share price. The expected life used in the model was adjusted, based on managements best estimate for exercise restrictions and behavioural considerations.

There were no exercisable options at period end.

Wilson Sons Limited LTIP

On 9 April, 2007, the boards of Ocean Wilsons Holding Limited and Wilson Sons Limited approved a stock option plan which allows for the grant of phantom options to eligible employees selected by the Wilson Sons Limited Board. The options will provide cash payments, on exercise, based on the number of options multiplied by the growth in the price of a Wilson Sons Limited Brazilian Depositary Receipt "BDR" between the date of grant (the Base Price) and the date of exercise (the "Exercise Price"). The plan is a Brazilian Real denominated scheme and options were issued at R$23.74 during 2007. A further 135,000 options were issued under the plan at R$18.70 in 2008 and 2009 and a further 148,000 at R$24.58 in 2011. The awards vest in four tranches from two to six years from date of issue.

Notes to the Accounts

32 Cash-settled share-based payments (continued)

Details of the share options outstanding during the year as follows:

	2012 Number of share options	2011 Number of share options
Outstanding at the beginning of the period	**3,826,260**	3,897,760
Granted during the period	**–**	148,000
Exercised during the period	**(1,232,000)**	(118,000)
Forfeited during the period	**(53,000)**	(101,500)
Outstanding at the end of the period	**2,541,260**	3,826,260

The movement of the accrual relating to the plan is as follows:

	2012 US$'000	2011 US$'000
Liability at 1 January	**14,371**	23,795
(Credit)/charge for the year	**1,690**	(8,879)
Exercise of options	**(3,733)**	(545)
Liability at 31 December	**12,328**	14,371

The group has recorded liabilities of US$14.4 million (2010: US$23.8 million). Fair value is determined by using the Binomial model using the assumptions noted in the table below.

	2012	2011
Weighted average option price for awards made in 2007	**R$23.74**	R$23.74
Weighted average option price for awards made in 2008 and 2009	**R$18.70**	R$18.70
Weighted average option price for awards made in 2011	**R$24.58**	R$24.58
Expected volatility	**26% – 30%**	30% – 33%
Expected life	**10 years**	10 years
Risk free rate	**3.90%**	7.10%
Expected dividend yield	**1.50%**	1.47%

Expected volatility was determined with reference to the historical volatility of the OWHL Group share price. The expected life used in the model has been adjusted, based on managements best estimate for exercise restrictions and behavioural considerations.

The options terminate on the expiry date or immediately on resignation of the Director or senior employee, whichever is earlier.

Share options outstanding at the end of the period had a weighted average exercise price of R$23.56 (2011: R$23.64) and a weighted average remaining contractual life of 1,667 days (2011: 2.031 days).

At period end there were 2,390,510 exercisable options (2011: 2,709,320).

33 Operating lease arrangements

	2012 US$'000	2011 US$'000
The Group as lessee		
Minimum lease payments under operating leases recognised in income for the year	**14,128**	17,250

At the balance sheet date, the minimum amount due in 2012 by the Group for future minimum lease payments under cancellable operating leases was US$13.4 million (2011: $12.5 million).

Lease commitments for land and buildings over 5 years comprise the minimum contractual lease obligations between Tecon Rio Grande and the Rio Grande port authority the Group and the Salvador port authority. The Tecon Rio Grande concession expires in 2022 and Tecon Salvador in 2025.

Tecon Rio Grande guaranteed payments consist of two elements; a fixed rental, plus a fee per 1000 containers moved based on forecast volumes. The amount shown in the accounts is based on the minimum volume forecast. Volumes are forecast to rise in future years. If container volumes moved through the terminal exceed forecast volumes in any given year, additional payments will be required.

33 Operating lease arrangements (continued)

Tecon Salvador guaranteed payments consists of three elements; a fixed rental, a fee per container moved based on minimum forecast volumes and a fee per ton of non-containerised cargo moved based on minimum forecast volumes.

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

	2012 US$'000	2011 US$'000
Within one year	**5,176**	2,549
In the second to fifth year inclusive	**15,957**	10,166
After five years	**8,128**	4,915
	29,261	17,630

Non-cancellable lease payments represent rental payments by the Group for the bonded warehouse used by EADI Santo Andre.

The unexpired lease term at 31 December 2012 is 5 years and 11 months and rental payments are corrected by a Brazilian general inflation index.

34 Commitments

At 31 December 2012 the Group had entered into fifteen commitment agreements with respect to fifteen separate trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons Investments Limited.

The details of these commitments are as follows:

	Commitment $'000	Year ended Outstanding At 31 December 2012 US$'000	Year ended Outstanding At 31 December 2011 US$'000
01 February 2013	5,000	**1,250**	2,000
13 March 2013	5,000	**1,013**	1,251
30 March 2013	5,000	**641**	945
21 May 2013	4,994	**411**	1,535
22 October 2013	5,000	**1,550**	2,175
08 December 2013	5,000	**2,274**	3,158
31 December 2013	4,650	**1,766**	2,785
31 March 2014	5,000	**2,100**	2,200
15 May 2014	3,000	**68**	102
03 August 2014	3,000	**1,410**	–
23 February 2015	5,000	**1,823**	1,966
31 December 2016	3,000	**271**	271
17 February 2017	3,000	**2,253**	–
30 April 2017	7,500	**6,304**	7,500
5 December 2017	5,000	**473**	2,183
21 June 2019	5,000	**4,392**	–
15 December 2021	5,000	**4,228**	4,965
Total	79,144	**32,227**	33,036

35 Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of US$1.5 million (2011: US$1.2 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan.

Notes to the Accounts

36 Related party transactions

Transactions between this 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 others investments are disclosed below.

	Dividends received/ Revenue of services		Amounts paid/ Cost of services	
	31 December 2012 US$'000	31 December 2011 US$'000	**31 December 2012 US$'000**	31 December 2011 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**36**	36	**–**	–
2. Consórcio de Rebocadores Barra de Coqueiros	**351**	303	**–**	–
3. Consórcio de Rebocadores Baía de São Marcos	**108**	40	**(573)**	(836)
4. Wilson Sons Ultratug	**127,411**	55,756	**–**	–
5. Wilson Sons Offshore	**–**	–	**–**	–
Others				
6. Hanseatic Asset Management	**–**	–	**(2,478)**	(2,578)
7. Gouvêa Vieira Advogados	**–**	–	**(199)**	(269)
8. CMMR Intermediacao Comercial Limitada	**–**	–	**(279)**	(295)
9. Jofran Services	**–**	–	**(165)**	(150)

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2012 US$'000	31 December 2011 US$'000	**31 December 2012 US$'000**	31 December 2011 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	**1**	3	**–**	–
2. Consórcio de Rebocadores Barra de Coqueiros	**64**	–	**–**	(17)
3. Consórcio de Rebocadores Baía de São Marcos	**2,497**	1,905	**–**	–
4. Wilson Sons Ultratug	**–**	–	**(12,909)**	(8,700)
5. Wilson Sons Offshore	**–**	–	**–**	(23,808)
Others				
6. Hanseatic Asset Management	**–**	–	**–**	(198)
7. Gouvêa Vieira Advogados	**–**	–	**(204)**	–
8. CMMR Intermediacao Comercial Limitada	**–**	–	**–**	–
9. Jofran Services	**–**	–	**–**	–

1. Mr A C Baião is a shareholder and Director of Allink Transportes Internacionais Limitada. Allink Transportes Internacionais Limitada is 50% owned by the Group and rents office space from the Group.

1-5. The transactions with the joint ventures are disclosed as a result of proportionate amounts not eliminated on consolidation. The proportion of ownership interest in each joint venture is described in note 17.

6. Mr W H Salomon is Chairman of Hanseatic Asset Management. Fees were paid to Hanseatic Asset Management for acting as investment managers of the Group's investment portfolio and administration services.
7. Dr J F Gouvêa Vieira is a partner in the law firm Gouvêa Vieira Advogados. Fees were paid to Gouvêa Vieira Advogados for legal services.
8. Mr C M Marote is a shareholder and Director of CMMR Intermediacao Comercial Limitada. Fees were paid to CMMR Intermediacao Comercial Limitada for consultancy services.
9. Mr J F Gouvêa Vieira is a Director of Jofran Services. Directors' fees and consultancy fees were paid to Jofran Services.

36 Related party transactions (continued)

Remuneration of key management personnel

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

	Year ended 2012 US$'000	Year ended 2011 US$'000
Short-term employee benefits	**9,547**	10,210
Other long-term employee benefits	**1,870**	2,215
Post-employment benefits	**1,573**	1,228
Share-based payment	**2,262**	(7,880)
	15,252	5,773

37 Financial instruments

Capital risk management

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

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

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	Year ended 2012 US$'000	Year ended 2011 US$'000
Financial assets		
Designated as fair value through profit or loss	**221,582**	226,797
Receivables (including cash and cash equivalents and other non-current assets)	**342,053**	305,635
Financial liabilities		
Amortised cost	**(717,921)**	(593,492)

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and manages the financial risks relating to the operations of the Group through internal reports. These risks include market risk, (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures, with Board approval.

The Group does not enter into trading financial instruments, including derivative financial instruments for speculative purposes.

Credit risk

The Group's principal financial assets are cash, trade and other receivables and trading investments.

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

Notes to the Accounts

37 Financial instruments (continued)

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.

The Group has no significant concentration of credit risk except for one large customer, which makes up 12% of revenue (2011:12%). On going credit evaluation is performed on the financial condition of accounts receivable.

Market risk

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

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 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.

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Real	**200,100**	219,541	**350,263**	313,702
Sterling	**108**	446	**16,108**	27,279
Euro	**–**	–	**4,509**	3,355
Yen	**–**	–	**–**	3,887
Singapore dollar	**–**	–	**11,232**	2,183
	200,208	219,987	**382,112**	350,406

Foreign currency sensitivity analysis

The Group is primarily exposed to unfavourable movements in the Brazilian Real on its Brazilian liabilities held by US$ functional currency entities, and to unfavourable movements in the British Pound on its Sterling investments.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollar against these respective foreign currencies. 10% is the sensitivity used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. In the following table a positive number indicates an increase in profit and equity where the US Dollar hypothetically strengthens against the Brazilian Real or where the US Dollar weakens against the British pound. A 10% weakening in the US Dollar against the Brazilian Real and a 10% strengthening against the British pound would give an equal and opposite effect.

	Real impact		Sterling impact	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Profit or loss	**3,859**	9,159	**(1,527)**	(2,656)
Other equity	**11,388**	18,527	**(1,527)**	(2,656)

The Brazilian Real foreign currency impact is mainly attributable to the exposure of outstanding Brazilian Real receivables and payables at year end in the Group. The Sterling currency impact is mainly attributable to the exposure of sterling denominated investments.

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.

37 Financial instruments (continued)

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 borrows from the BNDES (Banco Nacional de Desenvolvimento Economico e Social) and Banco do Brasil to finance vessel construction. These loans are fixed interest rates loans linked to the US Dollar. Due to the favourable rates offered by these institutions, in the Group's opinion, there is minimal market interest rate risk.

The Group's strategy for managing interest rate risk is to maintain a balanced portfolio of fixed and floating interest rates in order to balance both cost and volatility. The Group may use derivative instruments to reduce cash flow interest rate attributable to interest rate volatility.

As at 31 December 2012 the Company had no outstanding interest rate swap contracts.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date.

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.

A 1% increase or decrease is used when reporting US dollar interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If US Dollar interest rates had been 1% lower and all other variables held constant, the Group's profit for the year ended 31 December 2012 would increase by US$0.6 million (2011: US$0.4 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash investments. If US Dollar interest rates had been 1% higher this would give an equal and opposite effect.

A 3% increase or decrease is used when reporting Brazilian interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If Brazilian Real interest rates had been 3% higher and all other variables held constant, the Group's profit for the year ended 31 December 2011 would increase by US$3.0 million (2011: increase by US$3.4 million). This is mainly attributable to the Group's exposure to interest rates on its cash investments. If Brazilian Real interest rates had been 3% lower this would give an equal and opposite effect.

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

Market price sensitivity

The Group is exposed to equity price risks arising from equity trading investments.

The trading investments represent investments in listed equity securities, funds and unquoted equities and that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices where available.

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.

	2012	2011
	US$'000	US$'000
Profit or loss	**22,158**	22,680
Total equity	**22,158**	22,680

Notes to the Accounts

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

Trade receivables consist of a large number of customers except for one large customer, which makes up 12% of revenue. On going credit evaluation is performed on the financial condition accounts receivable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Weighted average effective interest rate %	Less than 12 months US$'000	1-5 years US$'000	5+ years US$'000	Total US$'000
2012					
Non-interest bearing	**–**	**166,886**	**–**	**–**	**166,886**
Finance lease liability	**14.9%**	**1,654**	**3,555**	**–**	**5,209**
Variable interest rate instruments	**4.0%**	**13,511**	**64,102**	**35,408**	**113,021**
Fixed interest rate instruments	**3.4%**	**29,664**	**125,629**	**299,770**	**455,063**
		211,715	**193,286**	**335,178**	**740,179**
2011					
Non-interest bearing	–	123,796	–	–	123,796
Finance lease liability	16.6%	4,607	4,365	–	8,972
Variable interest rate instruments	4.2%	6,268	52,183	27,723	86,174
Fixed interest rate instruments	3.7%	26,404	116,362	255,110	397,876
		161,075	172,910	282,833	616,818

The Group has access to financing facilities, the total unused amount which is US$500.5 million at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Fair value of financial instruments

The fair value of non-derivative financial assets traded on active liquid markets are determined with reference to quoted market prices.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Fair value measurements recognised in the statement of financial position

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

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

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

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

37 Financial instruments (continued)

2012	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVTPL				
Non-derivative financial assets for trading	**61,445**	**113,185**	**46,952**	**221,582**

2011	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVTPL				
Non-derivative financial assets for trading	80,567	110,373	35,857	226,797

Reconciliation of Level 3 fair value measurements of financial assets:	**2012 US$'000**	2011 US$'000
Balance at 1 January	**35,857**	34,518
Transfer out of Level 3	**–**	(7,459)
Transfer into Level 3	**91**	1,471
Total losses in statement of comprehensive income	**(1,660)**	(2,885)
Purchases and drawdowns of financial commitments	**14,042**	12,800
Sales and repayments	**(1,378)**	(2,588)
Balance at 31 December	**46,952**	35,857

38 Briclog

In June 2011 we announced that Brasco Logistica Offshore Limitada (Brasco), signed a contract for the acquisition of 100% of the issued share capital of Bric Brazilian Intermodal Complex S/A, (Briclog) for Real 125 million (approximately US$80 million}. Briclog provides port services to the offshore oil & gas industry. The acquisition is subject to various conditions precedent including a 30-year lease right to operate a 67,000 square metre area in the Bay of Guanabara, Rio de Janeiro, Brazil, together with the assignment of certain other lease contracts to Briclog.

Consideration is payable in three tranches, Real 10 million paid in June 2011, Real 53.25 million on satisfaction of all conditions precedent, and the balance of Real 53.25 million, three hundred days from the contract signature. The last two payments are adjusted for movement in the Brazilian consumer price index (IPCA). As at December 31, 2012, no effect of the business combination transaction has been recognized in the financial statements.

Statistical Statement

2008 – 2012 (in US$'000)

	Year to 31 December 2012 US$'000	**Year to 31 December 2011 US$'000**	Year to 31 December 2010 US$'000	Year to 31 December 2009 S$'000	Year to 31 December 2008 S$'000
Closing rates of exchange – R$ to US$	**2.04**	1.88	1.67	1.74	2.34
Income Statement					
Group revenue	**645,327**	698,044	575,551	477,888	498,285
Raw materials and consumables used	**(77,719)**	(82,889)	(67,222)	(49,570)	(86,480)
Employee benefits expense	**(240,427)**	(239,543)	(205,486)	(162,367)	(130,189)
Depreciation & amortisation expense	**(66,619)**	(59,479)	(42,923)	(32,066)	(26,259)
Other operating expenses	**(180,591)**	(221,159)	(192,090)	(155,042)	(157,699)
Profit on disposal of property, plant and equipment	**(546)**	1,959	90	470	681
Group operating profit	**79,425**	96,933	67,920	79,313	98,339
Profit realised on formation of joint venture	**–**	–	20,407	–	–
Investment revenue	**6,526**	10,203	17,982	35,613	6,751
Other gains and losses	**16,394**	(27,818)	22,460	34,305	(59,462)
Finance costs	**(15,120)**	(20,741)	(11,611)	(9,411)	(14,078)
Profit before tax	**87,225**	58,577	117,158	139,820	31,550
Income tax expense	**(25,540)**	(51,615)	(30,564)	(31,228)	(38,641)
Profit/(loss) for the year	**61,685**	6,962	86,594	108,592	(7,091)
(Loss)/profit for the period attributable to:					
Equity holders of parent	**41,263**	(8,639)	56,879	70,200	(26,700)
Non-controlling interests	**20,422**	15,601	29,715	38,392	19,609
	61,685	6,962	86,594	108,592	(7,091)
Group operating profit	**79,425**	96,933	67,920	79,313	98,339
Less share based payment (credit)/expense	**2,262**	(7,880)	16,545	17,174	(8,148)
Adjusted group operating profit	**81,687**	89,053	84,465	96,487	90,191
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance Sheet					
Net assets					
Brazilian interests	**460,375**	425,309	389,744	297,835	206,539
Investments held for trading	**221,582**	226,797	260,544	238,662	209,994
Other net assets	**60,507**	54,650	78,932	136,748	147,558
	742,464	706,756	729,220	673,245	564,091
Attributable net assets – per share					
Brazilian interests – book amount	**1302c**	1203c	960c	842c	584c
Other assets – book and market amount	**798c**	796c	1102c	1062c	1011c
	2100c	1999c	2062c	1904c	1595c
Key Statistics					
Earnings per share	**116.7c**	(24.4c)	160.8c	198.5c	(75.5c)
Cash dividends per share paid	**33.0c**	42.0c	42.0c	30.0c	40.0c
Mid-market quotation at end of period	**970p**	1065p	1382p	865p	460p
Mid-market quotation at end of period in US Dollars	**1512c**	1650c	2155c	1378c	666c

1. Share based payment expenses are included in employee benefits expense and arise from the Ocean Wilsons Holdings Limited and Wilson Sons Limited cash settled phantom accounting date. Movements in the Wilsons Sons Limited can result in significant movements in the fair value of the two schemes significantly impacting operating profit in the period and causing significant fluctuations in earnings.

Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Company will be held at the offices of Conyers Dill & Pearman, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda on 29 May 2013 at 10:00 am for the following purposes.

1 To receive and, if approved, adopt the Directors' Report and Accounts for the year ended 31 December 2012.
2 To determine the maximum number of Directors for the ensuing year as eight and authorise the Board of Directors to elect or appoint on the Members' behalf a person or persons to act as additional Directors up to such maximum number to serve until the conclusion of the next Annual General Meeting.
3 To elect Mr C Maltby as a Director.
4 To re-elect Mr A Rozental as a Director.
5. To re-elect Mr J F Gouvêa Vieira as a Director.
6 To appoint KPMG, as the Auditor, and authorise the Directors to fix the remuneration of the Auditor.
7 To amend Bye-law 23 of the Bye-laws of the Company to increase the maximum aggregate fees to be paid yearly to Directors (other than Directors appointed to an executive office) from US$400,000 to US$600,000.
8 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 2012.

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

19 March 2013

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

*of

being a Member of Ocean Wilsons Holdings Limited, hereby appoint Jose Francisco Gouvêa Vieira, or failing him W H Salomon both Directors of the Company.

of

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 Wednesday 29 May 2013 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

	For	Against	Withheld
1 To receive and, if approved, adopt the Director s Report and Accounts for the year ended 31 December 2012.			
2 To determine the maximum number of Directors for the ensuing year as seven and authorize 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.			
3 To elect Mr C Maltby as a Director.			
4 To re-elect Mr A Rozental as a Director.			
5 To re-elect Mr J F Gouvêa Vieira as a Director.			
6 To appoint KPMG, as the Auditors, and authorise the Directors to fix the remuneration of the Auditor.			
7 To amend Bye-law 23 of the Bye-laws of the Company to increase the maximum aggregate fees to be paid yearly to Directors (other than Directors appointed to an executive office) from US$400,000 to US$600,000.			
8. 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 2012.			

Signature Dated 2012

Notes

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

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

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

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

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

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

Third Fold and Tuck in

Business Reply
Licence Number
RSBH-UXKS-LRBC

PXS
34 Beckenham Road
BECKENHAM
BR3 4TU

First Fold

Second Fold