Ocean Wilsons Holdings Limited

Interim Management Statement for the six months ended 30 June 2019

Ocean Wilsons Holdings Limited ("Ocean Wilsons" or the "Company") today provides its interim management statement for the six months ended 30 June 2019.

Key points

- As at 1 January 2019 the Group adopted the new accounting standard IFRS 16 – "Leases". The principal impact on the balance sheet as at 30 June 2019 is the recognition of right to use assets of US$185.0 million and finance lease liabilities of US$186.8 million. The principal impact of IFRS 16 on the income statement for the period is to increase operating profit by US$4.6 million and decrease profit for the period by US$2.1 million. The comparatives for the 2018 financial statements have not been restated in accordance with IFRS 16.
- Although operating profit for the six months to 30 June 2019 fell 25% to US$35.1 million (2018: US$46.8 million), profit for the period was up US$17.3 million to US$34.0 million (2018: US$16.7 million) principally due to an increase in returns from the investment portfolio and positive foreign exchange movements. Excluding the impact of IFRS 16, profit for the current period would have been US$2.1 million higher at US$36.1 million.
- The investment portfolio increased US$19.5 million to US$278.4 million (31 December 2018: US$258.9 million) after dividends paid from the portfolio of US$2.0 million.
- Net cash inflow from operating activities for the period of US$47.6 million (2018: US$55.6 million).
- The Brazilian Real "BRL" was 1% higher against the US Dollar "USD" at 30 June 2019 compared with 31 December 2018. The average US Dollar/Brazilian Real exchange rate in the period at 3.85 was 12% higher than the comparative period in 2018 of 3.43.
- Dividends paid to shareholders in the period of US$24.8 million (2018: US$24.8 million).

Chairman's Statement

Introduction

The investment portfolio produced a solid performance during the first half of 2019 rising 8% in the period as markets rallied following the softening at the end of 2018. Our Brazilian business continued to generate strong operating cashflow in the first half of the year despite a backdrop of weak economic activity as the Brazilian economy shrank in the first quarter of 2019. Revenue and operating profit both fell as operating results were impacted by weaker volumes in our towage and offshore businesses reflecting the competitive environment in these markets. Container volumes handled at our two container terminals remained firm in the period and work continued on the expansion of the Tecon Salvador terminal.

Group Results

Revenue

Group revenue for the six months ended 30 June 2019 decreased by 15% to US$199.2 million (2018: US$235.0 million), due the higher average USD/BRL exchange rate and difficult trading environment at some of our businesses. Port terminals and logistics revenue grew 3% in BRL terms for the period, although in USD terms, revenue was 9% lower at US$117.8 million (2018: US$128.9 million), principally due to the higher average USD/BRL exchange rate used to convert revenue into our reporting currency. The higher average exchange rate impacted container terminal revenue in USD terms which declined 10% to US$80.6 million (2018: U$89.4 million). Container volumes handled at Tecon Rio Grande and Tecon Salvador for the period were marginally higher than the comparative period at 486,700 "TEUs" (twenty-foot equivalent units) (2018: 484,000 TEUs). Volumes at Tecon Salvador were 13% higher driven by higher international trade and cabotage volumes, while volumes at Tecon Rio Grande were 5% lower mainly due to less transshipment volume resulting from the cancellation of two feeder services from Argentina in the period. Brasco revenue increased US$0.8 million to US$11.5 million (2018: US$10.7 million) with the commencement of two contracts with Enauta and Total to support their offshore drilling campaigns. Towage revenue at US$74.1 million was US$12.4 million lower than the comparative period (2018: US$86.5 million) as market pressures continued to impact both pricing and harbour towage volumes. Harbour towage manoeuvres performed in the period were 7% lower at 25,839 (2018: 27,885) with the volumes also negatively influenced by lower iron ore exports. Additionally towage revenue was impacted by a US$3.5 million decline in income from special operations to US$3.6 million (2018: US$7.1 million) reflecting the more volatile nature of this activity which includes ocean towage, salvage, firefighting and shipyard support. Ship agency revenue at US$4.3 million was 13% lower than the comparative period (2018: US$5.0 million). Shipyard third-party revenue at US$3.0 million (2018: US$14.9 million) continued to suffer from the poor market for small vessel construction in Brazil with third party work restricted to dry-docking operations in the period.

IFRS 16 – Leases

As at 1 January 2019 the Group adopted the new accounting standard IFRS 16 which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Following the amendments to the standard coming into effect, leases have been recorded as assets and liabilities (right of use assets and financial lease liabilities). The Group used the modified retrospective approach, meaning assets and liabilities recognised are equal at the point of application and that comparatives for the 2018 financial statements were not restated. Therefore for comparison purposes the principal impacts of IFRS 16 on the income statement for the six months ended 30 June 2019 are:

	Positive/ (negative) 2019 US$ million
Other operating expenses	**10.8**
Depreciation and amortisation	**(6.2)**
Operating profit	**4.6**
Finance costs	**(7.8)**
Deferred tax	**1.1**
Profit for the period	**(2.1)**

The principal impacts on the Group's balance sheet at 30 June 2019 are the recognition of a right to use asset of US$185.0 million and finance lease liabilities of US$186.8 million.

Further details of right to use assets and lease liabilities are presented in Note 12 to the accounts.

Operating Profit

Operating profit was US$11.7 million lower than the comparative period at US$35.1 million (2018: US$46.8 million) principally due to lower revenue and operating margins for the period. Operating margins for the period declined to 17.6% (2018: 19.9%) principally due to weaker margins at our towage and port terminal businesses. Excluding the impacts of IFRS 16, operating profit in the current period would have fallen to US$30.5 million and margins to 15.4%. Raw materials and consumables used were US$8.2 million lower at US$12.9 million (2018: US$21.1 million) as a result of lower shipyard activity. Employee expenses were US$5.0 million lower at US$70.8 million (2018: US$75.8 million) due to the effect of the stronger average USD/BRL exchange rate and lower headcount. In BRL terms employee expenses increased mainly due to the rollback during 2018 of some temporary payroll exemptions. Other operating expenses were US$15.6 million lower at US$47.1 million (2018: US$62.7 million) as a result of the stronger average USD/BRL exchange rate and a US$10.8 million adjustment from the implementation of IFRS 16. Amortisation of right of use assets (US$6.4 million) relate to the right of use assets recognised under IFRS 16 at the 1 January 2019. The depreciation and amortisation expense at US$26.8 million was US$1.9 million lower than the comparative period (2018: US$28.7 million).

Share of results of joint ventures

The share of results of joint ventures is Wilson Sons' 50% share of net profit for the period from our offshore support vessel joint venture. The net loss attributable to Wilson Sons for the period was US$0.6 million (2018: US$1.3 million). A lower operating profit for a 50% share in the joint venture in the period at US$2.4 million (2018: US$4.2 million), was offset by a foreign exchange gain on monetary items of US$0.4 million (2018: US$4.1 million loss). Operating profit fell principally due to fewer operating days in the period which were 10% lower at 2,268 days against 2,533 days in 2018. The tax credit in the period of US$0.9 million was US$2.0 million lower than the prior period comparative (2018: US$2.9 million)

Other Investment income

Other investment income at US$2.2 million was US$0.2 million lower than the prior year (2018: US$2.4 million) with lower interest on bank deposits of US$1.7 million (2018: US$2.1 million) partially offset by higher other interest income of US$0.6 million (2018: US$0.4 million).

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

Returns on the investment portfolio of US$22.8 million (2018: US$4.1 million) comprise unrealised gains on financial assets at fair value through profit or loss of US$21.1 million (2018: US$0.1 million), income from underlying investment vehicles of US$1.3 million (2018: US$1.1 million) and realised profits on the disposal of financial assets at fair value through profit or loss of US$0.4 million (2018: US$3.0 million).

Finance costs

Finance costs for the period at US$12.8 million were US$3.0 million lower than the comparative period (2018: US$15.8 million). Within this there was a US$10.1 million positive movement in exchange gains on foreign currency borrowings with a US$0.9 million gain (2018: US$9.2 million loss) while interest on bank loans and overdrafts increased US$6.8 million to US$13.0 million (2018: US$6.2 million) principally due to the impact of IFRS 16 in the period of US$7.8 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 the six months to 30 June 2019 the BRL appreciated 1% against the USD from R$3.87 at 1 January 2019 to R$3.83 at the period end. In the comparative period in 2018 the BRL depreciated 17% against the USD from R$3.31 to R$3.86.

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

	2019 US$ million	2018 US$ million
Exchange gain / (loss) on monetary items (i)	**0.3**	(8.5)
Exchange gain / (loss) on foreign currency borrowings	**0.9**	(9.2)
Deferred tax on retranslation of fixed assets (ii)	**3.2**	(12.9)
Deferred tax on exchange variance on loans (iii)	**(5.3)**	12.0
Total	**(0.9)**	(18.6)

(i) This arises from the translation of BRL denominated monetary items in USD functional currency entities.

(ii) The Group's fixed assets are located in Brazil and therefore future tax deductions from depreciation used in the Group's tax calculations are denominated in BRL. When the BRL depreciates against the US Dollar the future tax deduction in BRL terms remain unchanged but are reduced in US Dollar terms and vice versa.

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

The average USD/BRL exchange rate in the period at 3.85 was 12% higher (2018: 3.43) than the comparative period in 2018. A higher average exchange rate negatively impacts BRL denominated revenues and benefits BRL denominated costs when converted into our reporting currency, the USD.

Foreign exchange gains/losses on monetary items

Foreign exchange gains on monetary items of US$0.3 million (2018: US$8.5 million loss) arose from the Group's foreign currency monetary items and principally reflect the movement of the BRL against the USD during the period.

Profit before tax

Profit before tax for the period increased US$19.4 million to US$47.1 million compared to US$27.7 million in 2018. The improvement in profit before tax is principally due to the US$18.7 million increase in returns on the investment portfolio at fair value through profit and loss, a US$8.9 million positive movement in foreign exchange gains or losses on monetary items and a US$3.0 million decrease in finance costs. This was partially offset by the US$11.7 million decrease in operating profit. Share of results from joint ventures improved by US$0.7 million and other investment income was US$0.2 million lower.

Taxation

The tax charge for the period of US$13.1 million represents an effective tax rate in the period of 28% (2018: 40%) compared to the corporate tax rate prevailing in Brazil of 34%. The difference in the effective tax rates is due to the mix of income and expenses that are not included in determining taxable profit. The improvement in the current period effective tax rate is primarily attributable to the higher returns from our Bermudian investment portfolio that is not subject to income tax and

a positive movement in foreign exchange gains or losses on monetary items. Current taxation at US$9.7 million was US$3.2 million lower than the comparative period (2018: US$12.9 million).

Profit for the period

Profit attributable to equity holders of the parent is US$28.1 million (2018: US$10.4 million) after deducting profit attributable to non-controlling interests of US$5.9 million (2018: US$6.6 million). Profit attributable to equity holders of the parent at 83% of the profit for the period is a higher percentage for the period (2018: 60%) as the current period benefitted from higher returns from the investment portfolio which are fully attributable to equity holders of the parent.

Earnings per share for the period was 79.5 cents (2018: 28.4 cents).

Investment portfolio performance

The investment portfolio and cash under management of Ocean Wilsons (Investments) Limited "OWIL" was US$278.4 million (31 December 2018: US$258.9 million) an increase of US$19.5 million in the period after paying dividends of

US$2.0 million to Ocean Wilsons Holdings Limited and deducting management and other fees of US$1.5 million.

Cash flow and debt

Net cash inflow from operating activities for the period at US$47.6 million was US$8.0 million lower than the comparative period in 2018, (US$55.6 million) mainly due to the lower operating profit in the period. Capital expenditure in the period at US$44.6 million was US$20.2 million higher than the comparative period (2018: US$24.4 million) principally due to increased expenditure on the Tecon Salvador expansion. Dividends of US$24.8 million were paid to shareholders in the period (2018: US$24.8 million) with a further US$16.5 million paid to non-controlling interests in our subsidiaries (2018: US$16.1 million).

At 30 June 2019, the Group had cash and cash equivalents of US$58.4 million (31 December 2018: US$60.1 million). Group borrowings including obligations under finance leases at period end were US$516.8 million (31 December 2018: US$307.4 million). The increase in borrowings is principally due to the increase in finance lease liabilities resulting from the adoption of IFRS 16. At period end obligations under finance leases were US$186.8 million, (2018: US$0.1 million). New loans were raised in the period of US$66.2 million (2018: US$2.5 million) to finance capital expenditure while capital repayments on existing loans in the period of US$44.0 million (2018: US$31.1 million) were made.

The Group's reported borrowings do not include the Company's 50% share of our offshore vessel joint venture's debt being US$220.2 million (2018: US$242.0 million).

Net asset value

At the close of business on 31 July 2019, the Wilson Sons share price was R$35.00, resulting in a market value for the Ocean Wilsons holding of 41,444,000 shares (58.17% of Wilson Sons) totalling approximately US$380.5 million which is the equivalent of US$10.76 (£8.82) per Ocean Wilsons Holdings Limited share.

Adding together the market value per share of Wilsons Sons, US$10.76 and the investment portfolio value per share of US$7.87 results in a net asset value per Ocean Wilsons Holdings Limited share of approximately US$28.63 (£15.27). The Ocean Wilsons Holdings Limited share price of £10.75 at 31 July 2019 represented an implied discount of 30%.

Strategic review

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

Brexit

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

Corporate Governance

In accordance with the provisions of the 2018 UK Corporate Governance Code the Company has established a Nomination Committee. Its members comprise Mr C Maltby (Chairman), Mr A Berzins and Mr W Salomon. Mr Maltby and Mr Berzins are considered by the Board to be independent under the code. Following the retirement of Mr A Rozental as a director at the Annual General Meeting in June, the Company has retained Trust Associates Limited, an executive search firm to help identify two new independent non-executive directors. It is envisaged that one new director will be appointed by the Board prior to the next Annual General Meeting. Following the retirement of Mr A Rozental Mr A Berzins has been appointed the senior independent director.

Outlook

The Brazilian economy remains sluggish with little prospect of improvement in 2019. The International Monetary Fund recently trimmed its forecast for GDP growth in the year to 0.8% while the Brazilian central bank cut its benchmark interest rate in July to a new low of 6% in the face of weaker economic and inflation data. On a positive note the government is making some progress on much needed reforms as the pensions reform bill passed it's first and second votes in Congress and will now move to the senate. Competition in the Brazilian towage market remains strong although we remain confident in the underlying strength of our business. The Brazilian offshore oil and gas industry is facing another difficult year. The Tecon Salvador container terminal continues to progress with civil works to extend the principal quay from 377 metres to 800 metres underway. The expansion is the largest terminal expansion currently underway in Brazil and is an important step in attracting new shipping lines to the north-eastern region of Brazil.

Wilson Sons Limited
The Wilson Sons 2nd quarter 2019 Earnings Report released on 13 August 2019 is available on the Wilson Sons Limited website: www.wilsonsons.com.br

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

"Wilson Sons 2Q19 EBITDA of US$33.4 million was down 8.7% against 2Q18 (US$36.6 million) largely due to a decrease in towage results and reduced import warehousing for container terminals. Excluding the IFRS16 effects, 2Q19 EBITDA would have been US$28.1 million, 23.1% lower than the comparative.

Operating volumes at Salvador presented a solid 21.2% growth of full boxes, although the prior year comparative was impacted by a nationwide truck drivers' strike. The Salvador terminal civil works to extend the principal quay from 377 metres to 800 metres continue and will allow the simultaneous berthing of two super-post-Panamax ships, facilitating access to the port and the largest economy in the north east of Brazil. In May the Rio Grande terminal achieved a productivity record of 217 movements per hour. The terminal reported growth across all full container volumes except transshipment which suffered the loss of two services in 1Q19.

Towage results continued to be pressured by temporary effects reducing iron ore exports and a very competitive environment affecting volumes. In July a new vessel WS Aries was delivered by Wilson Sons shipyards. WS Aries, together with our vessel WS Sirius, are the two most powerful towage vessels in the country with 90 tonnes of bollard pull, both currently servicing the port of Açu.

Offshore support vessel ("OSV") results were negatively affected by weakened demand. The Brazilian offshore oil and gas market is expected to face another difficult year with demand for OSV hire remaining soft, although we continue to explore alternative revenue streams for our off-hire vessels, which are well positioned for the expected recovery in the industry over the next couple of years. In June PSV Talha-Mar signed a new two-year contract.

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

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

Market backdrop
They say that stock markets climb walls of fear and this certainly appears to have been the case in the first half of the current financial year. Having worried that the next recession and bear market were imminent in the latter part of 2018 a more rational view has prevailed in the current year.

Central to investors' caution was the interplay between economies, central banks and interest rates. Many investors believed that the seeds of the next downturn were being sown with low unemployment a catalyst for rising wage inflation and with it rising interest rates. Investors ultimately feared that it would be higher interest rates that would kill off growth.

Our stance was more nuanced. Whilst not viewing economies as rampant we equally did not see them as moribund. We acknowledge that unemployment is low but we do not see the normal capacity constraints that are associated with rising core inflation. Combined with ongoing technological developments and cheap imports, a return to the double-digit inflation rates of yesteryear appears unlikely at least in the near-term.

Importantly the Federal Reserve came to the same conclusion. Having previously been on a rate rise tack for much of last year they did a dramatic about-turn as we entered 2019. Federal Reserve Governor Jay Powell, who tends to be more focused on data than economic models, came to the conclusion that there were insufficient inflationary forces to warrant ongoing rate rises at a time when the risks faced by the global economy were rising. Initially this was seen as putting interest rates on hold, increasingly however investors started to factor in rate cuts which the Federal Reserve cut by 25 basis points on the 31 July.

Number one on this list of risks are the escalating US trade wars. President Trump has been waging a war on trade on multiple fronts including Mexico, Canada and Europe. Most pertinent however has been the battle between China and the US. What started as a Trump-centric policy has increasingly become the consensus view within the US with China viewed as abusing its position through a combination of stealing intellectual property, acquiring strategic assets and protecting its own industries. The risk is that China has driven global growth in recent years and the danger of the trade war derailing Chinese growth, at a time when it was already slowing, poses a considerable threat to global economies.

We believe that there is a reasonable probability of some form of trade deal being reached in the short-term with it helpful for Trump to achieve a 'win' ahead of next year's US elections. However, we would see such an outcome as a temporary reprieve with the struggle between the US and China over global dominance likely to be an ongoing feature of markets in future decades.

This backdrop clearly makes for a choppy environment but undoubtedly the overall trend for markets in 2019 has been upwards. Partly this has recouped the losses seen at the end of last year but some markets, such as the US, are again hitting all-time highs.

Portfolio Commentary
The investment portfolio has risen 7.5% on a time-weighted basis during the first half of 2019, comfortably ahead of the benchmark return of 3.4%. This has been a strong period for markets following the pullback at the end of 2018, helped by the more dovish tone taken by central banks at the turn of the year. Over the last twelve months the portfolio has returned 3.9% while the benchmark has returned 4.7%.

During the six months, contributions to performance came from across the portfolio, particularly from exposures to developed markets and the technology sector. The biggest contributor to performance was **Findlay Park American**, up 17.6%, while **Select Equity**, up 24.7%, and **Pershing Square Holdings**, up 37.0%, also produced good returns through investing in the US. **GAM Star Technology Fund**, which is about 80% invested in the US, was up 22.4%. European positions also did well, with **Adelphi European Select** and **BlackRock European Hedge Fund** both ahead of the regional index with returns of 19.1% and 21.5%, respectively. Emerging markets have been a little weaker than developed markets this year, although the portfolio still made money through its investments there. In Asia, **NTAsian Discovery Fund** and **Schroder Asian Total Return Fund** produced returns of 6.4% and 13.7%, respectively, while elsewhere single country funds were stronger with the Russian-focused **Prosperity Quest Fund** up 19.0% and **Dynamo Brasil** up 20.5%.

Away from the equity exposures, many of the portfolio's diversifying positions also produced gains although as expected they were generally not quite as strong. **Hudson Bay** and **MKP Opportunity**, two macro trading funds, were up 4.5% and 6.7%, respectively, while the trend-following CTA fund, **GAM Systematic Core Macro**, has enjoyed a good period with a return of 13.4%, which is a pleasing improvement having suffered poor performance during much of last year. Fixed income exposure, through funds such as **Apollo Total Return Fund** (up 5.9%) and the US Treasuries position in **Vanguard US Government Bond Index Fund** (up 4.3%) also contributed to performance. **CZ Absolute Alpha**, a market neutral UK equity fund, was one area of weakness with a fall of 4.4%, as it suffered from its net short position as well as a preference for value stocks over growth.

CUMULATIVE PORTFOLIO RETURNS

Performance (Time-weighted)	YTD	3 Years p.a.	5 Years p.a.
OWIL (net)	7.5%	7.0%	3.6%
Performance Benchmark*	3.4%	5.1%	4.7%
MSCI ACWI + FM	16.2%	11.6%	6.1%
MSCI Emerging Markets	10.6%	12.0%	2.5%

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

Investment Portfolio at 30 June 2019

	Market Value $000	% of portfolio	Primary Focus
Findlay Park American Fund	25,516	9.2	US equities - Long Only
Adelphi European Select Equity Fund	13,948	5.0	Europe Equities - Long Only
Egerton Long - Short Fund Limited	13,021	4.7	Europe/US Equities - Hedge
BlackRock European Hedge Fund	11,557	4.2	Europe Equities - Hedge
Goodhart Partners: Hanjo Fund	10,174	3.7	Japan Equities - Long Only
NTAsian Discovery Fund	9,587	3.4	Asia ex-Japan Equities - Long Only
GAM Star Fund PLC - Technology	7,831	2.8	Technology - Long Only
Select Equity Offshore, Ltd	7,686	2.8	US Equities - Long Only
Pangaea II, LP	7,534	2.7	Private Assets - GEM
Schroder ISF Asian Total Return Fund	7,034	2.5	Asia ex-Japan Equities - Long Only
Top 10 Holdings	**113,889**	**40.9**	
NG Capital Partners II, LP	6,891	2.5	Private Assets - Latin America
Helios Investors II, LP	6,774	2.4	Private Assets - Africa
Vulcan Value Equity Fund	6,679	2.4	US Equities - Long Only

Lansdowne Developed Markets Fund	6,310	2.3	Europe/US Equities - Hedge
Hony Capital Fund V, LP	6,273	2.3	Private Assets - China
Global Event Partners Ltd	5,809	2.1	Global Equities - Long/Short
Greenspring Global Partners IV, LP	5,694	2.0	Private Assets - US Venture Capital
Hudson Bay International Fund Ltd	5,572	2.0	Market Neutral - Multi-Strategy
Prince Street Opportunities Fund	5,451	2.0	Emerging Markets Equities - Long Only
L Capital Asia 2, LP	4,929	1.8	Private Assets - Asia (Consumer)
Top 20 Holdings	**174,272**	**62.6**	
Silver Lake Partners IV, LP	4,393	1.6	Private Assets - Global Technology
Greenspring Global Partners VI, LP	4,311	1.5	Private Assets - US Venture Capital
Primary Capital IV, LLP	4,184	1.5	Private Assets - Europe
Gramercy Distressed Opportunity Fund II, LP	4,039	1.5	Private Assets - Distressed Debt
African Development Partners I, LLC	3,581	1.3	Private Assets - Africa
Indus Japan Long Only Fund	3,532	1.3	Japan Equities - Long Only
Prosperity Quest Fund	3,459	1.2	Emerging Markets Equities - Long Only
L Capital Asia, LP	3,361	1.2	Private Assets - Asia (Consumer)
AMED Fund, SICAR	3,349	1.2	Private Assets - Africa
MCP Private Capital Fund II, LP	3,188	1.1	Private Assets - European Credit
Top 30 Holdings	**211,669**	**76.0**	
43 Remaining Holdings	**63,150**	**22.7**	
Cash	**3,536**	**1.3**	
TOTAL	**278,355**	**100.0**	

Hanseatic Asset Management LBG
August 2019

Going concern
The Group closely monitors and manages its liquidity risk. The Group has considerable financial resources including US$58.4 million in cash and cash equivalents and the majority of the Group's borrowings have a long maturity profile. The Group's business activities together with the factors likely to affect its future development and performance are set out in the Chairman's statement and Investment Manager's report. The financial position, cash flows and borrowings of the Group are also set out in the Chairman's statement. Details of the Group's borrowings are set out in note 16 to the accounts. Based on the Group's cash forecasts and sensitivities run, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Responsibility statement

The Directors confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R.

J F Gouvêa Vieira
Chairman
13 August 2019

Condensed consolidated interim statements of profit or loss and other comprehensive income

for the six months ended 30 June 2019

	Notes	**Unaudited six months to 30 June 2019 US$'000**	Unaudited six months to 30 June 2018 US$'000
Revenue	3	**199,217**	235,017
Raw materials and consumables used		**(12,898)**	(21,098)
Employee benefits expense	5	**(70,839)**	(75,773)
Amortisation of right of use assets		**(6,361)**	–
Depreciation & amortisation expense	4	**(26,761)**	(28,724)
Other operating expenses		**(47,117)**	(62,735)
(Loss)/profit on disposal of property, plant and equipment		**(119)**	139
Operating profit		**35,122**	46,826
Share of results of joint ventures	17	**(607)**	(1,330)
Returns on investment portfolio at fair value through profit and loss	6	**22,827**	4,134
Other investment income	7	**2,237**	2,424
Finance costs	8	**(12,792)**	(15,773)
Foreign exchange gains/(losses) on monetary items		**347**	(8,546)
Profit before tax		**47,134**	27,735
Income tax expense	9	**(13,126)**	(11,060)
Profit for the period		**34,008**	16,675
Other comprehensive income: items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		**2,191**	(38,479)
Effective portion of changes in fair value of derivatives		**705**	421
Other comprehensive income/(loss) for the period		**2,896**	(38,058)
Total comprehensive income/(loss) for the period		**36,904**	(21,383)
Profit for the period attributable to:			
Equity holders of parent		**28,114**	10,032
Non-controlling interests		**5,894**	6,643
Profit for the period		**34,008**	16,675
Total comprehensive income for the period attributable to:			
Equity holders of parent		**29,805**	(12,012)
Non-controlling interests		**7,099**	(9,371)
Total comprehensive (loss)/income for the period		**36,904**	(21,383)
Earnings per share			
Basic and diluted	11	**79.5c**	28.4c

Condensed consolidated interim statements of financial position

as at 30 June 2019

	Notes	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Non-current assets			
Goodwill		**27,697**	27,515
Other intangible assets		**24,124**	25,468
Right of use assets	12	**184,980**	–
Property, plant and equipment	13	**622,730**	602,451
Deferred tax assets		**27,523**	28,223
Related party loans		**29,979**	29,804
Recoverable taxes		**28,817**	25,603
Investment in joint ventures	17	**29,239**	26,528
Other non-current assets		**7,591**	7,446
Other trade receivables	15	**489**	483
		983,169	773,521
Current assets			
Inventories		**11,424**	10,875
Financial assets at fair value through profit and loss	14	**274,819**	287,298
Trade and other receivables	15	**68,496**	73,671
Recoverable taxes		**21,403**	23,283
Cash and cash equivalents		**58,403**	43,801
		434,545	438,928
Total assets		**1,417,714**	1,212,449
Current liabilities			
Trade and other payables		**(56,656)**	(57,640)
Derivatives		–	(422)
Current tax liabilities		**(676)**	(719)
Obligations under finance leases		**(20,893)**	(46)
Bank overdrafts and loans	16	**(44,234)**	(60,209)
		(122,459)	(119,036)
Net current assets		**312,086**	319,892
Non-current liabilities			
Bank loans	16	**(285,752)**	(247,097)
Employee benefits		**(1,260)**	(1,190)
Deferred tax liabilities		**(52,669)**	(50,023)
Provisions		**(16,088)**	(17,335)
Obligations under finance leases		**(165,895)**	(59)
		(521,664)	(315,704)
Total liabilities		**(644,123)**	(434,740)
Net assets		**773,591**	777,709
Capital and reserves			
Share capital		**11,390**	11,390
Retained earnings		**570,038**	566,678
Capital reserves		**31,760**	31,760
Translation and hedging reserve		**(53,912)**	(55,603)
Equity attributable to equity holders of the parent		**559,276**	554,225
Non-controlling interests		**214,315**	211,111
Total equity		**773,591**	777,709

Condensed Consolidated interim statements of changes in equity

as at 30 June 2019

For the six months ended 30 June 2018 (unaudited)	Share capital US$'000	Retained earnings US$'000	Capital reserves US$'000	Hedging and Translation reserve US$'000	Attributable to equity holders of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2018	11,390	578,126	31,760	(33,115)	588,161	235,899	824,060
Currency translation adjustment	–	–	–	(22,289)	(22,289)	(16,190)	(38,479)
Effective portion of changes in fair value of derivatives	–	–	–	245	245	176	421
Profit for the period	–	10,032	–	–	10,032	6,643	16,675
Total income and expense for the period	–	10,032	–	(22,044)	(12,012)	(9,371)	(21,383)
Dividends	–	(24,754)	–	–	(24,754)	(16,079)	(40,833)
Share based expense	–	–	–	–	–	662	662
Balance at 30 June 2018	11,390	563,404	31,760	(55,159)	551,395	211,111	762,506
For the six months ended 30 June 2019 (unaudited)							
Balance at 1 January 2019	**11,390**	**566,678**	**31,760**	**(55,603)**	**554,225**	**223,484**	**777,709**
Currency translation adjustment	–	–	–	**1,281**	**1,281**	**910**	**2,191**
Effective portion of changes in fair value of derivatives	–	–	–	**410**	**410**	**295**	**705**
Profit for the period	–	**28,114**	–	–	**28,114**	**5,894**	**34,008**
Total income and expense for the period	–	**28,114**	–	**1,691**	**29,805**	**7,099**	**36,904**
Dividends	–	**(24,754)**	–	–	**(24,754)**	**(16,468)**	**(41,222)**
Share based expense	–	–	–	–	–	**200**	**200**
Balance at 30 June 2019	**11,390**	**570,038**	**31,760**	**53,912**	**559,276**	**214,315**	**773,591**

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 in equity are stated net of tax where applicable.

Condensed consolidated interim statements of cash flows

for the six months ended 30 June 2019

	Notes	**Unaudited six months to 30 June 2019 US$'000**	Unaudited six months to 30 June 2018 US$'000
Net cash inflow from operating activities	18	**47,573**	55,609
Investing activities			
Interest received		**818**	3,342
Income received from underlying investment vehicles		**1,340**	4,283
Proceeds on disposal of financial assets at fair value through profit and loss		**51,853**	47,059
Proceeds on disposal of property, plant and equipment		**692**	429
Purchases of property, plant and equipment		**(44,641)**	(24,402)
Purchase of intangible asset		**(361)**	(882)
Purchases of financial assets at fair value through profit and loss		**(17,887)**	(25,969)
Capital increase of joint venture		**(3,500)**	(4,003)
Net cash used in investing activities		**(11,686)**	(143)
Financing activities			
Dividends paid	10	**(24,754)**	(24,754)
Dividends paid to non-controlling interests in subsidiary		**(16,468)**	(16,079)
Repayments of borrowings		**(43,990)**	(31,115)
Repayments of obligations under finance leases		**(2,964)**	(597)
Derivative paid		**(339)**	(490)
New bank loans raised		**66,175**	2,512
Net cash used in financing activities		**(22,340)**	(70,523)
Net increase/(decrease) in cash and cash equivalents		**13,547**	(15,057)
Cash and cash equivalents at beginning of period		**43,801**	83,827
Effect of foreign exchange rate changes		**1,055**	(8,623)
Cash and cash equivalents at end of period		**58,403**	60,147

Notes to condensed consolidated interim financial information
for the six months ended 30 June 2019

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

Ocean Wilsons Holdings Limited is a company incorporated in Bermuda under the Companies Act 1981 and the Ocean Wilsons Holdings Limited Act, 1991.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates.

2 Accounting policies
The condensed consolidated interim financial information of the Company for the six months ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

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

The condensed set of financial statements have been prepared on the basis of accounting policies consistent with those applied to the financial statements for the year ended 31 December 2018.

First-time adoption of new accounting standard

IFRS 16 -Leases

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

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

i) Identification of contracts;

ii) Transition approach;

iii) Effects of first-time adoption.

Identification of contracts

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

Transition approach

The Group applied IFRS 16 with effect from 1 January 2019, the date of initial application, using the modified retrospective approach. Accordingly, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

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

- Applied a single discount rate to portfolios of leases with similar characteristics. This results in discount rates from 8.75% to 12.90% being used as shown in note 12.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application and leases of low-value assets. The payments associated with these leases will be recognised as an expense on a straight-line basis over the lease term.

Effects of first-time adoption

For more details about the IFRS 16 adoption, please see Note 12.

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

	Note	**Unaudited six months to 30 June 2019 US$'000**	Unaudited six months to 30 June 2018 US$'000
Sales of services		**199,217**	226,979
Revenue from construction contracts		**–**	8,038
		199,217	235,017
Investment income	7	**2,237**	2,424
		201,454	237,441

3.1 Disaggregated revenue information

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

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Towage and agency services		
Harbour manoeuvres	**70,479**	79,346
Special operations	**3,623**	7,104
Ship agency	**4,319**	4,959
Total	**78,421**	91,409
Port terminals		
Container handling	**44,738**	46,691
Warehousing	**16,224**	22,960
Ancillary services	**10,160**	11,769
Oil & Gas support base	**11,484**	10,720
Other services	**9,483**	7,929
Total	**92,089**	100,069
Logistics		
Logistics	**25,675**	28,786
Total	**25,675**	28,786
Shipyard		
Shipyard construction contracts	**–**	8,038
Technical assistance/dry-docking	**3,032**	6,882
Total	**3,032**	14,920
Other services		
Other services	**–**	(167)
Total	**–**	(167)
Total	**199,217**	235,017

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Timing of revenue recognition		
At a point of time	**196,185**	220,097
Over time	**3,032**	14,920
	199,217	235,017

3.2 Contract balance

Trade receivables are generally received between 30 and 45 days after the invoice date. The carrying amount of operational trade receivables at the end of reporting period was US$55.7 million (2018: US$57.7 million). These amounts including US$16.2 million (2018: US$15.3 million) of contract assets (unbilled accounts receivables).

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

3.3 Performance obligations

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

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

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

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

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

All revenue is derived from continuing operations.

4 Business and geographical segments

Business segments

Ocean Wilsons Holdings Limited has two reportable segments: maritime services and investments. The maritime services segment provides towage, port terminals, ship agency, offshore, logistics and shipyard services in Brazil through Wilson

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

Segment information relating to these businesses is presented below.

For the six months ended 30 June 2019 (unaudited)

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

For the six months ended 30 June 2018 (unaudited)

	Maritime services six months to 30 June 2018 US$'000	Investment six months to 30 June 2018 US$'000	Unallocated six months to 30 June 2018 US$'000	Consolidated six months to 30 June 2018 US$'000
Revenue	235,017	–	–	235,017
Result				
Segment result	49,241	(1,463)	(952)	46,826
Share of joint venture results	(1,330)	–	–	(1,330)
Returns on investment portfolio at fair value through profit and loss	–	4,134	–	4,134
Other investment income	2,372	6	46	2,424
Finance costs	(15,773)	–	–	(15,773)
Exchange (losses)/gains on monetary items	(8,917)	1	370	(8,546)
Profit before tax	25,593	2,678	(536)	27,735
Tax	(11,060)	–	–	(11,060)
Profit after tax	14,533	2,678	(536)	16,675

Other information				
Capital additions	(35,150)	–	–	(35,150)
Depreciation and amortisation	(28,723)	–	(1)	(28,724)
Balance Sheet				
Assets				
Segment assets	932,810	272,477	4,179	1,209,466
Liabilities				
Segment liabilities	(446,482)	(249)	(229)	(446,960)

Finance costs and associated liabilities have been allocated to reporting segments where interest costs arise from loans used to finance the construction of fixed assets in that segment.

Geographical Segments
The Group's operations are located in Bermuda and Brazil.

All 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	
	Unaudited 30 June 2019 US$'000	Unaudited 30 June 2018 US$'000	**Unaudited six months to 30 June 2019 US$'000**	Unaudited six months to 30 June 2018 US$'000
Brazil	**1,102,419**	904,703	**45,659**	35,150
Bermuda	**315,295**	304,763	**–**	–
	1,417,714	1,209,466	**45,659**	35,150

5 Employee benefits expense

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Aggregate remuneration comprised:		
Wages and salaries	**56,531**	64,583
Share based payment expense	**200**	662
Social security costs	**13,587**	9,957
Other pension costs	**521**	571
	70,839	75,773

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

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Increase in fair value of trading investments held at period end	**21,134**	93
Income from underlying investment vehicles	**1,340**	1,079
Profit on disposal of trading investments	**353**	2,962
	22,827	4,134

The prior period comparatives have been re-presented in order to match the current period's presentation.

7 Other investment income

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Interest on bank deposits	**1,650**	2,074
Other interest	**587**	350
	2,237	2,424

The prior period comparatives have been re-presented in order to match the current period's presentation.

8 Finance costs

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Interest on bank overdrafts and loans	**13,041**	6,197
Exchange (gain)/loss on foreign currency borrowings	**(891)**	9,179
Interest on obligations under finance leases	**62**	47
Other interest	**580**	350
	12,792	15,773

9 Taxation

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Current taxation		
Brazilian taxation:		
Corporation tax	**7,234**	9,269
Social contribution	**2,421**	3,650
Total current tax	**9,655**	12,919
Deferred tax		
(Credit)/charge for the period in respect of deferred tax liabilities	**(1,026)**	16,349
Charge/(credit) for the period in respect of deferred tax assets	**4,497**	(18,208)
Total deferred tax	**3,471**	(1,859)
Total taxation	**13,126**	11,060

Brazilian corporation tax is calculated at 25% (2018: 25%) of the assessable profit for the year.

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

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until 31 March 2035.

10 Dividends

	Unaudited	Unaudited

	six months to 30 June 2019 US$'000	six months to 30 June 2018 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2018 of 70.0c (2017: 70.0c) per share	**24,754**	24,754

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

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Earnings:		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**28,114**	10,032
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**35,363,040**	35,363,040

12 Lease arrangements

12.1 Right-of-use assets

Right of use by class of asset	Operational area US$'000	Vessels US$'000	Buildings US$'000	Machinery and equipment US$'000	Vehicles US$'000	Finance leases US$'000	Total US$'000
Cost or valuation							
Balance at 1 January 2019	**162,292**	**4,106**	**6,137**	**2,637**	**1,150**	**–**	**176,322**
Transfers	–	–	–	–	–	**9,798**	–
Contractual amendments	**13,352**	**175**	**53**	**(126)**	**(142)**	**–**	**13,312**
Exchange differences	**(32)**	**(4)**	**(19)**	**(9)**	**(1)**	**108**	**43**
Terminated contracts	–	–	–	–	–	**(341)**	**(341)**
At 30 June 2019	**175,612**	**4,277**	**6,171**	**2,502**	**1,007**	**9,565**	**199,134**
Accumulated amortisations							
Balance at 1 January 2019	–	–	–	–	–		
Transfers	–	–	–	–	–	**7,969**	**7,969**
Charge for the year	**3,868**	**1,114**	**703**	**229**	**257**	**190**	**6,361**
Exchange differences	**14**	**6**	**–**	**1**	**(3)**	**88**	**106**
Terminated contracts	–	–	–	–	–	**(282)**	**(282)**
Balance at 30 June 2019	**3,882**	**1,120**	**703**	**230**	**254**	**7,965**	**14,154**
Carrying amount							
At 30 June 2019	**171,730**	**3,157**	**5,468**	**2,272**	**753**	**1,800**	**184,980**
At 1 January 2019	162,292	4,106	6,137	2,637	1,150	–	176,322

Operational Area
The main lease commitments included as operational area are described below:

Tecon Rio Grande
The Tecon Rio Grande lease was signed on 3 February 1997 for a period of 25 years renewable for a further 25 years. Tecon Rio Grande was granted the right to renew the lease as set out in the contract amendment signed on 7 March 2006 in view of compliance with the contractual requirements, additional investments made in expanding the terminal by constructing a third berth and the annual volume of containers handled.

Among the commitments set forth in the Lease Agreement and its Addendum are the following:

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

Tecon Salvador
Tecon Salvador S.A. has the right to lease and operate the container terminal and heavy cargo terminal in the Port of Salvador for 25 years renewed in 2016 for a further 25 years.

The total lease term of 50 years, until March 2050, is provided in the second addendum to the rental agreement. This addendum requires the Group to make a minimum specified investment in expanding the leased terminal area.

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

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

Brasco
Brasco lease commitments mainly refer to a 30-year lease right to operate an area in Guanabara Bay, Rio de Janeiro, Brazil with convenient access to attend Campos and Santos oil producing basins.

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

Vessels
Chartering of vessels for maritime transport between port terminals. Payments made relating to the quantity of vessel trips were not included in the measurement of lease liabilities.

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

Machinery and equipment
Rental contracts mainly for forklifts and other operating equipment.

Vehicles
Rental of vehicles for operational, commercial and administrative activities.

Finance Leases
Lease contracts previously classified under IAS 17.

12.2 Lease liabilities

	Discount rate	30 June 2019 US$'000
Lease liabilities by class of asset		
Operational area	8.75%	**174,738**
Vessels	9.25%	**3,214**
Buildings	8.75%	**5,597**
Machines and equipment	8.88% - 12.90%	**2,374**
Vehicles	11.86%	**785**
Finance leases	10.80%	**80**
Total		**186,788**

Total current	**20,893**
Total non-current	**165,895**

	Unaudited 30 June 2019 US$'000
Maturity analysis – contractual undiscounted cash flows	
Within one year	**22,105**
In the second year	**21,010**
In the third to fifth years inclusive	**38,383**
After five years	**381,434**
Total borrowings	**462,932**
Adjustment to present value	**(276,144)**
Total lease liabilities	**186,788**

12.3 Amounts recognised in profit and loss

	Unaudited six months to 30 June 2019 US$'000
Amortisation of right of use assets	**(6,171)**
Interest on lease liabilities	**(7,806)**
Variable lease payments not included in the measurement of lease liabilities [1] [2]	**(1,628)**
Expenses relating to short-term leases	**(8,091)**
Expenses relating to low-value assets	**(458)**

[1] The amounts refers to payments, which exceeded the minimum forecast volumes of Tecon Rio Grande and Tecon Salvador.
[2] The payments related to the quantity of vessel trips were not included in the measurement of lease liabilities.

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

12.4 Amounts recognised in the statement of cash flows

	Unaudited six months to 30 June 2019 US$'000
Amortisation of lease liability	**(2,964)**
Interest paid -lease liability	**(7,813)**

Total	**(10,777)**

13 Property, plant and equipment

	Land and buildings US$'000	Floating Craft US$'000	Vehicles, plant and equipment US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation					
At 1 January 2018	301,306	462,105	259,518	2,760	1,025,689
Additions	16,827	12,620	8,856	21,370	59,673
Transfers	1,163	13,997	(1,163)	(13,997)	–
Exchange differences	(35,009)	–	(33,782)	–	(68,791)
Disposals	(1,781)	–	(2,865)	–	(4,646)
At 1 January 2019	**282,506**	**488,722**	**230,564**	**10,133**	**1,011,925**
Additions	**18,226**	**11,314**	**13,496**	**2,262**	**45,298**
Transfers	**132**	**76**	**(208)**	–	–
Transfers to right to use	–	–	**(9,798)**	–	**(9,798)**
Transfers from intangible assets	–	–	**246**	–	**246**
Exchange differences	**2,455**	–	**2,091**	–	**4,546**
Disposals	**(29)**	–	**(5,219)**	–	**(5,248)**
At 30 June 2019	**303,290**	**500,112**	**231,172**	**12,395**	**1,046,969**
Accumulated depreciation and impairment					
At 1 January 2018	91,919	167,158	131,731	–	390,808
Charge for the year	8,589	25,499	18,669	–	52,757
Elimination on construction contracts	–	163	–	–	163
Exchange differences	(11,968)	–	(17,461)	–	(29,429)
Disposals	(1,405)	–	(3,420)	–	(4,825)
At 1 January 2019	**87,135**	**192,820**	**129,519**	–	**409,474**
Charge for the year	**4,137**	**12,623**	**8,298**	–	**25,058**
Elimination on construction contracts	–	**118**	–	–	**118**
Transfers to right of use	–	–	**(7,969)**	–	**(7,969)**
Exchange differences	**824**	–	**1,171**	–	**1,995**
Disposals	**(16)**	–	**(4,421)**	–	**(4,437)**
At 30 June 2019	**92,080**	**205,561**	**125,598**	–	**424,239**
Carrying Amount					
At 30 June 2019 (unaudited)	**211,210**	**294,551**	**104,574**	**12,395**	**622,730**
At 31 December 2018 (audited)	195,371	295,902	101,045	10,133	602,451

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

The Group has pledged assets having a carrying amount of approximately US$276.4 million (2018: US$293.8 million) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2019 is US$0.7 million (2018: US$0.1 million) at an average interest rate of 3.05% (2018: 3.38%).

At 30 June 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$3.0 million.

14 Financial assets at fair value through profit or loss

	Unaudited six months to 30 June 2019 US$'000	Audited year to 31 December 2018 US$'000
Financial assets at fair value through profit or loss		
At 1 January	**287,298**	305,070

Additions, at cost	**17,887**	56,225
Disposals, at market value	**(51,853)**	(63,992)
Increase/(decrease) in fair value of trading investments held at period end	**21,134**	(18,654)
Profit on disposal of trading investments	**353**	8,579
At period end	**274,819**	287,298
Ocean Wilsons (Investments) Limited Portfolio	**274,819**	258,188
Wilson Sons Limited	**–**	29,110
Financial assets at fair value through profit or loss held at period end	**274,819**	287,298

Wilson Sons Limited

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

Ocean Wilsons (Investments) Limited Portfolio

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

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

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

15 Trade and other receivables

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Trade and other receivables		
Other trade receivables	**489**	483
Total other non-current trade receivables	**489**	483
Amount receivable for the sale of services	**57,256**	59,224
Allowance for doubtful debts	**(1,559)**	(1,490)
Total current trade receivables	**55,697**	57,734
Prepayments	**7,456**	10,917
Insurance claim receivable	**1,862**	3,314
Other receivables	**3,481**	1,706
Total other non-current trade receivables	**12,799**	15,937
Total other current trade receivables	**68,496**	73,671

Ageing of trade receivables	**Unaudited 30 June 2019 US$'000**	Audited 31 December 2018 US$'000
Current	**47,725**	45,243
From 0 – 30 days	**5,539**	9,325
From 31 – 90 days	**1,739**	2,405
From 91 – 180 days	**777**	1,276
more than 180 days	**1,476**	973

Total	**57,256**	59,224

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

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

16 Bank loans and overdrafts

	Annual Interest rate	**Unaudited 30 June 2019 US$'000**	Audited 31 December 2018 US$'000
Secured borrowings			
BNDES – FMM linked to US$ (1)	2.07% – 5.00%	**155,692**	152,002
BNDES Real	6.26% – 8.54%	**19,254**	14,267
BNDES – FMM Real (1)	9.72%	**1,191**	1,250
BNDES – FINAME Real	4.50% – 6.00%	**86**	150
Total BNDES		**176,223**	167,669
Banco do Brasil – FMM linked to US$	2.00% – 3.00%	**82,327**	85,142
Bradesco - NCE - Real	7.70%	**26,392**	–
Santander – US$	3.87%	**22,691**	25,523
Itaú - NCE - Real	7.88%	**22,353**	–
IFC – US$	7.00%	–	21,547
China Construction Bank – US$	6.14%	–	6,364
Eximbank – US$	6.22%	–	1,061
Total others		**153,763**	139,637
Total borrowings		**329,986**	307,306

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

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
The borrowings are repayable as follows:		
On demand or within one year	**44,234**	60,209
In the second year	**47,930**	30,504
In the third to fifth years inclusive	**97,814**	79,460
After five years	**140,008**	137,133
Total borrowings	**329,986**	307,306
Amounts due for settlement within 12 months	**44,234**	60,209
Amounts due for settlement after 12 months	**285,752**	247,097

Analysis of borrowings by currency:

	BRL US$'000	BRL linked to US Dollars US$'000	US Dollars US$'000	Total US$'000

30 June 2019 (unaudited)				
Bank loans	**69,277**	**238,019**	**22,691**	**329,987**
Total	**69,277**	**238,019**	**22,691**	**329,987**
31 December 2018 (audited)				
Bank loans	15,667	237,144	54,495	307,306
Total	15,667	237,144	54,495	307,306

Guarantees
Loans with BNDES rely on a corporate guarantee from Wilson Sons de Administração e Comércio Ltda, ("WSAC"). For some contracts, the corporate guarantee is additional to: (i) a pledge of the respective financed tugboat, (ii) a lien of logistics and port operations equipment financed.

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

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

The loan agreement between Tecon Rio Grande and Santander for equipment acquisition relies on a corporate guarantee from WSAC.

Undrawn credit facilities
At 30 June 2019, the Group had available US$98.3 million of undrawn borrowing facilities. For each disbursement, there is a set of conditions precedent that must be satisfied.

Covenants
WSAC as corporate guarantor has to comply with annual loan covenants for both Wilson Sons Estaleiros and Brasco Logística Offshore in respect of loan agreements signed with BNDES.

Wilport Operadores Portuários Ltda as corporate guarantor for loan agreements signed between the BNDES and Tecon Salvador S.A, has to comply with annual loan covenants including ratios of debt service coverage, net debt ratio over EBITDA and equity over total assets. For the same agreements Tecon Salvador has to comply with the debt service coverage ratio covenant. The ratios will be calculated excluding the impact of IFRS 16.

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

At 30 June 2019, the Company was in compliance with all clauses in the above mentioned loan contracts.

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

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Bank loans		
BNDES	**176,223**	167,669
Banco do Brasil	**82,327**	85,142
Bradesco	**26,392**	–
Santander	**22,691**	25,523
Itaú	**22,353**	–
China Construction Bank	–	6,364
IFC	–	21,547
Eximbank	–	1,061
Total	**329,986**	307,306

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

Proportion of ownership interest

	Place of incorporation and operation	**30 June 2019**	30 June 2018
Towage			
Consórcio de Rebocadores Barra de Coqueiros (3)	Brazil	**50%**	50%
Consórcio de Rebocadores Baia de São Marcos (3)	Brazil	**50%**	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda (3)	Brazil	**50%**	50%
Offshore			
Wilson, Sons Ultratug Participações S.A. (1)	Brazil	**50%**	50%
Atlantic Offshore S.A. (2)	Panama	**50%**	50%

(1) Wilson, Sons Ultratug Participações S.A. controls Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A. These latter two companies are indirect joint ventures of the Company.

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

(3) Joint Operations.

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

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Revenue	**59,862**	58,601
Raw materials and consumable used	**(3,667)**	(4,090)
Employee benefits expense	**(20,484)**	(19,134)
Right of use	**(5,136)**	–
Depreciation and amortisation expenses	**(19,883)**	(19,272)
Other operating expenses	**(6,074)**	(7,724)
Loss on disposal of property, plant and equipment	**–**	(19)
Profits from operating activities	**4,818**	8,362
Finance income	**450**	167
Finance costs	**(9,003)**	(8,781)
Foreign exchange gains/(losses) on monetary items	**890**	(8,192)
(Loss)/profit before tax	**(3,045)**	(8,444)
Income tax credit/(expense)	**1,832**	5,784
(Loss)/profit for the period	**(1,213)**	(2,660)
Participation (before non-controlling interests)	**50%**	50%
Equity result	**(607)**	(1,330)

	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
Right of use assets	**1,202**	–
Property, plant and equipment	**613,713**	628,135
Long-term investment	**2,194**	2,171
Other current assets	**10,196**	8,821
Trade and other receivables	**30,829**	24,223
Derivatives	**–**	507
Cash and cash equivalents	**11,808**	18,145
Total assets	**669,402**	682,002

Bank loans	**440,463**	484,009
Lease liability	**1,331**	–
Other non-current liabilities	**51,118**	31,468
Trade and other payables	**84,426**	77,746
Equity	**92,244**	88,779
Total liabilities	**669,402**	682,002

We have not given separated disclosure of all material Joint Ventures because they belong to the same economic group. Wilson Sons Limited holds a non-controlling interest in Wilson Sons Ultratug Particpações S.A and Atlantic Offshore S.A.

Wilson, Sons Ultratug Participações S.A is a controlling shareholder of Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A, while Atlantic Offshore S.A. is a controlling shareholder of South Patagonia S.A.

Guarantees
Wilson, Sons Offshore S.A. loan agreements with BNDES are guaranteed by a lien on the financed supply vessel and, in the majority of the contracts, a corporate guarantee from both WSAC and Rebocadores Ultratug Ltda, each guaranteeing 50% of the subsidiary's debt balance with BNDES.

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

The loan agreement that Atlantic Offshore S.A. has with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB" for the financing of the offshore support vessel "Pardela" is guaranteed by a pledge of the vessel, the shares of Atlantic Offshore S.A. and a corporate guarantee for half of the loan from WSAC e Comércio. Remolcadores Ultratug Ltda, our joint venture partner, guarantees the other half of the loan.

Covenants
As at 31 December 2018, the Wilson, Sons Ultratug Participações S.A. subsidiary was not in compliance with one of its covenant ratios. If the joint venture's subsidiary does not meet the covenant ratio it can remedy the situation through a capital increase by the amount necessary to achieve the ratio within one year. The subsidiary´s capital has already been increased, albeit not sufficiently to attend the ratio requirement. The subsidiary has requested and is awaiting a waiver from Banco do Brasil.

Atlantic Offshore S.A. has to comply with specific financial covenants on its two loan agreements with Deutsche Verkehrs-Bank "DVB" and Norddeutsche Landesbank Girozentrale Trade "Nord/LB". At 31 December 2018 the subsidiary was not in compliance with the debt service coverage ratio of 115% on a forward four quarter rolling basis but had received forbearance letters until December 2019. The subsidiary was in compliance with all other loan agreement clauses.

18 Notes to the cash flow statement

	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**47,134**	27,735
Share of joint venture results	**607**	1,330
Other investment income	**(2,237)**	(2,424)
Returns on investment portfolio at fair value through profit and loss	**(22,827)**	4,134
Finance costs	**12,792**	15,773
Exchange (gains)/losses on monetary items	**(347)**	8,546
Operating profit	**35,122**	46,826
Adjustments for:		
Amortisation of right of use assets	**6,361**	–
Depreciation of property, plant and equipment	**25,058**	27,023

Amortisation of intangible assets	**1,703**	1,701
Share based payment expense	**200**	662
Loss/(profit) on disposal of property, plant and equipment	**119**	(139)
Decrease in provisions	**(983)**	(4,974)
Operating cash flows before movements in working capital	**67,580**	71,099
Increase in inventories	**(549)**	(153)
Decrease in receivables	**4,947**	18,422
Decrease in payables	**(955)**	(13,015)
Decrease in other non-current assets	**80**	635
Cash generated by operations	**71,103**	76,988
Income taxes paid	**(9,737)**	(14,965)
Interest paid	**(13,793)**	(6,414)
Net cash from operating activities	**47,573**	55,609

19 Commitments

At 30 June 2019 the Group had entered into commitment agreements with respect to trading investments. These commitments relate to capital subscription agreements entered into by Ocean Wilsons (Investments) Limited. The expiry dates of the outstanding commitments in question may be analysed as follows:

	Unaudited Outstanding at 30 June 2019 US$'000	Audited Outstanding at 31 December 2018 US$'000
Within one year	**1,198**	4,416
In the second to fifth year inclusive	**5,364**	5,305
After five years	**36,752**	25,903
Total	**43,314**	35,624

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

19 Related party transactions

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

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

	Dividends received/ Revenue from services		Amounts paid/ Cost of services	
	Unaudited six months to 30 June 2019 US$'000	Unaudited six months to 30 June 2018 US$'000	**Unaudited six months to 30 June 2019 US$'000**	Unaudited six months to 30 June 2018 US$'000
Joint ventures				
1. Allink Transportes Internacionais Limitada	–	8	**(168)**	(178)
2. Consórcio de Rebocadores Barra de Coqueiros	–	–	–	–
3. Consórcio de Rebocadores Baía de São Marcos	**358**	13	**(198)**	–
4. Wilson Sons Ultratug Participações S.A.	–	2,784	–	–
5. Atlantic Offshore S.A.	–	–	–	–
Others				
6. Hanseatic Asset Management LBG	–	–	**(1,357)**	(1,375)
7. Gouvêa Vieira Advogados	–	–	**(24)**	(22)
8. CMMR Intermediacao Comercial Limitada	–	–	**(41)**	(47)
9. Jofran Services	–	–	**(87)**	(87)

		Amounts owed by related parties		Amounts owed to related parties	
		Unaudited 30 June 2019 US$'000	Unaudited 30 June 2018 US$'000	**Unaudited 30 June 2019 US$'000**	Unaudited 30 June 2018 US$'000
Joint ventures					
1.	Allink Transportes Internacionais Limitada	–	–	–	(2)
2.	Consórcio de Rebocadores Barra de Coqueiros	–	65	–	–
3.	Consórcio de Rebocadores Baía de São Marcos	**2,024**	1,992	–	–
4.	Wilson Sons Ultratug Participações S.A.	**10,172**	10,533	–	–
5.	Atlantic Offshore S.A.	**20,167**	20,167	–	–
Others					
6.	Hanseatic Asset Management LBG	–	–	**(239)**	(249)
7.	Gouvêa Vieira Advogados	–	–	–	–
8.	CMMR Intermediacao Comercial Limitada	–	–	–	–
9.	Jofran Services	–	–	–	–

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

6. Mr W H Salomon is Chairman of Hanseatic Asset Management LBG. Fees were paid to Hanseatic Asset Management LBG for acting as investment managers of the Group's investment portfolio and administration services.

7. Mr J F Gouvêa Vieira is a partner in the law firm Gouvêa Vieira Advogados. Fees were paid to Gouvêa Vieira Advogados for legal services.

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

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

20 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings shown in the consolidated statement of changes in equity.

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

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets and manages the financial risks relating to the operations of the Group through internal reports. The primary objective is to keep a minimum exposure to those risks by using financial instruments and by assessing and controlling the credit and liquidity risks according to the rules and procedures established by management. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures, with Board approval. The Group does not enter into trading financial instruments, including derivative financial instruments for speculative purposes.

Credit risk

The Group's principal financial assets are cash, trade and other receivables, related party loans and trading investments. The Group's credit risk is primarily attributable to its bank balances, trade receivables, related party loans and investments. The amounts presented as receivables in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The credit risk on investments held for trading is limited because the counterparties with whom the Group transacts are regulated institutions or banks with high credit ratings. The Company's appointed Investment Manager, Hanseatic Asset Management LBG, evaluates the credit risk on trading investments prior to and during the investment period.

In addition, the Company invests in Limited Partnerships and other similar investment vehicles. The level of credit risk associated with such investments is dependent upon the terms and conditions and the management of the investment structures. The Board reviews all investments at its regular meetings from reports prepared by the Group's Investment Manager.

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

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

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

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

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

Interest rate risk management
The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group holds most of its debts linked to fixed rates. Most of the Group's fixed rates loans are with the FMM (Fundo da Marinha Mercante).

Loans exposed to floating rates are as follows:

- TJLP (Brazilian Long-Term Interest Rate) for Brazilian Real denominated funding through a FINAME credit line for the Port and Logistics operations, and
- DI (Brazilian Interbank Interest Rate) for Brazilian Real denominated funding for Logistics operations.

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

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

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

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's sales policy is subordinated to the credit sales rules set by management, which seeks to mitigate any loss from customers' delinquency.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Trade and other receivables disclosed in the balance sheet are shown net of the allowance for doubtful debts. The allowance is booked whenever a loss is identified, which based on past experience is an indication of impaired cash flows

Ocean Wilsons (Investments) Limited primarily transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager. The duration of credit risk associated with the investment transaction is the period between the date the transaction takes place, (the trade date) and the date the stock and cash are transferred (the settlement date). The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction.

Liquidity risk management
Liquidity risk is the risk that the Group will encounter difficulty in fulfilling obligations associated with its financial liabilities that are settled with cash payments or another financial asset. The Group's approach in managing liquidity is to ensure that the Group always has sufficient liquidity to fulfil the obligations that expire, under normal and stress conditions, without causing unacceptable losses or risk damage to the reputation of the Group.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group ensures it has sufficient cash reserves to meet the expected operational expenses, including financial obligations. This practice excludes the potential impact of extreme circumstances that cannot be reasonably foreseen.

Fair value of financial instruments
The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on 30 June 2019. The quoted market price used for financial assets held by the Company utilise the last traded market prices.

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