Ocean Wilsons Holdings Limited

Annual Report 2005

Contents

2 Chairman's Statement
4 Operating Review
8 Financial Review
16 Directors and Advisers
17 Report of the Directors
19 Independent Auditors' Report
20 Consolidated Income Statement
21 Consolidated Balance Sheet
22 Consolidated Statement of changes in Equity
23 Consolidated Cash Flow Statement
24 Notes to the Accounts
57 Statistical Statement 2001 - 2005 (Unaudited)
58 Notice of Annual General Meeting
59 Form of Proxy

Cover: The platform supply vessel (PSV) Saveiros Albatroz. The Albatroz is currently operating in the Campos Basin under long-term contract to Petrobras.

Ocean Wilsons Holdings Limited

is a leading supplier of maritime services in Brazil and holds a portfolio of internationally listed investments.

The Group's activities include harbour and ocean towage, offshore support services, small vessel construction and maintenance, container terminal operation, logistics, dredging and ship agents.

Chairman's Statement

Introduction

I am pleased to report that the Group's performance in 2005 was in line with our expectations delivering another good performance. Revenue increased in all the Group's core businesses although margins were adversely impacted by the appreciation of the Brazilian Real (R$). The Group maintained its position as the leading supplier of maritime services in Brazil.

Results

In 2005 Group revenue increased by 31% to US$285.2 million (2004: US$217.7 million) although operating profit decreased 6% at US$33.5 million (2004: US$35.8 million). Increased investment revenues to US$14.2 million (2004: US$10.4 million) were the main factor in profit before taxation improving by 3% to US$49.5 million (2004: US$48.2 million). Earnings per share improved 4.2 cents to 93.6 cents (2004: 89.4 cents).

Brazil

The Brazilian economy grew by around 2.3% in 2005, lower than expected at the beginning of the year.

Brazil's external accounts have improved considerably in 2005:

- Trade surplus reached US$44.8 billion;
- Accumulated net foreign exchange reserves at US$61 billion;
- Prepaid debt to IMF;
- Retired remaining Brady Bonds;
- Brazil risk premium had fallen to 311 basis points by year end and since dropped further;
- Strength of Brazilian Real against US dollar.

Unfortunately the strength of Brazil's external position has not been matched by the internal accounts. Government expenditures increased especially with "Bolsa Familia", minimum wage and other social programs.

Domestic interest rates, after rising to 19.75% p.a., dropped by the year end and continued this trend during the first quarter of 2006 falling to 16.50% p.a. However, further significant reductions will depend on important pending structural reforms, in areas such as social security, labour and tax which are regrettably unlikely to be approved by Congress in this electoral year.

Exchange rates

The Brazilian Real appreciated 12% against the US Dollar from R$2.66 at 1 January 2005 to R$2.34 at the year end. The appreciation of the Brazilian Real against the US Dollar generated a net exchange gain of US$5.4 million (2004: US$3.5 million) on the Group's Real$ denominated cash balances.

Dividends

In light of the Group's continuing strong performance, the Board is recommending that the final dividend remain at 18 cents per share (2004: 18 cents per share) to be paid on 16 June 2006 to shareholders on the register at the close of business on 12 May 2006, making a total dividend for the year of 20 cents per share (2004: 20 cents per share).

The Group's dividends are determined in US Dollars. Shareholders receive dividends in Sterling determined by reference to the exchange rate applicable to the US Dollar on the dividend record date, except for those shareholders that elect to receive dividends in US Dollars. Shareholders electing to receive a dividend in US Dollars should write to the Company's UK transfer agent, Capita Registrars at the address set out on page 16, before the next dividend record date, 12 May 2006.

The Board's dividend policy takes into consideration all aspects of the Group's financial performance and prospects, but especially profitability and free cash flow. Shareholders should also be aware that the future value of dividend payments in Sterling terms will depend on the prevailing Sterling/US Dollar exchange rate at the relevant dividend record date.

Corporate social responsibility

The Board has adopted the fundamental principles of corporate social responsibility. We are committed to understanding the needs and interests of all stakeholders we are involved with and are concerned for the community and environment. We continually strive to improve our social and environmental performance, with the objective of ensuring that our activities contribute to the sustainable development of the communities in which we operate.

Taxes

In 2005 the Group paid in excess of US$60 million (2004: US$55 million) in Brazilian income, payroll and sales taxes.

Local employment

At the end of 2005, the Group directly employed more than 3,000 people in Brazil and created numerous employment opportunities through its suppliers and sub-contractors.
We continue to have an active and constructive relationship with the local and national trade unions in Brazil that represent our employees and negotiate wage agreements on their behalf.

Chairman's Statement

Best employment practice
As part of our commitment to best employment practice, all employees and their dependents receive private medical cover at a cost of US$4.1 million (2004: US$3.0 million) to the Group. In addition, the Group provided US$2.2 million (2004: US$1.6 million) of food assistance and spent a further US$400,000 (2004: US$309,000) on education and professional development for employees. The Group will continue to invest in these areas.

Charitable donations
In line with our policy to support local charities the Group made charitable donations of US$163,000 (2004: US$93,000) during the year. The primary focus of the Group's charitable efforts continues to be projects helping homeless children and adolescents. The Group continued its support of Casa Jimmy and Pastoral do Menor in Rio and Casa da Crianca in Salvador. In addition to financial support, the Group encourages employees to participate in social initiatives of this nature.

International Financial Reporting Standards
The financial information contained in this report, including all comparatives, has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Further details are given in the IFRS interim restatement available on the Company's website and released to the London and Bermuda stock exchanges. The Group published financial information in accordance with IFRS for the year ended 31 December 2004 on the 10 October 2005. The change to IFRS has had a significant impact on the Group's accounts and I encourage all shareholders to read the details contained in these news releases.

Management and staff
On behalf of your Board, I would like to thank our management and staff for their hard work and loyalty during the year. The Group's performance in a competitive market is a credit to our people who have delivered a first class service. We will continue to invest in their future through training and incentive programmes.

Strategy
In September 2005 the Board of Ocean Wilsons Holdings Limited announced that it had concluded the review of its strategic options in relation to the Company's Brazilian operations and had decided to continue to remain focused on its current operations and to invest in their future development.

The acquisition of a further 33% equity interest in Tecon Rio Grande S.A. announced in August 2005 for R$55.5 million (approximately US$23.2 million) is consistent with the Board's strategy and strengthens the Company's position in the growing container terminal market in Brazil. In the 2004 Group accounts, Tecon Rio Grande was consolidated 100% with a 33% minority interest.

The Board believes that the strength of our Brazilian business continues to present exciting opportunities for future growth and remains committed to creating long term value for shareholders.

Outlook
The Group continues to grow and establish strong positions in a range of markets. We will continue to invest in our core businesses and the Group remains well positioned to benefit from any further upturn in Brazilian trade.

Civil works for the expansion of the Tecon Rio Grande container terminal will begin in the second quarter of 2006. This is later than originally stated in last year's annual report due to the acquisition of the minority interest in Tecon RG in August 2005. Two new Portainers are currently being assembled at the terminal and are forecast to begin operation in July 2006.

The outlook for the oil and gas offshore business remains positive and the Group is actively pursuing further opportunities in this area through participation in new tenders as they arise.

One of the challenges facing management is the need to maintain margins in face of a strengthening Brazilian currency. Management remains committed to reducing costs and improving tariffs where possible to ensure the continuing profitability of the Group.

J. F. Gouvêa Vieira
Chairman

Operating Review

Introduction

As the leading supplier of maritime services in Brazil, the Group is the largest provider of Towage services, as well as being a significant Ship Agent, and operator of Ports and Logistics businesses.

Towage, Shipyard and Offshore Operations

Revenue in the Group's Towage, Shipyard and Offshore division rose to US$126.5 million in 2005 (2004: US$ 112.2 million), an increase of 13% which reflects consistent growth in both towage and offshore revenues. However, operating margins fell due to the appreciation of the Brazilian Real with segment operating profit falling from US$26.2 million in 2004 to US$24.2 million in 2005.

Towage

The towage business performed very well in 2005, with an increase of 14% in the number of vessels attended and a small decrease in the average dead-weight tonnage of vessels serviced. This dynamic resulted principally from a rise in the number of liner vessels calling at Brazilian ports combined with a reduction in soya bean exports. However, an increase in service costs, due to the appreciation of the Real against the US Dollar, resulted in lower margins compared to 2004.

The Group's ocean towage operations and salvage assistance activities performed strongly and achieved a record number of ocean tows along the Brazilian coast as well as salvage work carried out in the ports of Paranaguá and Sepetiba.

Continuing the Group's fleet renewal program, the Group's shipyard in Guaruja delivered the 43 ton bollard pull tugs, Cetus and Haris, in May and July 2005 respectively. To improve operating efficiency and meet market demand, the Group's policy is to replace the fleet's smaller, older tugs with larger state of the art vessels. Following this strategy the majority of the Group's new tugs are between 40 to 50 ton bollard pull. The older vessels in the fleet are single screw, 15 to 20 ton bollard pull tugs. The average age of the fleet is 17 years. The Group currently operates over 70 tugs in 19 ports throughout Brazil.

The Group's towage joint venture, Consórcio Baía de São Marcos, also delivered a strong performance during the year, increasing revenue by 15% and operating profit by 24% over 2004. The joint venture fleet rose from seven to eight tugs during the course of the year.

Shipyard

In addition to the Group's ongoing fleet maintenance activities, the shipyard was busy with the Group's fleet renewal program and the starting of a new PSV (Platform Supply Vessel). Third party work centred on completion of the conversion of the PSV's for Companhia Brasileira de Offshore (CBO) and Delba Maritima, work which started in 2004. In addition to the delivery of the tugs, Cetus and Haris, work commenced on two new 70 ton bollard pull tugs.

Dragaport

Our associate dredging company Dragaport had a poor year. Dredging work was carried out at the ports of Santos and Fortaleza and at the Ponta da Madeira Terminal (CVRD). However, contracts for dredging services in 2006 have already been negotiated and market conditions are showing some modest signs of improvement.

Platform Supply Vessels

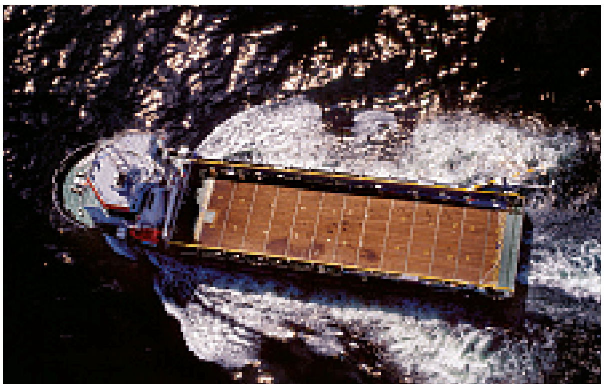
Under time charter to Petrobras, the Group's two offshore vessels continued to perform well during 2005, with no off hire periods and excellent operational records. Operating profit and cash flow remain in line with expectations. The Group's strategy is to increase market share in this area of activity. A third vessel, that is also to be time chartered to Petrobras, is being built and the Group will examine the viability of participating in further tenders as they are announced.

Ship Agency

The division again exceeded expectations for the year, attending 5,902 ship calls, up 7% over 2004. Revenues increased 44% to US$20.7 million. The partnership agency with CMA-CGM continued to expand its business within Brazil and the hub agency contract with Gulf Agency Company provided extra ship calls.

The division's Centralised Service Centre was successfully implemented. As a result, productivity improved with higher volumes being handled by the same number of staff. Service quality improvements were also achieved as a result of a review of internal processes, resulting in an improvement in customer satisfaction.

In 2006, the division intends to achieve Quality Assurance certification by Lloyds Register.



Above: The 72 ton Bollard pull tug Aquarius. The Aquarius is a Azimuth Stern Drive (ASD) tug-boat and was completed at our shipyard in Guaruja in 2006.

Operating Review

Ports and Logistics

Tecon Rio Grande

The terminal moved 670,000 TEU's (Twenty foot Equivalent Units), an increase of 9% over 2004. The number of container vessels attended increased 16% to 1,131. Productivity at 44 moves per hour is in line with the prior year (2004: 46 moves per hour), only marginally affected by the terminal's current capacity constraints. To increase capacity and attend the increased demand for transhipment cargo, two Super Post Panamax Gantry Cranes and four Rubber Tired Gantries, will commence operation in the third quarter of 2006. Work on the planned expansion of the terminal involving construction of a new berth will begin in the second quarter of 2006. The terminal at Tecon Rio Grande moves a diversified range of cargoes, with the main emphasis on tobacco, frozen chicken, resin, shoes and furniture. Tecon Rio Grande services more than 20 shipping lines.

Tecon Salvador

Container volumes handled at Tecon Salvador reached 221,000 TEU's, an increase of 25% over 2004. The number of container vessels attended increased by 32%, reaching 607. This rate of growth resulted from increased volumes in the port and a rise in market share achieved by the terminal. Tecon Salvador now accounts for 100% of the containers moved through the port. The volumes achieved in 2005 were originally forecast for some ten years hence.

The high volume of containers handled by Tecon Salvador in 2005 requires careful logistical planning. New equipment went into service at the beginning of 2006 so as to improve operational capacity and to mitigate limitations on yard capacity. Improvements to the depot area for empty containers will be completed in 2006, which will also help to release storage space in the terminal. Tecon Salvador principally handles exports of chemical and petrochemical products, metals and fruits.

Logistics

The Logistics division provides storage, distribution and transportation solutions. A relatively new area for the Group, Logistics achieved another year of substantial growth, with turnover increasing 100% over 2004. The division now undertakes the logistics operations of a number of large Brazilian companies and multinationals within Brazil including, Votorantim Pulp and Paper, Frangosul (frozen chicken), Embelleze (cosmetics), Merck, Monsanto and Petroflex. The growth achieved in 2005 resulted largely from increases in the operations of Monsanto and Petroflex, as well as road transportation and bonded warehousing in Eadi Santo André, located near São Paulo. As part of our strategy to develop this business, management focus is moving from revenue growth to improving margins and profits.

WRC Operadores Portuários Limitada (WRC)

Our joint venture, WRC, operating in the port of São Francisco do Sul, Santa Catarina had another good year. Volumes handled by the joint venture in 2005 at 261,000 TEU's were in line with 2004 at 280,000 TEU's. On the 7th April 2006 the Group sold its interest in WRC for US$4.3 million. The Group is currently analysing other terminal operation and logistic opportunities in the state of Santa Catarina.

Brasco

Brasco operates onshore bases, and provides logistical support for the offshore oil and gas industry. Following a slow 2004, activity increased significantly in 2005 with Shell operating from the base. Prospects for 2006 remain limited as clients' drilling schedules maybe delayed by a shortage of oil rigs for operations. However, the longer-term outlook is positive as fields move from exploration to the development phase.

In March 2006 the Group acquired the remaining 60% share of Brasco from our partner, ASCO for US$1.2 million. In the same month the Group subsequently sold a 25% minority interest to Brasco management for US$0.5 million.

Cezar Baião
Chief Executive Brazilian Operations

Above: Tecon Rio Grande container terminal, Rio Grande do Sul. In August 2005 the Group acquired a further 33% equity interest in Tecon Rio Grande S.A for US$ 23.2 million.

Financial Review

Revenue

Group revenue, as reported for the year, was US$285.2 million, up 31% on 2004 (US$217.7 million) with growth achieved in all business segments.

Operating margins and profit

Group operating margin for the year declined to 11.8% (2004: 16.4%). The fall in operating margins was principally due to the appreciation of the Brazilian Real against the US Dollar over the period, which reduces revenue and increases costs in Brazilian Real terms. Additionally Brazilian Real denominated operating costs continued to be driven higher by domestic inflation and increased personnel costs.

As a result of the fall in operating margins, Group operating profit decreased compared with the prior year at US$33.5 million (2004: US$35.8 million), despite the increase in turnover.

Investment revenues

Investment revenue for the Group for the year was up US$3.8 million to US$14.2 million, (2004: US$10.4 million) principally due to increased investment revenues from insurance underwriting activities, US$2.2 million (2004: US$0.3 million) and exchange gains on cash and cash equivalents, US$5.4 million (2004: US$3.5 million).

Other gains and losses

Other gains of US$7.8 million (2004: US$8.5 million) arise from the Group's portfolio of trading investments. Unrealised gains in trading investments of US$10.7 million (2004: US$6.1 million) and profits on the disposal of trading investments of US$1.3 million (2004: US$0.5 million) were partially offset by exchange losses on trading investments of US$4.2 million (2004: US$1.8 million gain) resulting from the appreciation of the US Dollar against major currencies.

Finance costs

Finance costs for the Group for the year were US$6.0 million compared with US$6.5 million for 2004, due to increased exchange gains on foreign currency borrowings, US$ 1.2 million (2004: US$0.7 million). Exchange gains derive principally from US Dollar borrowings in Brazilian Real functional currency businesses. Interest on bank loans and overdrafts remained in line with prior year at US$5.5 million (2004: US$5.6 million).

Profit before tax

Group profit before tax for the year was US$49.5 million, US$1.3 million ahead of 2004.

Taxation

The tax charge for the year was US$14.9 million, US$ 1.0 million higher than last year reflecting the increased profit before tax. The underlying effective tax rate for the Group rose to 30% (2004: 29%). This is lower than the corporate tax rate prevailing in Brazil of 34%. The effective tax rate reflects the benefit of income arising in subsidiaries operating in jurisdictions with lower tax rates.

Earnings per share

Basic earnings per share for the year were 93.6 cents, compared with 89.4 cents in 2004.

Cash flow

Net cash inflow from operating activities for 2005 was US$ 24.9 million, US$4.5 million below prior year. The difference is principally lower operating profit and working capital movements. Investing activities for 2005 resulted in an outflow of US$46.8 million, which was US$ 29.6 million higher than the corresponding outflow last year. This was due to the acquisition of the minority interest in Tecon Rio Grande US$ 23.2 million, and higher spending on property plant and equipment of US$ 36.2 million, up from US$20.2 million last year. Capital expenditure was invested mainly in vessel construction and container terminal equipment.

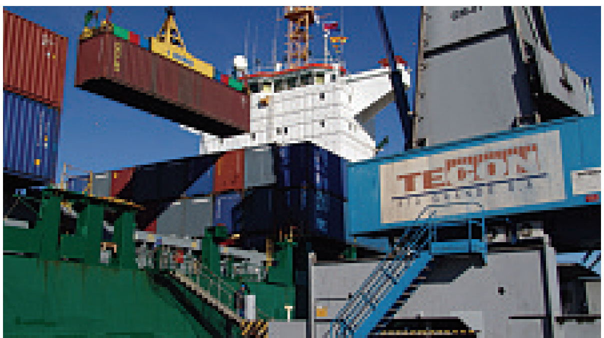
At 31 December 2005, the Group had US$ 50.9 million in cash and cash equivalents, (2004: US$70.9 million).

Balance sheet

At 31 December 2005, the Group's net assets amounted to US$171.4 million (2004: US$147.4 million). This increase is attributable to the combination of strong underlying profits and the appreciation of the Brazilian Real. This translates into net assets per share of 485 cents per share (31 December 2004: 417 cents). Net assets located in Brazil amounted to 303 cents per share (31 December 2004: 261 cents) and net assets outside Brazil to 182 cents per share (31 December 2004: 156 cents).

Debt

The Group has net debt (defined as bank loans, overdrafts and obligations under finance leases less cash and cash equivalents) of US$ 58.5 million (2004: US$ 34.9 million). During the year additional loans of US$ 18.3 million were drawn down principally to finance vessel construction and equipment for Tecon Rio Grande. In 2005 the Group made capital repayments on existing loans in accordance with repayment schedules of US$11.4 million (2004: US$11.0 million).



Above: Night operations at Tecon Rio Grande, Rio Grande do Sul. The Group operates Tecon Rio Grande under concession from the Rio Grande do Sul State Government.

Financial Review

US$103.1 million of Group debt is held in US Dollar term loans or linked to the US Dollar with long maturity profiles for debt repayments. The Group is currently able to borrow at competitive rates and therefore considers this to be the most effective means of raising finance. The weighted average cost of debt is 5.5%.

Risk management

Treasury

The Group has a centralised Treasury operation in Brazil, which manages the investment of surplus funds and borrowings. Clear guidelines have been established relating to cash management authority levels and investment limits. The guidelines prohibit taking speculative financial instrument positions and regular financial management reports are supplied to senior management.

The main financial risks facing the Group relate to funding, interest rates, currency fluctuations and movements in the market price of securities.

Funding risk

The Group conducts business principally in Brazil and holds a portfolio of international investments outside Brazil. 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.

There is limited long term commercial funding available in Brazil except from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES). All long term funding is obtained by our Brazilian subsidiaries from the BNDES or the International Finance Corporation (IFC, part of the World Bank) except for specific equipment supplier financing when available at favourable terms.

At the year end, the Group had US$104.9 million in borrowings repayable over periods of up to 16 years.

The Group also held approximately US$43.0 million in Brazilian Real denominated cash deposits in Brazil and the equivalent of US$7.9 million in Sterling and US Dollar denominated deposits outside Brazil. The Group maintains large cash balances to fund investment opportunities in Brazil and to manage short term fluctuations in cash flow.

Interest rate risk

During 2005 the Group did not use material interest rate swaps, options or forward rate agreements to manage interest rate exposure on its debt positions. However, the Group actively reviews risk profiles and considers undertaking interest rate swaps, if necessary, subject to Board approval.

The Group has three main types of borrowings, Brazilian Real denominated, Brazilian Real denominated linked to the US Dollar and US Dollar borrowings.

Currency risk

The Group operates principally in Brazil with a substantial proportion of the Group's revenue, expenses and assets denominated in Brazilian Real. Due to the prohibitive cost of hedging the Brazilian Real, the Group does not normally hedge its net exposure to the Brazilian Real as the Board considers it uneconomic. The Group's US Dollar debt has defined repayments during the life of the loans. The Group hedges these repayments for periods of up to one year by investing surplus funds in US Dollar linked Brazilian Government bonds or by purchasing foreign exchange options.

The Group has significant long-term borrowings in US Dollars and in Brazilian Real denominated loans linked to the US Dollar. These are used to finance Brazilian Real denominated capital projects. This exposes the Group to a potential currency mismatch of costs and revenues. The Group accepts this risk, as there are few sources of long term financing denominated in Brazilian Real available.

Cash and investments held outside Brazil are principally in US Dollar, Sterling and Euro denominated assets.

Market price risk

The Group invests in internationally listed securities or funds principally for the long-term. The Group's exposure to market price risk arises mainly from potential loss the Group may suffer through holding market positions due to price movements or currency fluctuations.

Investment portfolio

Hanseatic Asset Management LBG that manages the Group's investment portfolio reports as follows:

General

After a flat first half, 2005 turned out to be another good year for investors, the third positive year in a row. Returns on equities comfortably exceeded those on cash and bonds. The increase in share values occurred despite a background that included New Orleans and the US Gulf States being battered by hurricanes, eight increases in the Fed Funds rate, a further increase of 40% in the cost of oil and alarming pronouncements from the new leadership in Iran.

Above: The container and heavy cargo terminal in Salvador, Bahia.
Opposite: The Group's bonded warehouse in Santo Andre, São Paulo.

Financial Review

The MSCI World Index appreciated by 9.5% in US Dollar terms with the largest gains coming from Japan and the emerging markets. The increases in the index occurred despite a stronger dollar, which rose by approximately 15% against the Yen and Euro and 12% against Sterling. Even with a stronger dollar, non-US markets outperformed.

It was another good year for commodities. In addition to spiking energy prices, copper increased by nearly 40% and gold breached the US$500 per ounce level.

The key economic themes were the revival in the Japanese and European economies. The impact of continuing high level of demand from China for commodities and capital goods and the ongoing imbalances in the US economy, both of which have been features of the investment landscape for some time, continued to dominate much macro economic analysis.

Apart from a setback at the time of the Gulf of Mexico hurricanes, the markets remained well bid and volatility fell to very low levels.

Performance

The portfolio benefited from this favourable market environment rising by 12.3%, which exceeded the return on the MSCI World Index of 9.5%. In the five years that Hanseatic Asset Management has managed this portfolio there have been two years of sharp market declines followed by three years of rising markets. Over this period the portfolio has returned 35.2%, significantly ahead of the MSCI Index increase of 14.3% in the same period.

The overweight position in Emerging Markets and good performance in Japan were the two major sources of added value relative to the index. The best performing investments were the Merrill Lynch World Mining Trust (+47.8%), JO Hambro Japan (+37.6%) and SR Emerging (+31.2%).

The largest drag on performance came from the European portfolio where returns were undermined by weakness in the Euro combined with sub par returns from Hedge Funds.

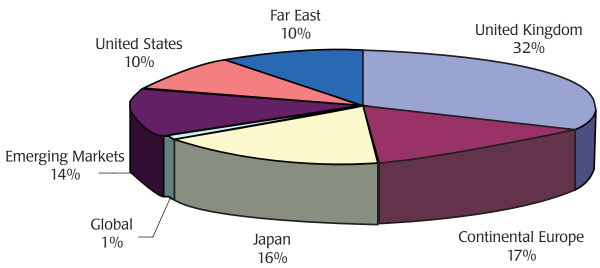
Investment Portfolio Information at 31 December 2005

Investment	Market value US$000	Percentage of Investments
JO Hambro Japan Fund	5,141	8.0%
Lansdowne UK Equity Fund	4,979	7.7%
Ashmore Emerging Markets	4,167	6.5%
Orbis - Japan Equity	4,032	6.3%
Lansdowne European Equity Fund	3,878	6.0%
Findlay Park US Smaller Co's	3,255	5.0%
SR Global Fund Emerging Markets	3,062	4.7%
Putnam New Flag Euro High Yield	2,929	4.5%
Odey European Inc	2,726	4.2%
Merrill Lynch World Mining	2,578	4.0%
Aberdeen Intl Asia Pacific	2,317	3.6%
Finsbury Growth & Income Trust PLC	2,278	3.5%
Close Finsbury Far East Fund	2,232	3.5%
Cathedral Capital	2,085	3.2%
SR Global Fund Asia	1,795	2.8%
Jupiter European Opportunity Trust	1,598	2.5%
SM Investors Offshore	1,365	2.1%
Shell Transport & Trading	1,420	2.2%
Morant Wright Japan Fund	1,293	2.0%
ACP Capital	1,289	2.0%
Top 20 investments	54,419	84.3%
Other investments (21 holdings)	10,144	15.7%
Total investments	64,563	100.0%

Above: The Group's shipyard in Guaruja, São Paulo state.

Financial Review

Geographical Distribution



Asset Class Allocation

Investment	Market value US$000	Percentage of Investments
Listed equities	13,507	20.0%
Long funds	28,068	41.4%
Hedge funds	20,770	30.7%
Unquoted equities	2,218	3.3%
Total investments	64,563	95.4%
Cash under management	3,092	4.6%
Total investment portfolio	67,655	100.0%

Portfolio Activity

The major themes behind portfolio activity included increasing the Japanese weighting and exposure to energy and mining. The major reduction in exposure occurred in Lloyds Underwriters where long term profits were realised. The portfolio however still has a significant exposure to the insurance market via its unquoted holding in Cathedral Capital.

New investments in the portfolio were as follows:

ACP Capital is a London listed company which manages alternative investments and funds in niche product sectors, such as asset backed mezzanine financing and real estate.

Ark Therapeutics, is also London listed and develops medicinal gene-based and biological therapies and diagnostic products.

Herald Ventures is a limited partnership investing primarily in early stage unquoted companies operating in the information technology, media and communications sectors in the UK.

Investec Energy is a fund that invests internationally in companies involved in the exploration, production and distribution of oil, gas and other energy sources.

Lansdowne Macro is an absolute return fund investing in global market and sector strategies.

North American Banks Fund is an AIM listed company that invests in banking start ups in the US operating in niche regional markets.

SR Phoenicia (Carthaginian) is a hedge fund that invests in global equities outside North America.

Market Outlook

Much of the current backdrop to markets remains positive. Growth in the global economy is more broadly based following economic revival in Europe and Japan as well as ongoing momentum in China. The risks therefore posed by a mid-cycle correction in the US that may follow a cooling off period in house prices and some consumer retrenchment, are unlikely to be as significant as would have been the case earlier in the decade. Despite higher interest rates in the US, the global monetary environment remains stimulative. As long as inflation remains low, the sort of monetary squeeze that would derail stock and bond markets looks highly unlikely. Despite the severe price shocks in energy, overall inflation has remained subdued. So far the impact of new technologies such as the internet together with the massive transfer of production from the developed world to lower cost bases in the developing world has held inflation in check. The combination of reasonable growth, ample liquidity and low inflation remains supportive for risk assets. Furthermore valuations for most equity markets, including the US after a protracted period of underperformance, remain attractive in the context of short and long term interest rates. Share prices have tracked corporate earnings. Corporate profitability remains robust, as do their balance sheets. Prospective price earnings multiples for most markets are almost the same as they were three years ago.

Against this positive background there are several concerns for investors. Firstly, the current rally in equity markets has been running for three years and certainly in a historical context can be said to be rather "long in the tooth." With the MSCI World Equity Index having almost doubled since March 2003 investors have meaningful gains to protect, should fear once again replace greed.

Secondly, the notion that a slowdown in the US would be modest, in terms of scale and be offset in any case by higher economic activity globally, may be too sanguine. There is the risk that the lagged effect of higher interest rates and higher energy costs and utility bills may bite harder than expected. The US consumer has been the principal source of end demand for the world's economy for an extended period and spending habits particularly in Asia would have to adjust meaningfully to offset a period of prolonged hibernation.

Financial Review

Potential disruption to the supply of energy and further price hikes also pose a significant threat to the outlook. It was turmoil in Iran following the overthrow of the Shah in the late 1970s that led to a massive leap in oil prices which brought about recession and severe bear markets. The current rhetoric coming from Iran about Israel and its nuclear ambitions is clearly a major geopolitical concern. Any disruption in the supply of oil from Iran could tip the global oil market into chaos.

In addition to these tangible concerns there is a general unease among some more bearish commentators that there is a "day of reckoning" to come and that the natural order of things has been tampered with due to the Federal Reserve's massive monetary stimulus and refusal to countenance a recession. As Schumpeter observed *"any revival which is merely due to artificial stimulus leaves part of the work of depressions undone and adds, to an undigested remnant of maladjustments, new maladjustments of its own."*

The portfolio remains significantly exposed to the emerging markets and Japan. The attractive trade off in emerging markets between valuation and growth prospects has been highlighted in these reports before and remains in place. Although the asset class has recently broken out of its former trading range, it has done so in response to underlying earnings growth. Valuations have barely moved and remain very attractive in an historical context. Prospects for a recovery in domestic Chinese shares, lower interest rates in Brazil, strong commodity markets generally and undervalued currencies in Asia are all potentially bullish drivers for these asset classes in 2006.

Japan remains attractive despite the gains last year as companies there are highly leveraged to nominal sales growth. Earnings prospects are encouraging for 2006 and domestic investors remain underweight with their home market implying a further source of demand.

On balance the outlook appears positive but the difference may be more marginal implying lower levels of gains than last year, although we do expect market volatility to increase.

Insurance

Our underwriting subsidiary, Ascension Underwriting has now completed five years of active underwriting in the Lloyd's Insurance Market. In October 2005 Ascension Underwriting disposed of all its investments in Lloyds underwriting syndicates through the annual Lloyds auctions and will not be underwriting insurance in 2006, although part of the previous underwriting business remains on risk. The sale of our underwriting investments is consistent with the Board's strategy to generate additional income using the non-Brazilian assets as collateral for insurance underwriting when the Board feels that market conditions are favourable. The Group may return to underwriting if market conditions improve.

Investment revenue from underwriting activities in 2005 was US$2.2 million against US$0.3 million in 2004.

Prior to 2005 the traditional accounting for Lloyds insurance market was three years in arrears. In 2005 the Lloyds insurance market moved to annual accounting and the Group's 2005 income statement reflects this change in accounting approach. Consequently the Group's 2005 income statement includes underwriting profits for 2002, 2003, 2004 and a forecast loss for 2005. Results for 2003, 2004 and 2005 reflect best estimates and consequently may be subject to change in the future.

As forecast last year, the 2003 Year of Account has generated strong profits. The 2004 Year of Account will be modestly profitable, notwithstanding the plethora of natural disasters that occurred in that particular year. The last year of underwriting, the 2005 Year of Account, started promisingly but in the latter part of the year was hit by three widely documented storms (in particular Hurricane Katrina which devastated New Orleans) making landfall on the US Gulf Coast.

Keith Middleton
Group Finance Director

Directors and Advisers

Directors
J F Gouvêa Vieira* (Chairman)
W H Salomon* (Deputy Chairman)
C M Marote*
A C Baião
K W Middleton
F Gros*
C F A Cooper*
*Non-executive

Secretary
Malcolm S Mitchell

Profiles of Non-executive Directors

Dr J F Gouvêa Vieira is aged 56 and joined the Group in 1991. He is a managing partner in the Brazilian law firm of Gouvêa Vieira Advogados. He is a Chairman of Lafarge Brazil S.A., and a Director of PSA Peugeot Citroen do Brasil automoveis Ltda, ARNO S.A. and a number of other Brazilian Companies.

W H Salomon is aged 48 and joined the Group in 1995. He is managing partner of Hansa Capital Partners LLP and a number of other investment companies. He is also a non-executive director of Hansa Trust PLC and Cathedral Capital Limited.

C M Marote is aged 64 and joined the Group in 1964. He became Managing Director in February 1998 before retiring in October 2001.

F Gros is aged 64 and joined the Group in 2003. He is President and CEO of Fosfertil S.A . He is Chairman of the board of Lojas Renner S.A., Vice Chairman of Globex-Ponto Frio and a Director of EOP-Energias do Brasil, S.A., Scania Latin America, Air Liquide Brasil Ltda and Ultrafertil S.A.

C F A Cooper is aged 63 and joined the Group in 1994. He is a partner of Conyers, Dill & Pearman. He is also a Director of Stevedoring Services Limited and Bermuda Cablevision Limited.

Brazilian Head Office
Rua Jardim Botânico Nº 518
3ºandar
Rio De Janeiro
Brazil
Cep: 22.470 - 050
Website: www.oceanwilsons.bm

Registered Office
PO Box HM 1022
Clarendon House
Church Street
Hamilton HM DX
Bermuda

Registrars
Codan Services Limited
Clarendon House
Church Street
Hamilton HM 11
Bermuda

UK Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Kent BR3 4TU

Ocean Wilsons Dividend Address
Ocean Wilsons Dividend Election
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors
Deloitte & Touche
Corner House
Church and Parliament Streets
PO Box HM 1556
Hamilton HMFX
Bermuda

Bankers
The Royal Bank of Scotland (International) plc
Jersey
Deutsche Bank International Limited
Jersey

Investment Managers
Hanseatic Asset Management LBG
Guernsey, Channel Islands

Lloyds Advisers
Cathedral Capital Limited
London, United Kingdom

Report of the Directors

The Directors submit herewith their Report and Accounts for the year ended 31 December 2005.

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

Profits and Dividends

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

The Council of the European Union announced in June 2002 that listed companies in Europe would be required to adopt IFRS for accounting periods beginning on or after 1 January 2005. In line with this requirement, the Group has adopted IFRS as its accounting basis from the beginning of 2005. The first full year for which IFRS is applicable is 31 December 2005. The Group has, therefore, prepared comparative IFRS financial information for the year ended 31 December 2004 which was published on 10 October 2005.

In order to explain how the Group's reported performance and financial position are affected by this change a restatement of the financial information for the year ended 31 December 2004 is shown in note 36 to the accounts.

The Group's profit after tax but before minority interests amounted to US$ 34,657,000 (2004 US$ 34,262,000).

An interim dividend of 2.0c (2004 2.0c) gross per share was paid on 30 October 2005 and the Directors are recommending the payment of a final dividend for the year of 18.0c (2004 18.0c) gross per share. The final dividend will be paid on 16 June 2006 to all shareholders who are on the register at close business on 12 May 2006.

Principal Activities

The Group's principal activities during the year were the provision of towage, port operations and ship agency services in Brazil and the holding of investments. Details of our activities are set out in the Chairman's statement and operating review on pages 2 to 6.

Directors

The present Members of the Board are as shown on page 16.

In accordance with the Company's bye-laws, Mr J F Gouvea Vieira and Mr C M Marote will retire at the next annual general meeting and, being eligible, offer themselves for re-election. The Directors who held office at 31 December 2005 had the following interests in the Company shares:

	Interest	**2005**	2004
A C Baião	Beneficial	**90,000**	90,000
A C F Cooper	Beneficial	**39,500**	39,500
J F Gouvêa Vieira	Beneficial	**123,300**	123,300
F Gros	Beneficial	**–**	–
C M Marote	Beneficial	**66,700**	66,700
K W Middleton	Beneficial	**10,000**	10,000
W H Salomon*	Beneficial	**4,300,699**	4,300,699

*Additional indirect interests of W H Salomon in the company are set out on the following page.

Service Contracts

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

Employees

The average number of persons, including Directors, employed by the Group was 3,348 (2004: 3,025).

Charitable and Political Donations

During the Group made charitable donations of US$163,000 (2004: US$93,000) principally to social programmes in Brazil. There were no political contributions.

Long term incentive plan

In December 1999, the Remuneration Committee introduced a 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 Annual General Meeting held on 16 June 2000.

The movements of the accrual relating to the plan during 2005 were as follows:

	2005 US$'000
Liability at 1 January 2005	**8,560**
Charged for the year	**2,020**
Excercise of options	**(10,580)**
Liability at 31 December 2005	**–**

All award options outstanding under the scheme were excercised during the year.

Report of the Directors

As at 31 December 2005, trade and other payables included $5,839,000 (2004: $nil) of cash amounts payable to members of the Company's long term incentive plan following the exercise of their options. From 1 January 2006, these amounts outstanding accrue interest at US LIBOR.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors 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 3 April 2006, 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	8,601,398	24.3
Utilico Emerging Markets Utilities Limited	2,186,511	6.2

The Company has been advised that Mr W H Salomon and his sister, Mrs C A Townsend are interested in the shares registered in the name of Nicholas B Dill Jnr and Codan Trustees (BVI) Limited. In addition Mrs C A Townsend is interested in a further 33,000 shares.

The Company has also been advised that Mr W H Salomon has an interest of 26.15% and Mrs C A Townsend an interest in 25.6% of the voting shares of Hansa Trust PLC. In addition they have a joint interest in a further 0.53% of the voting shares of Hansa Trust PLC.

Contracts and agreements with substantial shareholders

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

Corporate Governance

As the Company is not incorporated in Great Britain, it has availed itself of an exemption from the Financial Services Authority's requirement to comply with or make certain disclosures concerning corporate governance and to have such matters, as applicable, reviewed by the external auditors. The Board has chosen to make the following statements.

The Board includes the Chairman and four non-executive Directors all of whom in the Board's opinion, are independent of the management.

Two of the non-executive Directors, Messrs Cooper and Gros, are independent in terms of the United Kingdom's Combined Code of Corporate Governance (July 2003) ("the Combined Code").

The Board is responsible to shareholders for the proper management of Ocean Wilsons Holdings Limited, for Group strategy and policy, major acquisitions and disposals, and consideration of significant financial matters. There is a formal schedule of matters specifically reserved to the Board for decision.

The Board has established an audit committee and a remuneration committee consisting of all the non-executive directors, operating within defined terms of reference. The Chairman of both committees is Mr J F Gouvea Vieira.

After making enquiries, 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.

The Company, incorporated in Bermuda, complies with the legal requirements in that jurisdiction regarding the disclosure of Directors' remuneration and reporting in respect of internal controls. The Board also considers that it complies with the corporate governance practices required of a company incorporated in Bermuda. The Board considers that the ways in which its corporate governance practices differ significantly from those set out in the Combined Code are as follows:

- The Board has not established a nominations committee.
- The Board does not undertake a formal review of its own performance on an annual basis.

Directors' responsibilities

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 S Mitchell
Secretary

5 May 2006

Independent Auditors' Report

To the Members of Ocean Wilsons Holdings Limited

We have audited the group financial statements of Ocean Wilsons Holdings Limited for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 36. These group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 90 of the Bermuda 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable Bermudian law and International Financial Reporting Standards (IFRSs) are set out in the statement of directors' responsibilities. Our responsibility is to audit the group financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the group financial statements have been properly prepared in accordance with Bermudian Law. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the United Kingdom Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended;

- the group financial statements have been properly prepared in accordance with the Bermuda Companies Act 1981.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

5 May 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Notes	2005 US$'000	2004 US$'000
Revenue	3	**285,227**	217,713
Raw materials and consumables used		**(50,398)**	(27,027)
Employee benefits expense	6	**(71,719)**	(56,501)
Depreciation and amortisation expense		**(13,959)**	(11,523)
Other operating expenses		**(116,207)**	(89,056)
Profit on disposal of property, plant and equipment		**565**	1,635
Share of profit of associate	17	**39**	515
Operating profit		**33,548**	35,756
Investment revenues	7	**14,212**	10,394
Other gains and losses	8	**7,764**	8,537
Finance costs	9	**(6,002)**	(6,499)
Profit before tax		**49,522**	48,188
Income tax expense	10	**(14,865)**	(13,926)
Profit for the year	5	**34,657**	34,262
Attributable to:			
Equity holders of parent		**33,086**	31,599
Minority interests		**1,571**	2,663
		34,657	34,262
Earnings per share			
Basic and diluted	12	**93.6c**	89.4c

Consolidated Balance Sheet

as at 31 December 2005

	Notes	2005 US$'000	2004 US$'000
Non current assets			
Goodwill	13	**13,132**	–
Other intangible assets	14	**2,288**	2,314
Property, plant and equipment	15	**147,651**	123,829
Deferred tax assets	23	**7,462**	9,454
Interests in associate	17	**365**	568
Available for sale investment	18	**4,821**	4,272
Other non-current assets	26	**5,657**	3,465
		181,376	143,902
Current assets			
Inventories	19	**6,669**	5,031
Trading investments	18	**64,563**	57,938
Trade and other receivables	21	**45,295**	37,977
Cash and cash equivalents	29	**50,881**	70,915
		167,408	171,861
Total assets		**348,784**	315,763
Current liabilities			
Trade and other payables	25	**(54,266)**	(48,375)
Current tax liabilities		**(971)**	(860)
Obligations under finance leases	24	**(3,893)**	(3,034)
Bank overdrafts and loans	22	**(16,431)**	(13,502)
		(75,561)	(65,771)
Net current assets		**91,847**	106,090
Non-current liabilities			
Bank loans	22	**(88,515)**	(86,171)
Deferred tax liabilities	23	**(8,455)**	(10,621)
Provisions	26	**(4,317)**	(2,641)
Obligations under finance leases	24	**(566)**	(3,132)
		(101,853)	(102,565)
Total liabilities		**(177,414)**	(168,336)
Net assets		**171,370**	147,427
Capital and reserves			
Share capital	27	**11,390**	11,390
Retained earnings		**126,331**	101,137
Capital reserves		**23,942**	23,122
Investment reserve		**1,856**	1,353
Translation reserve		**6,538**	1,406
Equity attributable to equity holders of the parent		**170,057**	138,408
Minority interests		**1,313**	9,019
Total equity		**171,370**	147,427

The accounts on pages 20 to 56 were approved by the Board on 5 May 2006. 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 2005

	Share capital US$'000	Retained earnings US$'000	Capital reserves US$'000	Investment revaluation reserve US$'000	Translation reserve US$'000	Attributable to equity holders of the parent US$'000	Minority interests US$'000	Total US$'000
Balance a 1 January 2004	11,390	76,360	22,665	1,353	–	111,768	6,306	118,074
Transfer to Capital reserve	–	(457)	457	–	–	–	–	–
Currency translation adjustment	–	–	–	–	1,406	1,406	50	1,456
Total recognised income for the period	–	31,599	–	–	–	31,599	2,663	34,262
Dividends	–	(6,365)	–	–	–	(6,365)	–	(6,365)
Balance at 1 January 2005	11,390	101,137	23,122	1,353	1,406	138,408	9,019	147,427
Transfer to Capital reserves	–	(820)	820	–	–	–	–	–
Gains on available for sale investment	–	–	–	503	–	503	–	503
Currency translation adjustment	–	–	–	–	5,132	5,132	–	5,132
Total recognised income for the period	–	33,086	–	–	–	33,086	1,571	34,657
Dividends	–	(7,072)	–	–	–	(7,072)	–	(7,072)
Acquisition of minority interest	–	–	–	–	–	–	(9,277)	(9,277)
Balance at 31 December 2005	**11,390**	**126,331**	**23,942**	**1,856**	**6,538**	**170,057**	**1,313**	**171,370**

Share capital

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

Capital reseves

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 holding company which are required by law to be transferred to capital reserves and other profits not available for distribution; and

(b) the accumulated profits of the Brazilian subsidiaries which have been applied in the subscription of additional share capital in those subsidiaries.

Investment revaluation reserve

The investment revaluation reserve is the difference between the cost of the available for sale investment and the market value at the balance sheet date.

Translation reserve

The translation reserve arises from exchange differences on translation of overseas operations.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 US$'000	2004 US$'000
Net cash inflow from operating activities	29	**24,871**	29,344
Investing activities			
Interest received		**5,997**	5,952
Dividends received from associate		**323**	–
Dividends received from trading investments		**642**	597
Proceeeds on disposal of trading investments	18	**12,843**	9,171
Income from underwriting activities		**1,530**	324
Proceeds on disposal of property, plant and equipment		**3,077**	3,873
Purchases of property, plant and equipment		**(36,245)**	(20,190)
Acquisition of investment in an associate		**–**	(17)
Acquisition of minority interest in subsidiary	28	**(23,222)**	–
Purchases of trading investments	18	**(11,704)**	(15,669)
Acquisition of subsidiary		**–**	(1,174)
Net cash used in investing activities		**(46,759)**	(17,133)
Financing activities			
Dividends paid	11	**(7,072)**	(6,365)
Repayments of borrowings		**(11,389)**	(11,024)
Repayments of obligations under finance leases		**(2,932)**	(1,097)
New bank loans raised		**18,295**	9,413
(Decrease)/increase in bank overdrafts		**(409)**	289
Net cash used in from financing activities		**(3,507)**	(8,784)
Net (decrease)/increase in cash and cash equivalents		**(25,395)**	3,427
Cash and cash equivalents at beginning of year		**70,915**	61,734
Effect of foreign exchange rate changes		**5,361**	5,754
Cash and cash equivalents at end of year		**50,881**	70,915

Notes to the Accounts

for the year ended 31 December 2005

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 16. The nature of the Group´s operations and its principal activities are set out in the operating review on pages 4 to 6.

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.

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:

IFRS 6	Exploration for and Evaluation of Mineral Resources.
IFRS 7	Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures.
IFRIC 4	Determining whether an Arrangement contains a Lease.
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except from additional disclosures on the capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2. Significant accounting policies and critical accounting judgements

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 36. The financial statements have been prepared in accordance with IFRSs adopted for use in European Union and also 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. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

2. Significant accounting policies and critical accounting judgements (continued)

Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling 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 income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

On consolidation, the income statement 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 excert 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.

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 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

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:	20 years
Vehicles:	5 years
Plant and Equipment:	5 to 20 years

2. Significant accounting policies and critical accounting judgements (continued)

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees 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 are not capitalised but are expensed 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.

Overhaul costs are capitalised and depreciated over the period in which the economic benefits are received.

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 income statement.

Goodwill

Where a change in the percentage of interests in a controlled entity do not result in a change of control, goodwill is calculated as 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.

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 CGU. 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.

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 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 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 income statement.

2. Significant accounting policies and critical accounting judgements (continued)

- *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 held at cost. 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 income statement using 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.

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 income statement.

There were no material derivatives entered into during the period or outstanding at balance sheet date.

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.

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.

2. Significant accounting policies and critical accounting judgements (continued)

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 operates a cash settled long-term incentive plan. 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 income statement.

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 asset´s net carrying amount.

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

Operating profit

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

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 he 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 income statement.

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 Directors' best estimate of the expenditure required to settle the obligation based upon legal advice received. For labour claims the provision is based on prior experience and managements' best knowledge of the relevant facts and circumstances.

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$ 13.1 million. Details of the impairment loss calculation are provided in note 13.

2. Significant accounting policies and critical accounting judgements (continued)

Deferred tax

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profits. In determining the likelihood of future taxable profit management considers the past performance and forecast trading performance of individual taxable entities.

3. Revenue

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

	2005 US$'000	2004 US$'000
Sales of services	**271,104**	205,831
Revenue from construction contracts	**14,123**	11,882
	285,227	217,713
Investment revenue	**14,212**	10,394
	299,439	228,107

All revenue is derived from continuing operations.

4. Business and geographical segments

Business segments

For mangement purposes, the Group is currently organised into five operating activities; Towage, offshore and shipyard, port operations and logistics, ship agency, investment and unallocated other. These divisions are the basis on which the Group reports its primary segment information.

Segment information relating to these businessess is presented below.

2005	Towage, offshore and shipyard 2005 US$'000	Port operations and logistics 2005 US$'000	Ship agency 2005 US$'000	Investment 2005 US$'000	Unallocated and other 2005 US$'000	Consolidated 2005 US$'000
Revenue	126,495	135,765	20,733	–	2,234	285,227
Result						
Segment result	24,235	10,731	1,298	(1,106)	(1,649)	33,509
Share of results of associate	–	–	39	–	–	39
Operating profit	24,235	10,731	1,337	(1,106)	(1,649)	33,548
Investment revenues	–	–	–	2,689	11,523	14,212
Other gains and losses	–	–	–	7,764	–	7,764
Finance costs	(2,678)	(1,576)	–	–	(1,748)	(6,002)
Profit before tax	21,557	9,155	1,337	9,347	8,126	49,522
Tax						(14,865)
Profit after tax						34,657

4. Business and geographical segments (continued)

Other information						
Capital additions	(14,882)	(19,978)	(1,979)	–	(733)	(37,572)
Depreciation and amortisation	(7,385)	(5,759)	(407)	–	(408)	(13,959)
Balance Sheet						
Assets						
Segment assets	163,970	97,934	9,039	69,123	8,353	348,419
Interest in associates						365
Consolidated total assets						348,784
Liabilities						
Segment liabilities	(104,318)	(55,412)	(6,769)	(1,168)	(9,747)	(177,414)

2004	Towage, offshore and shipyard 2004 US$'000	Port operations and logistics 2004 US$'000	Ship agency 2004 US$'000	Investment 2004 US$'000	Unallocated and other 2004 US$'000	Consolidated 2004 US$'000
Revenue	112,227	89,288	14,380	–	1,818	217,713
Result						
Segment result	26,246	11,096	1,729	(1,895)	(1,935)	35,241
Share of results of associate	–	–	515	–	–	515
Operating profit	26,246	11,096	2,244	(1,895)	(1,935)	35,756
Investment revenues	–	–	–	1,098	9,296	10,394
Other gains and losses	–	–	–	8,537	–	8,537
Finance costs	(2,485)	(1,762)	–	–	(2,252)	(6,499)
Profit before tax	23,761	9,334	2,244	7,740	5,109	48,188
Tax						(13,926)
Profit after tax						34,262
Other information						
Capital additions	(17,197)	(4,835)	(251)	–	(366)	(22,649)
Depreciation and amortisation	(6,454)	(4,374)	(337)	–	(358)	(11,523)
Balance Sheet						
Assets						
Segment assets	153,543	89,999	7,573	59,026	5,054	315,195
Interest in associates						568
Consolidated total assets						315,763
Liabilities						
Segment liabilities	(105,859)	(49,275)	(6,081)	(2,180)	(4,941)	(168,336)

4. Business and geographical segments (continued)

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

Investment revenues arising on bank balances held in Brazilian operating segments has not been allocated to the business segments as cash management is performed centrally by the corporate function.

Geographical Segments

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

All the Group's sales are derived in Brazil.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, 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	
			Year ended	Year ended
	2005	2004	**2005**	2004
US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Brazil	**274,836**	249,365	**37,572**	22,649
Bermuda	**70,677**	65,025	**–**	–
Others	**3,271**	1,373	**–**	–
	348,784	315,763	**37,572**	22,649

5. Profit for the year

Profit for the year has been arrived at after charging:

	2005	2004
	US$'000	US$'000
Net foreign exchange gains	**2,365**	6,019
Depreciation of property plant and equipment.	**13,663**	11,462
Amortisation of intangible assets	**296**	61
Employee benefits expense	**71,719**	56,501
Operating lease rentals	**8,469**	7,784
Auditors' remuneration for audit services (see below)	**453**	335
Non–executive directors emoluments	**165**	189
Cost of inventories recognised as expense	**50,398**	27,027

A more detailed analysis of auditors remuneration on a worldwide basis is provided below:

Statutory audit	**453**	335
Further assurance services	**238**	7
Tax advisory services	**–**	95
	691	437

Fees for further assurance services principally comprise advice relating to the transistion to International Financial Reporting Standards.

6. Employee benefits expense

	2005 US$'000	2004 US$'000
Aggregate remuneration comprised		
Wages and salaries	**54,750**	38,469
Long term incentive plan	**2,020**	5,860
Social security costs	**14,478**	9,903
Other pension costs	**471**	2,269
	71,719	56,501

7. Investment revenue

	2005 US$'000	2004 US$'000
Interest on bank deposits	**5,997**	5,952
Exchange gains on cash and cash equivalents	**5,361**	3,521
Dividends from trading investments	**642**	597
Investment revenues from underwriting activities	**2,212**	324
	14,212	10,394

8. Other gains and losses

	2005 US$'000	2004 US$'000
Increase in fair value of trading investments held at year end	**10,733**	6,149
Profit on disposal of trading investments	**1,251**	540
Exchange (loss)/gain on trading investments	**(4,220)**	1,848
	7,764	8,537

9. Finance costs

	2005 US$'000	2004 US$'000
Interest on bank loans and overdrafts	**5,508**	5,602
Exchange gain on foreign currency borrowings	**(1,224)**	(650)
Interest on obligations under finance leases	**1,059**	1,135
Total borrowing costs	**5,343**	6,087
Other interest	**659**	412
	6,002	6,499

10. Taxation

	2005 US$'000	2004 US$'000
Current		
Brazilian taxation		
Corporation tax	**10,346**	9,208
Social contribution	**4,426**	3,592
Total Brazilian currrent tax	**14,772**	12,800
UK corporation tax	**380**	–
Total current tax	**15,152**	12,800
Deferred tax		
Charge for the year in respect of deferred tax liabilities	**6,247**	3,166
Credit for the year in respect of deferred tax assets	**(6,534)**	(2,040)
Total deferred tax	**(287)**	1,126
Total taxation	**14,865**	13,926

Brazilian corporation tax is calculated at 25 percent (2004: 25 percent) of the assessable profit for the year.
Social contribution tax is calculated at 9 percent (2004: 9 percent) of the assessable profit for the year.

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

	2005 US$'000	2004 US$'000
Profit before tax	**49,522**	48,188
Tax at the standard Brazilian tax rate of 34% (2004–34%)	**16,837**	16,384
Tax effect of share of results of associates	**13**	175
Tax effect of expenses/income that are not included in determining taxable profit	**(343)**	(2,452)
Tax effect of utilisation of tax losses not previously recognised	**(397)**	(101)
Adjustment recognised in the period for current tax of prior periods	**54**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,299)**	(80)
Tax expense	**14,865**	13,926
Effective rate for the year	**30%**	29%

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

	2005 US$'000	2004 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2004 of 18.0c (2003: 16.0c) per share	**6,365**	5,658
Interim dividend for the year ended 31 December 2005 of 2.0c (2004: 2.0c) per share	**707**	707
	7,072	6,365
Proposed final dividend for the year ended 31 December 2005 of 18.0c (2004: 18.0c) per share	**6,365**	6,365

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12. Earnings per share

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

	2005 **US$'000**	2004 US$'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent.	**33,086**	31,599
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**35,363,040**	35,363,040

13. Goodwill

	US$'000
Cost and carrying amount attributed to Tecon Rio Grande	
At 1 January 2004 and 2005	–
Recognised on acquisition of subsidiary (note 28)	13,132
At 31 December 2005	**13,132**

For the purposes of testing goodwill for impairment the Group prepares cash flow forecasts for the relevant CGU (Tecon Rio Grande) 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 7% and 9% per cent. This rate does not exceed the average long–term historical growth rate for the relevant market. The rate used to discount forecast cash flows from Tecon Rio Grande is 8 per cent.

14. Other intangible fixed assets

	US$'000
Cost	
At 1 January 2004	1,411
Exchange differences	221
Additions	993
At 1 January 2005	2,625
Exchange differences	346
At 31 December 2005	**2,971**
Amortisation	
At 1 January 2004	221
Charge for the year	61
Exchange differences	29
At 1 January 2005	311
Charge for the year	296
Exchange differences	76
At 31 December 2005	**683**

14. Other intangible fixed assets (continued)

	US$'000
Carrying amount	
31 December 2005	**2,288**
31 December 2004	2,314

Intangible fixed assets arose from the acquisition of the container and heavy cargo terminal in Salvador in 2000 and the purchase of the remaining 50% holding in Eadi Santo Andre.

Intangible fixed assets are amortised over the remaining terms of the concessions at the time of acquisition which, for Tecon Salvador, is 25 years, and for Eadi Santo Andre is 5 years.

15. Property, plant and equipment

	Land and buildings US$'000	Floating craft US$'000	Vehilcles plant and equipment US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation					
At 1 January 2004	23,596	91,143	54,791	2,028	171,558
Additions	1,712	10,597	7,607	1,740	21,656
Transfers	–	2,028	–	(2,028)	–
Acquisition of subsidiary	–	–	609	–	609
Exchange differences	941	367	472	–	1,780
Disposals	(2,487)	(28)	(93)	–	(2,608)
At 1 January 2005	23,762	104,107	63,386	1,740	192,995
Additions	5,254	2,896	18,350	11,072	37,572
Transfers	–	1,740	–	(1,740)	–
Exchange differences	1,975	746	944	–	3,665
Disposals	(568)	(568)	(3,099)	–	(4,235)
At 31 December 2005	**30,423**	**108,921**	**79,581**	**11,072**	**229,997**
Accumulated depreciation and impairment					
At 1 January 2004	4,633	37,908	14,918	–	57,459
Charge for the year	1,220	5,683	4,559	–	11,462
Exchange differences	178	87	350	–	615
Disposals	(150)	(15)	(205)	–	(370)
At 1 January 2005	5,881	43,663	19,622	–	69,166
Charge for the year	1,447	6,614	5,602	–	13,663
Exchange differences	373	174	693	–	1,240
Disposals	(3)	(153)	(1,567)	–	(1,723)
At 31 December 2005	**7,698**	**50,298**	**24,350**	**–**	**82,346**
Carrying Amount					
31 December 2005	**22,725**	**58,623**	**55,231**	**11,072**	**147,651**
31 December 2004	17,881	60,444	43,764	1,740	123,829

15. Property, plant and equipment (continued)

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$6.6 million (2004: US$5.3 million) in respect of assets held under finance leases.

Land and buildings with a book value of US$751,000 (2004 US$30,000) and tugs with a value of US$10,782,000 (2004 US$4,288,000) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$43.4 million (2004: US$39.8 miilion) to secure loans granted to the Group.

At 31 December 2005, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$6.1 million (2004: zero)

16. Principal subsidiaries

	Place of incorporation and operation	Proportion of ownership interest	Method used to account for investment
OCEAN WILSONS LIMITED Holding company	Bermuda	100%	Consolidation
OCEAN WILSONS (INVESTMENTS) LIMITED Investment holding and dealing company	Bermuda	100%	Consolidation
WILSON SONS DE ADMINISTRAÇÃO E COMÉRCIO LTDA Holding company	Brazil	100%	Consolidation
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS S.A. Tug operators	Brazil	100%	Consolidation
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÉNCIA DE NAVEGAÇÃO Shipbuilders	Brazil	100%	Consolidation
WILSON SONS AGENCIA MARÍTIMA LTDA. Ship Agents	Brazil	100%	Consolidation
SOBRARE-SERVEMAR S.A. Tug operator	Brazil	100%	Consolidation
WILPORT OPERADORES PORTUÁRIOS LTDA Stevedoring	Brazil	100%	Consolidation
COMPANHIA DE NAVEGAÇAO DAS LAGOAS LTDA Tug operator	Brazil	100%	Consolidation
COMPANHIA DE NAVEGAÇAO DAS LAGOAS NORTE LTDA Tug operator	Brazil	100%	Consolidation
WILSON, SONS LOGÍSTICA LTDA Logistics	Brazil	100%	Consolidation
WILSON, SONS TERMINAIS DE CARGAS LTDA Transport services	Brazil	100%	Consolidation
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA Bonded warehousing	Brazil	100%	Consolidation
ASCENSION UNDERWRITING LIMITED Corporate underwriting member of Lloyds	UK	100%	Consolidation
VIS LIMITED Holding company	Guernsey	100%	Consolidation
TECON RIO GRANDE S.A. Port operator	Brazil	100%	Consolidation
TECON SALVADOR S.A. Port operator	Brazil	91%	Consolidation

17. Associate and joint ventures

The Group's share relating to associates are as follows:

	2005 US$'000	2004 US$'000
Total assets	**2,045**	3,409
Total liabilities	**(1,680)**	(2,841)
	365	568
Revenues	**2,447**	1,924
Profit	**39**	515

The Group has the following significant interests in associates

CMA CGM do Brasil Agencia Maritima Ltda	30%	Brazil
Ship agent		

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

	2005 US$'000	2004 US$'000
Current assets	**7,054**	4,714
Non–current assets	**6,757**	5,632
Current liabilities	**(10,471)**	(6,502)
Non–current liabilities	**(1,912)**	(2,907)

	2005 US$'000	2004 US$'000
Income	**25,888**	19,528
Expenses	**(19,701)**	(14,668)

The Group has the following significant interests in joint ventures

	Place of incorporation and operation	Proportion of ownership interest	Method used to account for investment
Consorcio de Rebocadores Baia de Sao Marcos	Brazil	50%	Proportionate
Tug operator			consolidation
WR Operações Portuárias Ltda.	Brazil	50%	Proportionate
Stevedoring and terminal operator			consolidation
Allink Transportes Internacionais Limitada	Brazil	50%	Proportionate
Non–vessel operating common carrier			consolidation
Consorcio de Rebocadores Barra de Coqueiros	Brazil	50%	Proportionate
Tug operator			consolidation
Brasco Logística Offshore Ltda.	Brazil	40%	Proportionate
Onshore base manager and logistics			consolidation
Dragaport Limitada	Brazil	33%	Proportionate
Dredge operator			consolidation

18. Investments

	2005 US$'000	2004 US$'000
Available for sale investments		
Fair value	**4,821**	4,272

The available for sale investment is the Group's investment in Barcas S.A Transportes Maritimas

Trading investments

	2005 US$'000	2004 US$'000
Fair value		
Fair value at 1 January	**57,938**	42,903
Additions, at cost	**11,704**	15,669
Disposals, at market value	**(12,843)**	(9,171)
Unrealised gains on investments	**10,733**	6,149
Realised gains on investments	**1,251**	540
Foreign exchange on investments	**(4,220)**	1,848
Fair value at 31 December	**64,563**	57,938

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. Unquoted investments whose fair value cannot be reliably measured are stated at cost.

The investments above represent investments in listed equity securities, funds and unquoted equities and that present the Group with the opportunity for returns 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.

A bank guarantee of £1.7 million (US$2.9 million) in support of the Group's insurance underwriting activities at Lloyds is secured against the trading investment portfolio.

Included in listed 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.

Ascension Underwriting Limited

Ascension Underwriting Limited is a wholly owned subdidiary 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$23.3 million and US$23.3 million respectively through its underwriting interets in a number of Lloyds syndicates. These assets and liabilities are not controlled by the company and are included in the consolidated results of the Group.

19. Inventories

	2005 US$'000	2004 US$'000
Raw materials	**6,669**	5,031

20. Construction contracts

	2005 US$'000	2004 US$'000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	**252**	–
Amounts due to contract customers included in trade and other payables	**–**	(2,162)
	252	(2,162)
Contract costs incurred plus recognised profits less recognised losses to date	**7,908**	9,720
Less progress billings	**(7,656)**	(11,882)
Net assets/(liabilities)	**252**	(2,162)

21. Other financial assets

	2005 US$'000	2004 US$'000
Trade and other receivables		
Amount receivable for the sale of services	**20,264**	17,931
Amounts due from contract customers	**252**	–
Amounts owed by joint ventures and associates	**2,248**	3,522
Taxation recoverable	**1,980**	648
Prepayments and accrued income	**20,551**	15,876
	45,295	37,977

The average credit period taken on services ranges from zero to 30 days. Interest is charged at up to 5 percent on the oustanding balances. An allowance has been made for estimated irrecoverable amounts from the sale of services of US$537,000 (2004: US$1,259,000). This allowance has been determined by reference to past default experience.

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

Cash and cash equivalents

Bank balances 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.

Credit Risk

The Group's principal financial assets are bank balances and 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. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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 investments prior to and during the investment period.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

22. Bank overdrafts and loans

	2005 US$'000	2004 US$'000
Bank overdrafts	**169**	578
Bank loans	**104,777**	99,095
	104,946	99,673

	2005 US$'000	2004 US$'000
The borrowings are repayable as follows:		
On demand or within one year	**16,431**	13,502
In the second year	**13,989**	16,258
In the third to fifth years inclusive	**32,803**	28,663
After five years	**41,723**	41,250
	104,946	99,673
Less amounts due for settlement within 12 months (shown as current liabilities)	**(16,431)**	(13,502)
Amounts due for settlement after 12 months	**88,515**	86,171

Analysis of borrowings by currency:

31/12/2005	$Real US$'000	$Real linked to US Dollars US$'000	US Dollars US$'000	Sterling US$'000	Total US$'000
Bank overdrafts	169	–	–	–	169
Bank loans	1,659	73,916	29,202	–	104,777
Total	1,828	73,916	29,202		104,946
31/12/2004					
Bank overdrafts	280	–	–	298	578
Bank loans	319	72,966	25,810	–	99,095
Total	599	72,966	25,810	298	99,673

The weighted average interest rates paid were as follows:

	Year ended 2005	Year ended 2004
Bank overdrafts	**24.4%**	13.8%
Bank loans	**5.5%**	5.2%

Bank loans of US$73.9 million (2004: US$73.0 million) were arranged at fixed interest rates and expose the group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposing the group to cash flow interest rate risk.

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

	2005 US$'000	2004 US$'000
Bank overdrafts	**169**	578
Bank loans	**93,372**	90,313
	93,541	90,891

22. Bank overdrafts and loans (continued)

The other principal features of the Group's borrowings are as follows:

$Real denominated loans are subject to monetary correction to take account of inflation in Brazil and bear interest at 3.5% to 7.00% per annum to finance the building of new tugs and are secured by mortgages thereon. The amounts outstanding at 31 December 2005 are repayable over periods of up to two years.

$Real denominated loans linked to the US Dollar are monetarily corrected by the movement in the US Dollar/$Real exchange rate and bear interest at between 1.5% and 6.0% per annum. These loans are to finance the building of new tugs, platform supply vessels and refurbishment of dredges and are secured by mortgages thereon. The amounts outstanding at 31 December 2005 are repayable over periods of up to 16 years.

US Dollar denominated loans bear interest at between six month LIBOR plus 3.5% per annum and six month LIBOR plus 4.0%. The majority of these loans are project finance to fund the expansion of the container terminal at Tecon Rio Grande and have no recourse to other companies in the Group. The amounts outstanding at 31 December 2006 are repayable over periods varying up to 10 years.

At 31 December 2005, the Group had available US$ 8.1million (2004: US$zero) of undrawn committed borrowings facilities in respect of which all conditions precedent had been met.

23. 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	Timing differences US$'000	Tax losses US$'000	Non–current asset valuation US$'000	Total US$'000
At 1 January 2004	(4,436)	(3,321)	6,200	1,798	–	241
(Charge)/credit to income	(1,461)	(2,779)	208	(99)	3,005	(1,126)
Exchange differences	–	(85)	(263)	66	–	(282)
At 1 January 2005	(5,897)	(6,185)	6,145	1,765	3,005	(1,167)
(Charge)/credit to income	(2,281)	(3,966)	1,094	(179)	5,619	287
Exchange differences	–	(206)	43	50	–	(113)
At 31 December 2005	**(8,178)**	**(10,357)**	**7,282**	**1,636**	**8,624**	**(993)**

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

	2005	2004
Deferred tax liabilities	**(8,455)**	(10,621)
Deferred tax assets	**7,462**	9,454
	(993)	(1,167)

23. Deferred tax (continued)

Deferred taxation principally arises from timing differences on property, plant and equipment, tax losses carried forward and taxable exchange gains.

At the balance sheet date the Group has unused tax losses of US$8,738,000 (2004: US$8,388,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$4,812,000 (2004: US$5,359,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$3,926,000 (2003: US$3,029,000) due to the unpredictability of future profit streams.

Deferred tax arises on Brazilian property, plant and equipment held in US Dollar functional currency businesses. Deferred tax is calculated on the difference between the historical US Dollar balances recorded in the Group's accounts and the $Real balances used in the Group's Brazilian tax calculations.

Deferred tax on exchange gains arises from exchange gains on the Group's US Dollar and $Real denominated loans linked to the US Dollar that are not taxable in the period they arise.

24. Obligations under finance leases

	Mimimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable under finance leases				
Within one year	**4,541**	4,093	**3,893**	3,034
In the second to fifth years inclusive	**627**	3,466	**566**	3,132
After five years	**–**	–	**–**	–
	5,168	7,559	**4,459**	6,166
Less future finance charges	**(709)**	(1,393)	**N/A**	N/A
Present value of lease obligations	**4,459**	6,166		
Less : amounts due for settlement within 12 months (shown under current liabilities)			**(3,893)**	(3,034)
Amounts due for settlement after 12 months			**566**	3,132

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 1 year. For the year ended 31 December 2005 the average effective borrowing rate was 16 percent (2004: 18 percent). Interest rates are fixed at contract date. All leases include a fixed repayment and a variable finance charge linked to the Brazilian interest rate.

Leases are denominated in Brazilian $Real.

The fair value of the Group's lease obligations approximates their carrying amount.

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

25. Other financial liabilities

	Group	
	2005	2004
	US$'000	US$'000
Trade and other payables		
Trade creditors and accruals	**54,266**	46,213
Amounts due to construction contract customers	–	2,162
	54,266	48,375

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

The average credit period for trade purchases is ten days.

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

26. Provisions

	Legal Claims US$'000
At 1 January 2005	2,641
Additional provision in the year	1,282
Utilisation of provision	(10)
Exchange difference	404
At 31 December 2005	**4,317**
Included in current liabilities	–
Included in non–current liabilities	4,317
	4,317

Provisions comprise legal claims relating to civil cases, tax cases and legal claims by former employees. As required by the Brazilian courts, legal deposits are made pursuant to cases awaiting final judgement. Such deposits are shown as non–current assets.

27. Share capital

	2005	2004
	US$'000	US$'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 being US$1.61 to £1.

28. Acquisition of subsidiary

On the 30 August 2005, the Group acquired a further 33% of the issued share capital of Tecon Rio Grande S.A for cash consideration of US$ 23.2 million. Tecon Rio Grande has a 17 year lease contract to operate the Tecon Rio Grande container terminal in Rio Grande Brazil which expires in February 2022.

Goodwill has been calculated as the difference between the consideration paid and the book value of the assets acquired.

	Book value
Net assets acquired	
Property, plant and equipment	13,503
Inventories	57
Trade and other receivables	2,067
Cash and cash equivalents	2,495
Trade and other payables	(1,294)
Current tax liabilities	(1,062)
Bank loans	(5,676)
Goodwill	13,132
	23,222
Total consideration satisfied by cash	23,222
Net cash outflow arising on acquisition	
Cash consideration paid	(23,222)
Cash and cash equivalents acquired	2,495
	(20,727)

For the year ended 31 December 2004 Tecon Rio Grande was consolidated 100% in the Group accounts with a 33% minority interest.

The goodwill arising on the acquisition of Tecon Rio Grande is attributable to the anticipated profitability of the services Tecon Rio Grande provides and the expansion of the Tecon Rio Grande facility.

Notes to the Accounts

29. Notes to the cash flow statement

	Year to 31 December 2005 US$'000	Year to 31 December 2004 US$'000
Operating profit	**33,548**	35,756
Adjustments for:		
Depreciation of property, plant and equipment	**13,663**	11,462
Amortisation of intangible assets	**296**	61
Profit on disposal of property, plant and equipment	**(565)**	(1,635)
Share of profit of associate	**(39)**	(515)
Increase in provisions	**1,676**	64
Operating cash flows before movements in working capital	**48,579**	45,193
Increase in inventories	**(1,663)**	(1,610)
Increase in receivables	**(5,165)**	(9,457)
Increase in payables	**8,531**	17,789
Increase in other non–current assets	**(2,192)**	(1,062)
Cash generated by operations	**48,090**	50,853
Income taxes paid	**(15,993)**	(13,928)
Interest paid	**(7,226)**	(7,581)
Net cash from operating activities	**24,871**	29,344

30. Contingent liabilities

In the normal course of business in Brazil, the Group is exposed to local legal claims. It is the Group's policy to vigourously contest such claims, many of which appear to have little substance in merit, and to manage such claims through its legal advisers. There are no material claims outstanding at 31 December 2005 which have not been provided for and which the Group's management, together with their legal advisers consider are more likely than not to result in a financial settlement against the Group.

31. Cash-settled share-based payments

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

	2005 US$'000	2004 US$'000
The movement of the accrual relating to the plan during 2005 were as follows:		
Liability at 1 January 2005	**8,560**	2,700
Charge for the year	**2,020**	5,860
Excercise of options	**(10,580)**	–
Liability at 31 December 2005	**–**	8,560

31. Cash-settled share-based payments (continued)

The fair value of payments made under the Group's long term incentive plan are determined as the increase in the value of the Brazilian business between the date awards are granted to participants and the date awards are excercised. The value of the Brazilian business per individual award is determined by reference to the Ocean Wilsons Holdings Limited share price less the net assets per award of the non–Brazilian business.

At the beginning of the period there were 2,563,718 awards outstanding under the scheme. All awards outstanding under the scheme were excercised in the period. The weighted average share price at which awards were excercised during the period was 376p.

As at 31 December 2005, trade and other payables included $5,839,000 (2004: $nil) of cash amounts payable to members of the Company's long term incentive plan following the exercise of their options. From 1 January 2006, these amounts outstanding accrue interest at US LIBOR.

32. Operating lease arrangements

	2005 US$'000	2004 US$'000
The Group as lessee		
Minimum lease payments under operating leases recognised in income for the year	**8,469**	7,784

At the balance sheet date, the minimum amount due in 2006 by the Group for future minimum lease payments under cancellable operating leases was US$5,324,000.

Cancellable lease commitments under operating leases are 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 Salavdor 2025.

Tecon Rio Grande guaranteed payments consist of two elements; a fixed rental, plus a fee per 1,000 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. Tecon Salvador guaranteed payment 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 oustanding commitments for future minimum lease payments under non–cancellable operating leases, which fall due as follows:

	2005 US$'000	2004 US$'000
Within one year	**1,214**	1,214
In the second to fifth year inclusive	**4,047**	4,856
After five years	**–**	405
	5,261	6,475

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 2005 is 4 years and 4 months and rental payments are corrected by a Brazilian general inflation index.

33. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of US$ 0.5 million (2004: US$ 2.3 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plan.

34. Related party transactions

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

	Dividends Received		Fees Paid	
	2005	2004	**2005**	2004
Trading tranactions	**US$'000**	US$'000	**US$'000**	US$'000
1. Hanseatic Asset Management	–	–	1,045	1,847
2. Escritorio de Advocacia Gouvea Vieira	–	–	121	136
3. Allink Transportes Internacionais Limitada	95	103	7	7
4. CMMR Intermediacao Comercial Limitada	–	–	132	133
5. Codan services Limited	–	–	40	37
6. CMA CGM do Brasil Agencia Maritima Ltda	323	–	–	–

At the balance sheet date there was an US$700,000 balance owed to Hanseatic Asset Management

1. 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.

2. Dr J F Gouvêa Vieira is a managing partner in the law firm Escritorio de Advocacia Gouvea Vieira. Fees were paid to Escritorio de Advocacia Gouvea Vieira for legal services.

3. 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.

4. 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.

5. Mr C F A Cooper is a partner in Conyers, Dill and Pearman the owners of Codan Services. Fees were paid to Codan Services for company secretarial services.

6. CMA CGM do Brasil Agencia Maritima Ltda is 30% owned by the Group.

34. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the key management personnel including Directors of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 2005 US$'000	Year ended 2004 US$'000
Short-term employee benefits	**3,420**	3,296
Post-employment benefits	**761**	567
Other long–term benefits	**–**	–
Share-based payments	**10,580**	–
	14,761	3,863

35. Events after the balance sheet date

On the 7 April 2006, the Group's interest in WR Operações Portuárias Ltda was sold for US$4.3 million. The net asset value included in the Group's accounts at 31 December 2005 was US$1.2 million In the year ended 31 December 2005 the Company contributed US$0.7 million profit to the Group's result.

In March 2006 the Group acquired the remaining 60% shareholding in the onshore base manager and logistics business Brasco Logistica Offshore Ltda for a consideration of US$1.2 million. In March 2006 the Group subsequently sold a 25% interest in the company for US$0.5 million. In the year ended 31 December 2005 the company contributed US$0.4million to the Group's result.

36. Explanation of transition to IFRSs

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRSs was therefore 1 January 2004.

Reconciliation of equity at 1 January 2004

	UK GAAP 1 January 2004 US$'000	IFRS Adjustments US$'000	IFRS 1 January 2004 US$'000
Non current assets			
Intangible assets	1,190	–	1,190
Property, plant & equipment	111,882	2,217	114,099
Deferred tax assets	7,238	592	7,830
Investments in joint ventures	1,552	(1,552)	
Investments in associates	718	(718)	–
Available for sale investments	2,919	1,353	4,272
Other non–current assets	2,403	–	2,403
	127,902	1,892	129,794
Current assets			
Inventories	3,166	254	3,420
Investments held for trading	42,901	–	42,901
Trade and other receivables	35,511	(5,923)	29,588
Cash and cash equivalents	60,302	1,432	61,734
	141,880	(4,237)	137,643
Total assets	269,782	(2,345)	267,437
Current liabilities			
Trade and other payables	(33,467)	1,970	(31,497)
Current tax liabilities	(10,390)	8,372	(2,018)
Obligations under finance leases	(793)	(312)	(1,105)
Bank overdrafts and loans	(11,673)	–	(11,673)
	(56,323)	10,030	(46,293)
Net current assets	85,557	5,793	91,350
Non-current liabilities			
Bank loans	(83,890)	(3,774)	(87,664)
Deferred tax liabilities	(8,958)	1,371	(7,587)
Provisions	(1,522)	(1,050)	(2,572)
Obligations under finance leases	(4,501)	(746)	(5,247)
	(98,871)	(4,199)	(103,070)
Total liabilities	(155,194)	5,831	(149,363)
Net assets	114,588	3,486	118,074
Capital and reserves			
Share capital	11,390	–	11,390
Retained earnings	66,239	10,121	76,360
Capital reserves	22,665	–	22,665
Investment revaluation reserve	7,411	(6,058)	1,353
Equity attributable to equity holders of the parent	107,705	4,063	111,768
Minority interests	6,883	(577)	6,306
Total equity	114,588	3,486	118,074

36. Explanation of transition to IFRSs (continued)

Reconciliation of equity at 31 December 2004 (date of last UK GAAP financial statements)

	UK GAAP 31 December 2004 US$'000	IFRS Adjustments US$'000	IFRS 31 December 2004 US$'000
Non current assets			
Intangible assets	2,314	–	2,314
Property, plant & equipment	127,716	(3,887)	123,829
Deferred tax assets	7,921	1,533	9,454
Investments in joint ventures	2,313	(2,313)	–
Investments in associates	1,246	(678)	568
Available for sale investments	3,172	1,100	4,272
Other non-current assets	3,465	–	3,465
	148,147	(4,245)	143,902
Current assets			
Inventories	4,921	110	5,031
Investments held for trading	57,938	–	57,938
Trade and other receivables	45,727	(7,750)	37,977
Cash and cash equivalents	68,577	2,338	70,915
	177,163	(5,302)	171,861
Total assets	325,310	(9,547)	315,763
Current liabilities			
Trade and other payables	(52,274)	3,899	(48,375)
Current tax liabilities	(10,348)	9,488	(860)
Obligations under finance leases	(2,211)	(823)	(3,034)
Bank overdrafts and loans	(11,429)	(2,073)	(13,502)
	(76,262)	10,491	(65,771)
Net current assets	100,901	5,189	106,090
Non-current liabilities			
Bank loans	(83,406)	(2,765)	(86,171)
Deferred tax liabilities	(12,839)	2,218	(10,621)
Provisions	(2,377)	(264)	(2,641)
Obligations under finance leases	(2,679)	(453)	(3,132)
	(101,301)	(1,264)	(102,565)
Total liabilities	(177,563)	9,227	(168,336)
Net assets	147,747	(320)	147,427
Capital and reserves			
Share capital	11,390	–	11,390
Retained earnings	87,665	13,472	101,137
Capital reserves	25,327	(2,205)	23,122
Investment revaluation reserve	13,083	(11,730)	1,353
Hedging and translation reserve	–	1,406	1,406
Equity attributable to equity holders of the parent	137,465	943	138,408
Minority interests	10,282	(1,263)	9,019
Total equity	147,747	(320)	147,427

36. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for 2004

	UK GAAP (IFRS format) year to 31 December 2004 US$'000	Effect of transistion to IFRS US$'000	IFRS year to 31 December 2004 US$'000
Revenue	194,419	23,294	217,713
Raw materials and consumables used	(26,183)	(844)	(27,027)
Employee benefits expense	(53,062)	(3,439)	(56,501)
Depreciation and amortisation expense	(11,238)	(285)	(11,523)
Other operating expenses	(76,277)	(12,779)	(89,056)
Share of operating profit in joint ventures	6,193	(6,193)	–
Share of profit of associate	(229)	744	515
Profit on disposals of property, plant and equipment	1,655	(20)	1,635
Operating profit	35,278	478	35,756
Investment revenues	6,690	3,704	10,394
Other gains and losses	–	8,537	8,537
Finance costs	(7,343)	844	(6,499)
Exchange gain on foreign currency borrowings	6,871	(6,871)	–
Profit before tax	41,496	6,692	48,188
Income tax expense	(15,913)	1,987	(13,926)
Profit for the year	25,583	8,679	34,262
Attributable to:			
Equity holders of parent	23,043	8,556	31,599
Minority interests	2,540	123	2,663
	25,583	8,679	34,262
Earnings per share			
Basic and diluted	65.2c		89.4c

36. Explanation of transition to IFRSs (continued)

Reconciliation of cashflow statement for 2004

	UK GAAP (IFRS format) year to 31 December 2004 US$'000	Effect of transistion to IFRS US$'000	IAS year to 31 December 2004 US$'000
Net cash inflow from operating activities	23,865	5,479	29,344
Investing activities			
Interest received	4,396	1,556	5,952
Dividends received from associates	5,713	(5,713)	–
Dividends received from trading investments	597	–	597
Proceeeds on disposal of trading investments	9,171	–	9,171
Income from underwriting activities	324	–	324
Proceeds on disposal of property, plant and equipment	3,873	–	3,873
Purchases of property, plant and equipment	(18,707)	(1,483)	(20,190)
Acquisition of investment in an associate	(17)	–	(17)
Purchases of trading investments	(15,669)	–	(15,669)
Acquisition of subsidiary	(1,174)	–	(1,174)
Net cash used in investing activities	(11,493)	(5,640)	(17,133)
Financing activities			
Dividends paid	(6,365)	–	(6,365)
Repayments of borrowings	(10,863)	(161)	(11,024)
Repayments of obligations under finance leases	(785)	(312)	(1,097)
New bank loans raised	9,413	–	9,413
Increase in bank overdrafts	289	–	289
Net cash used in financing activities	(8,311)	(473)	(8,784)
Net Increase in cash and cash equivalents	4,061	(634)	3,427
Cash and cash equivalents at beginning of year	60,302	1,432	61,734
Effect of foreign exchange rate changes	4,214	1,540	5,754
Cash and cash equivalents at end of year	68,577	2,338	70,915

36. Explanation of transition to IFRSs (continued)

IMPACT OF IFRS ON GROUP RESULTS

The main impacts on the Group's financial statements of the move to IFRS are:

Presentational impacts:

– IAS 31 Interests in Joint Ventures

The Groups share of joint venture entities are consolidated on a line by line basis in the Group's financial statements. Under UK GAAP joint ventures were accounted for on a gross equity basis.

– IAS 1 Presentation of Financial Statements & IAS 39 Financial Instruments: Recognition and Measurement

Under IFRS there is no distinction between unrealised and realised gains for financial reporting. As such, all unrealised gains except exchange differences on translation of foreign operations and gains on available-for-sale investments will be recorded through the income statement rather than through the UK GAAP statement of total recognised gains and losses.

– IAS 28 Investment in associates

Share of profit from associates is reported on a single line in the consolidated income statement. Previously under UK GAAP, the Group's share of operating profits in associates was shown separately on the face of the income statement with interest, exchange gains on loans and tax included within their respective headings in the income statement.

– IAS 21 Exchange gains/losses on foreign currency borrowings

Exchange gains/losses on foreign currency borrowings are now included in finance costs. Previously under UK GAAP exchange gains/losses on foreign currency borrowings were shown separately on the face of the income statement.

Exchange gains and losses on monetary assets are now recorded in investment revenues. Previously these were included in other operating expenses.

Accounting impacts:

– IAS 21 Change of functional currency

As part of the IFRS restatement, the Group's functional currency was re-examined in accordance with the requirements of IAS 21. IFRS is more prescriptive in its definition of functional currency than UK GAAP. From 1 January 2004 the functional currencies of the Group's operations are the local currency with the exception of the following businesses, all of which are located in Brazil: the towage division, the ship agency division and Tecon Rio Grande whose functional currency has changed to US Dollars.

The major impact of the change is that exchange gains or losses on US Dollar borrowings in US Dollar functional currency businesses no longer arise. Exchange gains or losses on $Real denominated bank accounts held by businesses with a US Dollar functional currency will be recorded through the income statement. Additionally property, plant and equipment, retained earnings and inventories in US Dollar functional currency businesses are fixed in US Dollars at historical exchange rates.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	822
Total equity at 31 December 2004	(5,916)
Total equity at 1 January 2004	–

36. Explanation of transition to IFRSs (continued)

– IAS 31 Interests in Joint Ventures

Under UK GAAP, Dragaport and Brasco were classified as associate companies and were accounted for under the gross equity method. Under IFRS these companies have been reclassified as jointly controlled entities and consolidated on a line by line basis.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	–
Total equity at 31 December 2004	–
Total equity at 1 January 2004	–

– IAS 39 Financial Instruments: Recognition and Measurement

In accordance with IAS 39 the Group's investment portfolio has been designated as fair value through profit or loss ("FVTPL"). As a result all gains and losses on the investment portfolio are recognised through the income statement. Under UK GAAP, current year realised gains were included in the profit and loss account and unrealised gains were recognised in the statement of total recognised gains and losses. These unrealised gains were recognised in the revaluation reserve until the corresponding asset was sold, at which point the historical gain was transferred to the profit and loss account. The Group has not availed itself of the IAS 32/39 optional exemption available under IFRS 1 and accordingly IAS 32/39 have been applied retrospectively. This has also resulted in the reclassification of the revaluation reserve to retained earnings.

Under UK GAAP the Group's investment in Barcas was held at cost less any provision for impairment. Under IAS 39, the investment is classified as available-for-sale and therefore is held at fair value with changes in fair value recognised in an investment revaluation reserve. When the investment is disposed of or if it is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in the income statement for the period.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	6,351
Total equity at 31 December 2004	–
Total equity at 1 January 2004	–

IAS 17 – Leases

Under UK GAAP assets held under finance leases were depreciated over the lives of the respective leases which were generally shorter than the equivalent depreciable lives of owned assets under the Group's normal depreciation policy. IAS 17 requires the depreciation policy for the Group's depreciable leased assets to be consistent with that for equivalent owned depreciable assets. The accounting change has reduced the Group's depreciation charge.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	1,826
Total equity at 31 December 2004	2,631
Total equity at 1 January 2004	89

IAS 23 – Borrowing costs

As permitted by IAS 23, the Group has chosen not to capitalise directly attributable finance costs and foreign exchange movements which were previously capitalised under UK GAAP. The impact of this accounting change decreases the value of property, plant and equipment and the associated depreciation charge while increasing finance costs in the income statement.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	(62)
Total equity at 31 December 2004	(4,973)
Total equity at 1 January 2004	(4,365)

36. Explanation of transition to IFRSs (continued)

IAS 16 – Property, plant & equipment

Under IFRS dry docking costs are capitalised as overhaul expenditure and depreciated over the period in which the related economic benefits are received. The impact on the balance sheet is an increase in the book value of property, plant and equipment. The effect on the income statement is to increase depreciation and reduce other external charges.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	(80)
Total equity at 31 December 2004	1,403
Total equity at 1 January 2004	1,483

IAS 10 – Events after the balance sheet date

Dividends proposed are recognised in the period in which they are formally approved for payment. Under UK GAAP dividends were recognised in the financial statements as a liability and an expense if declared before the financial statements were signed. The change in timing of proposed dividends increases net assets.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	–
Total equity at 31 December 2004	6,365
Total equity at 1 January 2004	5,658

IAS 39 – Fair value of available for sale investment

Under IAS 39 the investment is classified as 'available-for-sale'. The investment has therefore been measured at fair value with changes in fair value recognised in equity.

This is then recycled into the income statement on sale or impairment of the asset at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the period.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	–
Total equity at 31 December 2004	1,100
Total equity at 1 January 2004	1,353

IAS 31 – Reclassification of subsidiary as jointly controlled entity

A subsidiary of a joint venture has been reclassified as a jointly controlled entity.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	(309)
Total equity at 31 December 2004	(691)
Total equity at 1 January 2004	(323)

IAS 16 – Pre operating previously capitalised now expensed

Pre-operating expenses previously capitalised under UK GAAP are expensed under IAS 16.

Net impact on financial statements	US$'000
Profit for the year ended 31 December 2004	131
Total equity at 31 December 2004	(239)
Total equity at 1 January 2004	(370)

Statistical Statement 2001-2005 (Unaudited)

	31 December 2005 IFRS	31 December 2004 IFRS	31 December 2003 UK GAAP	31 December 2002 UK GAAP	31 December 2001 UK GAAP
Closing rates of exchange – R$ to US$	**2.34**	2.66	2.89	3.54	2.31
Income statement	**US$'000**	US$'000	US$'000	US$'000	US$'000
Group revenue	**285,227**	217,713	160,952	133,528	127,761
Group operating profit	**33,548**	35,756	31,879	32,295	20,809
Profit before tax	**49,522**	48,188	51,845	(239)	8,113
Income tax expense	**(14,865)**	(13,926)	(19,132)	336	(3,463)
Profit for the year	**34,657**	34,262	32,713	97	4,650
Attributable to:					
Equity holders of parent	**33,086**	31,599	29,665	1,248	5,134
Minority interests	**1,571**	2,663	3,048	(1,151)	(484)
	34,657	34,262	32,713	97	4,650
Balance Sheet	**US$'000**	US$'000	US$'000	US$'000	US$'000
Net assets					
Brazilian interests	**107,150**	92,297	68,322	27,105	50,095
Investments held for trading	**64,563**	57,938	42,901	26,108	28,495
Other net assets	**(343)**	(2,808)	3,365	14,507	9,077
	171,370	147,427	114,588	67,720	87,667
Attributable net assets – per share					
Brazilian interests – book amount	**303c**	261c	193c	77c	142c
Other assets – book and market amount	**182c**	156c	131c	115c	106c
	485c	417c	324c	192c	248c
Key Statistics					
Earnings per share	**93.6c**	89.4c	83.9c	3.5c	14.3c
Cash dividends per share paid	**20.0c**	18.0c	9.8c	9.0c	8.9c
Mid-market quotation at end of period	**352p**	285p	154p	64.5p	75.5p
	606c	545c	274c	104c	110c
Dividends remitted by Brazilian operations to Bermudan parent	**11,200**	8,055	4,593	9,166	3,148
Operational statistics					
Vessels attended by towage division	**19,869**	17,872	18,259	16,900	14,878
TEU's moved	**905,279**	850,538	777,341	578,512	484,242
Vessels attended by ship agency division	**5,902**	5,520	4,930	4,663	4,522

Notes

1 The amounts disclosed for 2003 and earlier periods is stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior ot the date of transition to IFRSs. The principal differences between UK GAAP and IFRSs are explained in note 36 to the financial statements which provides an explanation of the transistion to IFRSs.

2 Group turnover for 2003 and earlier periods is Group turnover and share of joint ventures' turnover.

3 Group operating profit for 2003 and earlier periods includes Group operating profit, share of operating profits in joint ventures and associates and profit on disposal of fixed assets.

4 Net assets and attributable net assets per share have been restated excluding minority interests.

Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the company will be held at the Hilton London Green Park Hotel, Half Moon Street, Mayfair, London W1J 7BN on 16 June 2006 at 11.30 am for the following purposes:

1. To receive and adopt the Director's Report and Accounts for the year ended 31 December 2005.
2. To determine the number of Directors for the ensuing year.
3. To re-elect Directors
   J F Gouvêa Vieira
   C Marote
4. To appoint the Auditors, and authorise the directors to fix the remuneration of the Auditors.
5. To approve a dividend.

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

12 May 2006

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 or failing him C Marote, all 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 Friday 16 June 2006 and at any adjournment thereof. The proxy will vote on the Resolutions as indicated opposite.

		For	Against
1	To receive and, if approved, adopt the Directors Report and Accounts for the year ended 31 December 2005.		
2	To determine the number of Directors for the ensuing year at seven.		
3	To re-elect as directors: J F Gouvêa Viera C Marote		
4	To appoint the Auditors, and authorise the directors to determine the remuneration of the Auditors.		
5	To approve a dividend		

Signature ______________________________ Dated ______________ 2006

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 inital 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, no less than 48 hours before the time fo 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 SERVICE
Licence No. MB 122

1

The Transfer Agent
Ocean Wilsons Holdings Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4BR

Second Fold

First Fold

Ocean Wilsons Holdings Limited

Annual Report 2005