Ocean Wilsons Holdings Limited

Annual Report 2006

Contents

Cover: Tecon Rio Grande Container Terminal - 10 years of successful operations

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 your Company produced another excellent result in 2006. The Group's core businesses performed well with significant growth in the port operations and logistic businesses. For the first time, the port operations division exceeded towage as the Group's largest division. There was a welcome recovery in the Group's margins following several years of decline. The Group continues to invest in its existing businesses as well as to explore new opportunities.

Results

Turnover for the year increased by 17% to US$ 334.1 million (2005: US$ 285.2 million). Operating profit for the year increased by 83% to US$ 61.4 million (2005: US$ 33.5 million) reflecting the higher turnover, improved operating margins, a profit on the disposal of our interest in the joint venture WR Operações Portuárias Ltda. and the release of surplus on the acquisition of our subsidiary Brasco Logistica Offshore Ltda.

Improved returns on the investment portfolio US$ 11.4 million (2005: US$ 7.8 million) compensated for a decrease in investment income US$ 11.2 million (2005: US$ 14.2 million). Profit before tax was US$ 28.1 million higher at US$ 77.6 million (2005: US$ 49.5 million). Earnings per share were 158.6 cents (2005: 93.6 cents).

Brazil

Although the Brazilian economic growth was slightly higher in 2006 (2.9%) than in 2005 (2.3%), the Brazilian Government, with a conservative economic policy, has maintained a favourable environment for business activities. The macroeconomic figures show stability in the economy, and an expectation of less volatility in the future.

The trade surplus reached US$ 46.1 billion in 2006, as a result of an increase of 19% in the total foreign trade movement, from US$ 192 billion in 2005 to US$ 229 billion in 2006. The higher growth in imports (24%) when compared to exports (16%) is an indication of investments in industry, showing positive expectations from the business community and a stronger exchange rate.

For the third year in a row, the Real has appreciated against the USD. The increase in net foreign exchange reserves (from US$ 53 billion in 2005 to US$ 86 billion in 2006), the continuation of a low inflation rate (the consumer price index fell from 5.7% in 2005 to 3.1% in 2006), combined with a high real interest rate resulted again in a stronger currency. Although the Central Bank basic rate dropped from 19.2% in December 2005 to 12.5% in December 2006, it is still one of the highest real interest rates in the world.

The Government`s objective to pursue a low inflation rate, together with its intent to keep reducing the real interest rate, means that the exchange rate will continue to reflect the fundamental strength of the Real. Along the same lines, the Brazilian sovereign risk premium (as measured by the JP Morgan Emerging Markets Board Index – EMBI) fell during the year, from more than 400 basis points at the end of 2005 to less than 200 basis points in 2006, its lowest level ever.

The Government has recently announced an infrastructure investment plan, called "PAC", to be funded by the public and private sectors, to support future logistic growth and reduce the Brazilian infrastructure bottleneck. However, the implementation of the plan will depend on important pending structural reforms, in areas such as social security, labour legislation and taxation.

Exchange rates

In 2006, the Brazilian Real (Real) appreciated 8.6% against the US Dollar, from R$2.34 at 1 January 2006 to R$2.14 at year end. The appreciation of the Brazilian Real against the US Dollar generated a net exchange gain of US$ 4.4 million (2005: US$ 5.4 million) in the Group's Real denominated cash balances.

Dividends

The Board is recommending the payment of a final dividend of 20 cents per share (2005: 18 cents per share), to be paid on 4 May 2007, to shareholders on the register at the close of business on 10 April 2007, making a total dividend for the year of 22 cents per share (2005: 20 cents per share). The increase reflects the excellent performance of the Group during the year and the Board's confidence in the future prospects of your Company.

The Group's dividends are set in US Dollars. Shareholders, receive dividends in Sterling 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 at the end of this announcement, before the next dividend record date, 4 April 2007.

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 with whom we are involved and are concerned for the community and environment. We are always working 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 2006 the Group paid in excess of US$ 70.0 million (2005: US$ 60.0 million) in Brazilian income, payroll and sales taxes.

Local employment

At the end of 2006, the Group directly employed more than 3,600 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.

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$ 5.2 million (2005: US$ 4.1 million) to the Group. In addition, the Group provided US$ 3.1 million (2005: US$ 2.2 million) of food assistance, and spent a further US$ 568,000 (2005: US$ 400,000) on education and professional development for employees. The Group will continue to invest in its management and employees.

Charitable donations

In line with our policy to support local charities the Group made charitable donations of US$ 130,000 (2005: US$ 163,000) 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 Escola de Gente, Casa Jimmy and Pastoral do Menor in Rio, Fundo da Infância e Adolescência in Rio Grande and Casa da Criança in Salvador. In addition to financial support, the Group encourages employees to participate in social initiatives of this nature.

Strategy

On 12 February 2007 the Board of Ocean Wilsons Holdings Limited made the following announcement:

" The board of Ocean Wilsons Holdings Limited notes the recent rumors in the market, and confirms that the Board is actively considering a partial IPO of its Brazilian operations. If a decision is taken to proceed, further information will be made available in due course."

In the event that the Board does decide to proceed with the IPO, the Group's shareholders will receive a document with full details of the proposal and the reasons and background to it.

Long term incentive plan

The Board is currently finalising a new long term incentive plan to reward senior management with compensation linked to the performance of the Ocean Wilsons Holdings Limited share price.

Outlook

The Group remains in a very good position to take advantage of the positive Brazilian economic environment. We expect to continue to grow and invest in our core businesses, primarily in Port Terminals and Offshore (Platform Supply Vessels – PSVs).

Our investments in 2007 will be concentrated in Tecon Rio Grande and PSV's. We expect to conclude the expansion of Tecon Rio Grande by the end of 2007 and deliver a new PSV in April 2007. We have already started to build two other PSV's, out of the four new vessels that we will build to satisfy the terms of the Petrobras public tender that we were awarded.

The strong Brazilian currency is still a challenge facing management, given the very high percentage of our costs that are in Real. However, we believe that the strong results delivered in 2006 are evidence of the ability of your Company to deal effectively with this environment. Management is totally committed to the profitability of the Group, and to increase shareholder value.

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 outstanding results. We will continue to invest in their future.

J. F. Gouvêa Vieira
Chairman
5 March 2007

Operating Review

Towage

Revenues rose to US$ 118.8 million in 2006 (2005: US$ 106.5 million), an increase of 11.5%, which reflects the continuous effort to increase the income level of the business. Operating margins were slightly lower due to the appreciation of the Real, with segment operating profit of US$ 31.4 million in 2006 (US$ 32.6 million in 2005).

The towage business performed well in 2006, with the number of vessels attended in line with 2005 and a 6% increase in the average dead-weight tonnage of ships serviced. Although the total number of vessels calling on Brazilian ports increased by 5%, our market share was slightly lower due to greater competition among the harbour towage operators. The appreciation of the Real against the US Dollar caused operating margins to fall.

Continuing the fleet renewal program, our shipyard in Guarujá delivered the 73 tons bollard pull tugs Aquarius and Volans, in March and June respectively. Both have "Unrestricted Service" and "FiFi I" Lloyd's Register class notation (fire-fighting capacity of 2.400 m3/hr), and are the largest harbour tugs operating in Brazil. The strategy is to replace the fleet's older tugs with high bollard pull and state of art units, enabling some of the tugs to attend the specific demands of the offshore oil industry.

Our joint venture with CVRD Consórcio Baía de São Marcos, also had a good result for the year, maintaining revenue and operating profit levels. The joint venture fleet rose from eight to nine tugs during the course of the year.

Port Terminals

Revenues in this segment increased by 29.2%, rising from US$ 98.6 million in 2005 to US$ 127.4 million in 2006, while operating margins rose from US$ 12.2 million in 2005 to US$ 39.4 million in 2006, reflecting the significant improvement in the performance of the container terminals.

Tecon Rio Grande

Tecon Rio Grande operated 614,700 TEU's (Twenty Feet Equivalent Units), against 670,000 TEU's in 2005, which represents a decrease of 8%. The reduction came about mainly due to the impact of (i) chicken influenza, which reduced exports of frozen chicken, (ii) appreciation of the Real, which affected the competitiveness of some export products, and (iii) the operation of some vessels in the public port, due to a combination of our terminal's expansion work and berthing window rules.

In order to support growing demand expected over the next years, two Post Panamax Gantry Cranes and four Rubber Tyred Gantries have been purchased and are expected to be in operation by the end of the first semester of 2007. The third berth is expected to be completed by the end of 2007, allowing the operation of three vessels simultaneously.

Despite of the volume decrease, strong commercial efforts were made to recover prices to an adequate market level, which improved significantly our revenues and results.Tobacco, frozen chicken, resin, furniture and footwear represented over 55% of the cargoes exported through Tecon Rio Grande.

Tecon Salvador

The terminal moved 252,790 TEU's, an increase of 14.4% over 2005. Tecon Salvador achieved its record movement of 16,323 boxes per month in October and throughout 2006 accounted for nearly 100% of the containers moved through the port of Salvador. Productivity also improved, from 34.8 moves per hour in 2005 to 36.6 in 2006.

Results were positively affected by the increase of full container volume and the commercial efforts to raise prices to an adequate level.

Tecon Salvador is the main terminal for agricultural and petrochemicals products exports of the region, and the yard size is a real limitation for future growth Therefore, we plan to invest in new investments in Rubber Tyred Gantries, to allow a more economic usage of the current available area, and thus to increase productivity.

Port Terminal for Oil & Gas Support (Brasco)

We provide services for the petroleum offshore industry through our onshore port base. Despite the shortage of rigs that affected some clients drilling operations, the new contract with Devon partially compensated this impact in 2006. Our long-term forecast is positive as oil companies are moving to the development phase of their offshore fields. The company is developing an inland site to increase its available storage area, to support its current base, as well as its future operations on the new base in Niteroi (at the former Group shipyard), and for the development of new sites in Rio de Janeiro State.

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

Left: Tug boat Volans (sister to tug boat Aquarius) seen at her namegiving ceremony in 2006.

Operating Review

Logistics

Logistics revenues increased by 32.7%, rising from US$ 37.1 million in 2005 to US$ 49.3 million in 2006. Our operating results improved 112%, from US$ 2.0 million in 2005 to US$ 4.2 million in 2006.

The Logistic division develops and operates customized solutions for storage, distribution and transportation for several different industrial segments, such as cosmetic and pharmaceutical products, agro industry, frozen chicken, petrochemicals, and pulp and paper. The division is an important logistic provider for both Brazilian and multinational companies, namely: Votorantim Celulose e Papel, Votorantim Metais, Doux Frangosul, Merck, Monsanto, Xerox and Petroflex. The division currently manages 135,000m^2 of warehouses (including bonded areas) and over 100 pieces of lifting equipment, (forklifts, reach stackers and top loaders).

In road transportation services, it performs national distribution operations and managed more than 62,500 trips in 2006, moving both import and export cargoes in containers from and to the main ports in Brazil. As part of the strategy to develop this fast growing business, during 2006 we made continuous efforts to increase revenue, reduce road use costs so as to improve our margin. The logistics division is the fastest growing business within our Group and has been recognized as one of the main logistic service providers in Brazil, winning various awards in 2006.

Ship Agency

Ship agency revenues decreased by 16.3% to US$ 17.8 million from US$ 20.7 million, although the operating result increased by 89%, rising from US$ 4.6 million to US$ 8.7 million. The agency had a good year in line with our expectations, attending 6,613 ship calls, a growth of 13% compared to the previous year.

The partnership with CMA-CGM ended, as our partner wished to be independent in their Brazilian operations. The volume of sales coming from foreign representatives and Gulf Agency Company hub agents network has doubled.

We continued to implement service quality improvements and internal process reviews. The centralisation of agency back office activities generated a productivity improvement of 13%. The division is ranked second in its market, with a share of 10%.

Offshore (Platform Supply Vessels)

Revenues in this segment increased by 16.7%, rising from US$ 7.2 million in 2005 to US$ 8.4 million in 2006, while operating margins decreased from US$ 1.6 million in 2005 to US$ 1.1 million in 2006.

The two offshore vessels, under time charter to Petrobras, continued to perform very well during 2006, achieving operational records, though the results were impacted by a few cost items. Both vessels were dry-docked for regular maintenance and ran class surveys during the year. The fleet's third vessel Saveiros Fragata is expected to be delivered in April 2007 and immediately start operating for Petrobras. Following the Group's strategy to increase our presence in the market, we participated in the latest Petrobras tenders for the new-building and time charter of PSVs. The Group won contracts for four new vessels, to be delivered between 2008 and 2010.

Non-segmented activities

Revenues from non-segmented activities increased from US$ 29.4 million to US$ 31.0 million, and operating losses increased from US$ 18.3 million to US$ 21.2 million. The main cost item in this segment is Group administration.

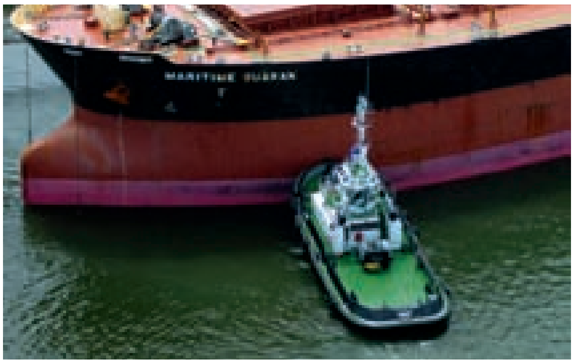
Shipyard

Besides the Towage fleet maintenance activities, the shipyard was very busy with the new-building program for tugs and the construction of the PSV, Saveiros Fragata. Third party work delivered a good result with the building of a new ferryboat for the São Paulo State Company, Dersa.

Dragaport

Our associated dredging company Dragaport had an excellent performance in 2006, performing work at the Brasfels shipyard site (Angra dos Reis – Rio de Janeiro State) and in the ports of Rio Grande, Santos and Rio de Janeiro.

Cezar Baião
Chief Executive Brazilian Operations



Above: the platform supply vessel Saveiros Albatroz. She is UT 755L designed by Rolls Royce Marine and has a length of 71,90 metres and breadth of 16 metres and operates along the Brazilian coastline.

Left: Tug boat Harris manoeuvring a vessel.

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Revenue

Group revenue, as reported for the year, was US$ 334.1 million, up by 17% on 2005 (US$ 285.2 million) principally due to increases in the port operations and logistics businesses.

Operating margins and profit

Operating profit for the year increased by 83% to US$ 61.4 million (2005: US$ 33.6 million) reflecting the higher turnover and improved margins. Margins for the year improved to 18.4%, (2005: 11.8%). This improvement was driven mainly by a recovery in port terminal tariffs, changes in the treatment of the PIS and COFINS taxes and cost reduction. Operating profit for the year further benefitted from the profit on disposal of our interest in the joint venture WR Operações Portuárias Ltda. of US$ 3.0 million and release of surplus on the acquisition of our additional interest in Brasco of US$ 1.4 million.

Investment revenues

Investment revenue for the Group for the year was down US$ 3.0 million to US$ 11.2 million, (2005: US$ 14.2 million) principally due to reduced exchange gains on cash and cash equivalents, US$ 4.4 million (2005: US$ 5.4 million) and the absence of investment revenues from insurance underwriting activities, US$ nil (2005: US$ 2.2 million).

Other gains and losses

Other gains of US$ 11.4 million (2005: US$ 7.8 million) arise from the Group's portfolio of trading investments and reflect the increase in unrealised gains in trading investments of US$ 4.5 million (2005: US$ 10.7 million), profits on the disposal of trading investments of US$ 3.1 million (2005: US$ 1.3 million) and exchange movements on trading investments of US$ 3.9 million gain (2005: US$ 4.2 million loss).

Finance costs

Finance costs for the year ended 31 December 2006 increased by US$ 0.4 million to US$ 6.4 million compared with US$ 6.0 million in 2005. The increase was attributable to losses on derivatives of US$ 1.2 million (2005: US$ nil) and a decrease in exchange gains on foreign currency borrowings, of US$ 0.8 million (2005: US$ 1.2 million). These negative movements were partially offset by a reduction in lease interest payments as several large lease contracts terminated in 2006.

Profit before tax

Group profit before tax for the year increased 57% to US$ 77.7 million from US$ 49.5 million in 2005 principally due to the increase in operating profit.

Taxation

The US$ 20.8 million tax charge (2005: US$ 14.9 million) for the year represents an effective tax rate for the period of 27% (2005: 30%). The corporate tax rate prevailing in Brazil is 34%. The lower effective tax rate primarily 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 158.6 cents, compared with 93.6 cents in 2005.

Cash flow

The improvement in operating profit in 2006 was reflected in improved operating cashflow. Net cash inflow from operating activities was US$ 37.2 million, US$ 12.3 million higher than prior year (2005: US$ 24.9 million).

Investing activities for 2006 absorbed US$ 24.9 million, which was US$ 21.9 million lower than the corresponding outflow last year (2005: US$ 46.8 million). In 2005 US$ 23.2 million was used to acquire the minority interest in Tecon Rio Grande. The Groups spending on property plant and equipment increased to US$ 42.2 million from US$ 36.2 million in 2005.

At 31 December 2006, the Group had US$ 62.6 million in cash and cash equivalents, (31 December 2005: US$ 50.9 million).

Balance sheet

At the year end the Group's net assets amounted to US$ 225.6 million (2005: US$ 171.4 million). The strong growth in net assets reflects the strong profit performance over the year as well as the appreciation of the Real. This translates into net assets per share of 638 cents per share (31 December 2005: 485 cents). Net assets located in Brazil amounted to 407 cents per share (31 December 2005: 303 cents) and net assets outside Brazil to 231 cents per share (31 December 2005: 182 cents).

Above: Tecon Salvador Container Terminal, Bahia.

Left: Tecon Rio Grande Container, Rio Grande do Sul.
In March of 2007, the terminal celebrated 10 years of operation.

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Debt

The Group has net debt (defined as bank loans, overdrafts, obligations under finance leases and derivative financial instruments less cash and cash equivalents) of US$ 50.0 million (2005: US$ 58.5 million). During 2006 the Group made capital repayments on existing loans in accordance with debt repayment schedules of US$ 16.1 million (2005: US$ 11.4 million) and raised new loans of US$ 21.0 million (2005: US$ 18.3million) to finance vessel construction and the expansion of Tecon Rio Grande.

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$ 110.2 million in borrowings repayable over periods of up to 16 years.

The Group also held approximately US$ 53.6 million in Real denominated cash deposits in Brazil and the equivalent of US$ 9.0 million in Sterling, US Dollar and Euro denominated deposits outside Brazil. The Group maintains large cash balances to fund investment opportunities and to manage short term fluctuations in cash flow.

Interest rate risk

The Group has three main types of borrowings, Real denominated, Real denominated linked to the US Dollar and US Dollar borrowings. Real denominated borrowings linked to the US Dollar have fixed interest rates and expose the Group to fair value risk. US Dollar borrowings have variable interest rates and expose the Group to cash flow risk.

Currency risk

The Group operates principally in Brazil with a substantial proportion of the Group's revenue, expenses and assets denominated in the Real. Due to the cost of hedging the Real, the Group does not normally hedge its net exposure to the Real as the Board does not consider it economically viable.

However during 2006 the Group used immaterial currency swaps to manage its exposure on the short term portion of its US Dollar and US Dollar linked debt. Such swaps are only undertaken with Board approval.

Additionally the Group hedges US Dollar and US Dollar linked loan 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 Real denominated loans linked to the US Dollar. These are used to finance 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 Real denominated financing available.

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

"2006 was a positive year for global equities with the MSCI World Index advancing by 20.1% exceeding the returns available from cash or bonds for the fourth consecutive year. Amongst the developed markets, Europe

Above: One of our warehouses which provides management, stock control and transport services for clients.

Left: Warehousing of woodpulp.

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outperformed and gains were augmented for US Dollar denominated investors by appreciation of the Euro by 11.5% and Sterling by 13.7%. The US and Japan both underperformed. Japan was particularly disappointing with the Topix essentially unchanged on the year.

It was another good year in the Emerging Markets especially in Asia. China in the "Year of the Dog" was the standout theme for investors. Oil prices surrendered their strength of the first half of the year to end 2006 where they started it. Copper fell sharply in December but still finished 35% higher. The price of an ounce of gold rose by 23%. Ten year bond yields were 30 basis points higher in the US and 70 basis points higher in Europe but both were well below their mid year peaks. Twelve month interest rates rose from 4.8% to 5.3% in the US and from 2.8% to 4% in Europe.

With the exception of a bout of pessimism in the second quarter investors remained sanguine for much of the year. A number of factors lay behind the sell-off such as how far the decline in US housing would drag down the world economy, the threat to inflation posed by commodity prices and the implications of a change at the helm of the US Federal Reserve. This sell-off was compounded by the scale of investor leverage which had been exploiting what amounted to free finance via the Yen "carry trade".

However such concerns proved short lived as they were offset by record levels of corporate profitability, robust margins and the process of shrinking equity.

The high levels of capital available for merger and acquisition and leveraged buyout activity has meant that the available pool of equity has been declining at a rate which exceeds supply. In particular these factors underpinned the strength of European equities where low levels of volatility and tight credit spreads sustained a benign financing environment for retiring equity.

Japan proved to be the most frustrating market of 2006. Despite double digit gains in operating earnings, and profit margins at their highest levels for 30 years the market never recovered from its setback in the second quarter. Concerns about the impact of a slowing US economy and an ongoing lack of confidence amongst domestic investors dominated instead.

Emerging markets were again a rewarding home for investors in 2006, particularly anything China related. High levels of investment ahead of the 2008 Olympics in Beijing have unleashed a boom in the economy. Profitability is rising sharply in Chinese companies. Inflation has not so far been a significant worry for policy makers as the country's huge supply of labour together with productivity gains have kept a lid on goods and services inflation. US retail investors in particular have been attracted to China and together with demand from savings rich local investors resulted in a gain in local Chinese shares in excess of 100%.

Performance

The portfolio benefited from this generally positive market background and increased by 18.4% over the year, marginally less than the gains of 20% in the MSCI World Index but significantly ahead of its performance benchmark which increased by 6.8%. Over the six years that Hanseatic Asset Management has had the assignment of managing the portfolio it has increased in value by 59.6%. Over the same period the MSCI World Index increased by only 2.9% and the performance benchmark by 25.6%.

In 2006, the best performing area of the portfolio was the UK where returns were augmented by the strength of Sterling. In particular, there were significant positive contributions from Lansdowne UK Equity Fund, Cathedral Capital PLC and Finsbury Growth and Income Trust PLC. The Far East and the Emerging Markets also performed very well in particular the Close Finsbury Far East Fund, which emphasised China and related plays, and the SR – Emerging Markets Portfolio.

The one negative area was in Japan where an overweight exposure together with poor performing funds undermined returns on both a relative and absolute basis. Japan was frustrating last year. The improving profitability of the corporate sector that the case for investing in Japan was predicated on is definitely occurring, but domestic investors seem to have very little confidence in their own market. Without the same level of foreign participation which characterised 2005 the market lagged other parts of the world. It was particularly weak in the smaller and medium sized domestic companies which the portfolio is exposed to.

Above: The Group's shipyard in Guaruja, in the state of Sao Paulo.

Left: Children in one of the institutions assisted by the Group.

Financial Review

The best performing individual investments in 2006 were

	%
Cathedral Capital PLC	92.5
Merrill Lynch World Mining Trust PLC	48.0
Close Finsbury Far East Equity Fund	38.9
Jupiter European Opportunities Trust PLC	38.5
Lansdowne UK Equity Fund	38.3
Ivanhoe Mines Limited	36.7
Finsbury Growth and Income Trust PLC	35.1
Aberdeen Global – Asia Pacific Fund	27.4
SR Global Fund – Emerging Markets Portfolio	26.5
Lansdowne European Equity Fund	26.2

Portfolio activity

During the year, there were purchases worth approximately US$ 14.5m and sales to the value of US$ 17.3m. The most significant new investments were BlueBay European Credit Opportunities Fund, the Melchior Japan Investment Trust PLC, Finsbury Emerging Biotechnology Trust PLC and UFG Russia Select Fund Limited.

The BlueBay fund offers leveraged exposure to a diversified portfolio of primarily European senior secured leveraged loans and high yield bonds. Crucially the managers have the flexibility to short securities which is an attractive factor given the performance of the high yield market and the compression in spreads.

The Melchior Fund concentrates on smaller and mid cap growth stocks in Japan. It was a new listing whose management team had a strong track record. The timing was unfortunate as this sector of the market in particular suffered during the second half of the year.

Finsbury Emerging Biotechnology Trust was a placing following a change of management term and geographical focus. Valuations have become very attractive as this sector has been out of favour. The managers anticipate a more benign environment for biotechnology companies going forward following the appointment of a new Commissioner of the FDA. The UFG Russia Fund is a long/short equity fund operating in Russia. The manager distinguished himself from other Russian Funds in the market setback in the second quarter by using shorting to successfully protect value.

The largest sale in the period was the holding in Cathedral Capital a private Lloyds based insurance company operating primarily in the aviation and the real estate markets of the US following a bid from its management. The other major sales included the Putnam New Flag High Yield Fund, which funded the purchase of Blue Bay. The holding in Endeavour Corporation was sold to take profits after the run up in oil prices in early 2006 and partial profits were taken in the Ashmore Emerging Markets Liquid Investment Portfolio holding following tightening Sovereign spreads. The holding in Odey European Inc was sold and proceeds from the Russian Century Fund were used to invest in UFG Russia.

Outlook

Since the current bull market in global equities began in March 2003 there have been two principal drivers behind higher share prices – the corporate profits cycle and in the developed world a shrinking supply of equity through merger and acquisition activity, leveraged buyouts and share repurchases. There has been little in the way of multiple expansion. The only metric by which shares have become significantly more expensive is price to book. A robustly profitable corporate sector continues to support the outlook for shares and the abundance of liquidity globally underpins the prospects for high levels of equity withdrawal. Levels of capital spending remain subdued in part due to the platform company model whereby manufacturing operations are relocated to the developing world. This suggests companies will continue to focus on merging either with competitors or geographically contiguous operations. High levels of cash – the average level of cash on the balance sheet of an S&P 500 company is over 8%, which is the highest for 20 years – suggests that buying back stock or special dividends will remain another supportive feature for equities. Relative to bonds, shares remain attractively priced. When these structural factors are added to a relatively benign outlook for a mid cycle slowdown sufficient to hold monetary policy in check but not enough to derail the world economy then equities would appear to be the financial asset class of choice for 2007.

There are however a number of issues for concern that should be taken into account. For one thing the consensus amongst investment commentators is positive and many of the industry "permabears" have capitulated recently.

Secondly the bull market is relatively "long in the tooth" which statistically increases the chances of a serious setback.

New technology and the emergence of the developing world has led to a large increase in global manufacturing capacity. This increased level of supply has put downward pressure on the price of traded goods which in turn has boosted the purchasing power of consumers and businesses alike. Productivity and corporate profitability have increased accordingly. The other feature of the impact of globalization has been the huge surge in global savings given the Asian propensity to save. These excesses are recycled into the global financial system creating the liquidity which underpins asset prices. Any change to this current balance would have a massively dislocating effect on capital markets. Although that does not appear imminent it is likely to occur when savings rates come down in Asia to finance rising levels of consumption. The impact of consumers in the developing world going head to head with those in the developed world would result in cost pressures throughout the entire economic chain with very negative implications for monetary policy. If equity markets start to sense this is happening they will become very nervous places.

Perhaps a more immediate threat is posed by the prospect of a financial accident emanating from a disruption to the "carry trade". Deflation in the domestic economy of Japan has resulted in near zero interest rates. Although it is difficult to quantify it is believed that the world financial markets are very vulnerable to any change in this source of free Yen financing. Any change to Japanese policy in response to say, the weakness in the Yen could have very negative knock on consequences.

Finally in terms of potential risks to the equity outlook it is impossible to ignore geopolitical issues. There are any number of potentially negative scenarios involving the Middle East, terrorism and disruption to oil supplies. Also the prospect of brinkmanship between Taiwan and China is likely to increase as the Olympics draws near. Later in 2007 investors are likely to focus on important elections in 2008 involving the US and Russia and the implications of the political climate in those two countries.

On balance the Managers of the Portfolio think that equities should be able to deliver better returns than cash and bonds in 2007. They believe however that the margin of out performance will decline from previous years and that there are many reasons to expect the levels of market volatility to rise."

Insurance

In October 2005 Ascension Underwriting disposed of all its investments in Lloyds underwriting syndicates through the annual Lloyds auctions and is not currently underwriting insurance. Results for the 2004 and 2005 underwriting years reflect best estimates and consequently may be subject to change in the future although the Board does not anticipate any significant changes.

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 57 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 49 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.

C M Marote is aged 65 and joined the Group in 1964. He became Managing Director in February 1998 before retiring in October 2001.

F Gros is aged 65 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. and Ultrafertil S.A.

C F A Cooper is aged 64 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.

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UK Transfer Agent
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Ocean Wilsons Dividend Address
Ocean Wilsons Dividend Election
Capita Registrars
The Registry
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Beckenham
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Auditors
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PO Box HM 1556
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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 2006.

The Group accounts, presented under International Financial Reporting Standards (IFRS), comprise the Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 – 35.

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

The Group´s profit after tax on ordinary activities but before minority interests amounted to US$ 56,833,000 (2005 US$ 34,657,000).

An interim dividend of 2.0c (2005 2.0c) gross per share was paid on 27 October 2006 and the Directors are recommending the payment of a final dividend for the year of 20.0c (2005 18.0c) gross per share. The final dividend will be paid on 4 May 2007 to all shareholders who are on the register at close business on 10 April 2007.

Principal Activities
The Group's principal activities during the year were the provision of towage, port operations, ship agency, offshore and logistics 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 K Middleton and Mr F Gros will retire at the next annual general meeting and, being eligible, offer themselves for re-election. The Directors who held office at 31 December 2006 had the following interest in the Company shares:

	Interest	**2006**	2005
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 is no service contracts between Mr F Gros and the Company. Mr K Middleton, an executive Director, has terms of service which can be terminated by the company on not less than twelve months notice in writing and by the Director on not less than six months notice in writing.

Employees
The average number of persons, including Directors, employed by the Group was 3,811 (2005: 3,348).

Charitable and Political Donations
During the Group made charitable donations of US$ 130,833 (2005: US$ 163,000) principally to social programmes in Brazil. There were no political contributions in either year.

Long term incentive plan
In February 2000, 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 closed in 2006.

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.

Report of the Directors

Substantial Shareholdings
As at 23 February 2007 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	2,128,911	6.0

The Company has been advised that Mr W H Salomon and Mrs C A Townsend are interested in the shares registered in the name of Nicholas B. Dill Jnr and Codan Trustees (BVI) Limited. 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 26.4% and Mrs C A Townsend an interest in 25.6% 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 of whom the Chairman and three non-executive Directors 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 also board 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 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 March 2007

Independent Auditor's 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 2006 which comprise the group income Statement, the group balance sheet, the group cash flow statement, the group statement of changes in equity and the related notes 1 to 35. 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 Bermudan 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 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 whether in our opinion the information given in the Directors' Report is inconsistent with the group financial statements.

In addition we report to you if, in our opinion, 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 director's 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. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the 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 judgments 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 2006 and of its profit for the year then ended; and

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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
5 March 2007

Consolidated Income Statement

for the year ended 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Revenue	3	**334,109**	285,227
Raw materials and consumables used		**(53,886)**	(50,398)
Employee benefits expense	6	**(83,225)**	(71,719)
Depreciation and amortisation expense		**(15,100)**	(13,959)
Other operating expenses		**(125,247)**	(116,207)
Profit on disposal of property, plant and equipment		**435**	565
Profit on disposal of joint venture	29	**2,965**	–
Release of surpluss on acquisition of interest in subsidiary	29	**1,433**	–
Share of (loss)/profit of associate	17	**(51)**	39
Operating profit		**61,433**	33,548
Investment income	3, 7	**11,196**	14,212
Other gains and losses	8	**11,433**	7,764
Finance costs	9	**(6,414)**	(6,002)
Profit before tax		**77,648**	49,522
Income tax expense	10	**(20,765)**	(14,865)
Profit for the year	5	**56,883**	34,657
Attributable to:			
Equity holders of parent		**56,077**	33,086
Minority interests		**806**	1,571
		56,883	34,657
Earnings per share			
Basic and diluted	12	**158.6c**	93.6c

Consolidated Balance Sheet

as at 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Non current assets			
Goodwill	13	**13,132**	13,132
Other intangible assets	14	**2,053**	2,288
Property, plant and equipment	15	**175,785**	147,651
Deferred tax assets	24	**8,289**	7,462
Interests in associate	17	**–**	365
Available for sale investment	18	**5,346**	4,821
Other non-current assets	27	**7,809**	5,657
		212,414	181,376
Current assets			
Inventories	19	**7,061**	6,669
Trading investments	18	**73,192**	64,563
Trade and other receivables	21	**54,413**	45,295
Cash and cash equivalents	30	**62,599**	50,881
		197,265	167,408
Total assets		**409,679**	348,784
Current liabilities			
Trade and other payables	26	**(54,223)**	(54,266)
Current tax liabilities		**(1,944)**	(971)
Obligations under finance leases	25	**(581)**	(3,893)
Bank overdrafts and loans	22	**(14,945)**	(16,431)
Derivative financial instruments	23	**(782)**	–
		(72,475)	(75,561)
Net current assets		**124,790**	91,847
Non-current liabilities			
Bank loans	22	**(95,216)**	(88,515)
Deferred tax liabilities	24	**(9,336)**	(8,455)
Provisions	27	**(5,913)**	(4,317)
Obligations under finance leases	25	**(1,098)**	(566)
		(111,563)	(101,853)
Total liabilities		**(184,038)**	(177,414)
Net assets		**225,641**	171,370
Capital and reserves			
Share capital	28	**11,390**	11,390
Retained earnings		**173,305**	126,331
Capital reserves		**25,973**	23,942
Investment reserve		**2,381**	1,856
Translation reserve		**8,762**	6,538
Equity attributable to equity holders of the parent		**221,811**	170,057
Minority interests		**3,830**	1,313
Total equity		**225,641**	171,370

The accounts on pages 20 to 51 were approved by the Board on 5 March 2007. 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 2006

	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 at 1 January 2005	11,390	101,137	23,122	1,353	1,406	138,408	9,019	147,427
Gains on available for sale investment	–	–	–	503	–	503	–	503
Currency translation adjustment	–	–	–	–	5,132	5,132	–	5,132
Profit for the period	–	33,086	–	–	–	33,086	1,571	34,657
Total income and expense for the period	–	33,086	–	503	5,132	38,721	1,571	40,292
Dividends	–	(7,072)	–	–	–	(7,072)	–	(7,072)
Acquisition of minority interest	–	–	–	–	–	–	(9,277)	(9,277)
Transfer to capital reserves	–	(820)	820	–	–	–	–	–
Balance at 1 January 2006	11,390	126,331	23,942	1,856	6,538	170,057	1,313	171,370
Gains on available for sale investment	–	–	–	525	–	525	–	525
Currency translation adjustment	–	–	–	–	2,224	2,224	187	2,411
Profit for the period	–	56,077	–	–	–	56,077	806	56,883
Total income and expense for the period	–	56,077	–	525	2,224	58,826	993	59,819
Dividends	–	(7,072)	–	–	–	(7,072)	–	(7,072)
Acquisition of minority interest	–	–	–	–	–	–	1,524	1,524
Transfer to capital reserves	–	(2,031)	2,031	–	–	–	–	–
Balance at 31 December 2006	**11,390**	**173,305**	**25,973**	**2,381**	**8,762**	**221,881**	**3,830**	**225,641**

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.

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

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Net cash inflow from operating activities	30	**37,239**	24,871
Investing activities			
Interest received		**5,922**	5,997
Dividends received from associate		**327**	323
Dividends received from trading investments		**915**	642
Proceeeds on disposal of trading investments		**17,280**	12,843
Income from underwriting activities		**–**	1,530
Proceeds on disposal of property, plant and equipment		**2,144**	3,077
Purchases of property, plant and equipment		**(42,231)**	(36,245)
Proceeds on investment in an associate		**49**	–
Net cash inflow/(outflow) arising from acquisition of subsidiary	29	**1,723**	(23,222)
Purchases of trading investments		**(14,476)**	(11,704)
Net cash inflow arising on disposal of joint venture		**3,464**	–
Net cash used in investing activities		**(24,883)**	(46,759)
Financing activities			
Dividends paid	11	**(7,072)**	(7,072)
Repayments of borrowings		**(16,099)**	(11,389)
Repayments of obligations under finance leases		**(3,421)**	(2,932)
New bank loans raised		**20,955**	18,295
increase/(Decrease)in bank overdrafts		**640**	(409)
Net cash used in from financing activities		**(4,997)**	(3,507)
Net increase/(decrease) in cash and cash equivalents		**7,359**	(25,395)
Cash and cash equivalents at beginning of year		**50,881**	70,915
Effect of foreign exchange rate changes		**4,359**	5,361
Cash and cash equivalents at end of year		**62,599**	50,881

Notes to the Accounts
for the year ended 31 December 2006

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 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
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim reporting and impairments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service concession arrangements

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 for additional disclosures on 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 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.

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.

2 Significant accounting policies and critical accounting judgements (continued)

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

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

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

Interests in joint ventures

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

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature.

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

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

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;

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

- on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and
- on the initial recognition of any non-tax deductible goodwill.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the 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

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 cash generating unit. Growth rates are based on management's forecasts and historical trends. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Negative Goodwill

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

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.

2 Significant accounting policies and critical accounting judgements (continued)

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 intially 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.
- *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 the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

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.

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

Notes to the Accounts

2 Significant accounting policies and critical accounting judgements (continued)

Share-based payments

In respect of cash settled long-term incentive plans, 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 revenue and finance costs and other gains and losses.

Leasing

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

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

3 Revenue

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

	2006 **US$'000**	2005 US$'000
Sales of services	**332,764**	271,104
Revenue from construction contracts	**1,345**	14,123
	334,109	285,227
Investment income	**11,196**	14,212
	345,305	299,439

All revenue is derived from continuing operations

4 Business and geographical segments

Business segments

For mangement purposes, the Group is currently organised into seven operating activities; towage, port terminals, ship agency, offshore logistics, investment and non segmented activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information relating to these businessess is presented below.

2006

	Towage Year ended 2006 US$'000	Port terminals Year ended 2006 US$'000	Ship agency Year ended 2006 US$'000	Offshore Year ended 2006 US$'000	Logistics Year ended 2006 US$'000	Investment Year ended 2006 US$'000	Non segmented activities Year ended 2006 US$'000	Elimination Year ended 2006 US$'000	Consolidated Year ended 2006 US$'000
Revenue	118,817	127,436	17,778	8,356	49,250	–	12,472	–	334,109
Intersegment sales	–	–	–	–	–	–	18,489	(18,489)	–
	118,817	127,436	17,778	8,356	49,250	–	30,961	(18,489)	334,109
Result									
Segment result	31,363	39,391	8,743	1,102	4,186	(2,131)	(21,171)	–	61,484
Share of results of associates	–	–	(51)	–	–	–	–	–	(51)
Operating profit	31,363	39,391	8,692	1,102	4,186	(2,131)	(21,171)	–	61,433
Investment income	–	–	–	–	–	882	10,314	–	11,196
Other gains and losses	–	–	–	–	–	11,433	–	–	11,433
Finance costs	(2,346)	(1,970)	–	(919)	(200)	–	(979)	–	(6,414)
Profit before tax	29,017	37,421	8,692	183	3,986	10,184	(11,836)	–	77,648
Tax									(20,765)
Profit after tax									56,883
Other information									
Capital additions	(7,848)	(14,221)	(519)	(15,680)	(1,143)	–	(3,462)	–	(42,873)
Depreciation and amortisation	(5,498)	(5,430)	(573)	(2,138)	(715)	–	(746)	–	(15,100)
Balance Sheet									
Assets									
Segment assets	103,133	132,893	8,216	43,063	11,173	82,392	28,809	–	409,679
Interest in associates	–	–	–	–	–	–	–	–	–
Consolidated total assets									409,679
Liabilities									
Segment liabilities	(64,095)	(46,268)	(7,667)	(42,039)	(3,548)	(2,374)	(18,047)	–	(184,038)

Notes to the Accounts

4 Business and geographical segments (continued)

2005

	Towage Year ended 2005 US$'000	Port terminals Year ended 2005 US$'000	Ship agency Year ended 2005 US$'000	Offshore Year ended 2005 US$'000	Logistics Year ended 2005 US$'000	Investment Year ended 2005 US$'000	Non segmented activities Year ended 2005 US$'000	Elimination Year ended 2005 US$'000	Consolidated Year ended 2005 US$'000
Revenue	106,525	98,642	20,733	7,247	37,123	–	14,957	–	285,227
Intersegment sales	–	–	–	–	–	–	14,433	(14,433)	–
	106,525	98,642	20,733	7,247	37,123	–	29,390	(14,433)	285,227
Result									
Segment result	32,607	12,151	4,611	1,550	1,972	(1,106)	(18,276)	–	33,509
Share of results of associates	–	–	39	–	–	–	–	–	39
Operating profit	32,607	12,151	4,650	1,550	1,972	(1,106)	(18,276)	–	33,548
Investment income	–	–	–	–	–	2,689	11,523	–	14,212
Other gains and losses	–	–	–	–	–	7,764	–	–	7,764
Finance costs	(1,786)	(1,384)	–	(892)	(192)	–	(1,748)	–	(6,002)
Profit before tax	30,821	10,767	4,650	658	1,780	9,347	(8,501)	–	49,522
Tax									(14,865)
Profit after tax									34,657
Other information									
Capital additions	(13,423)	(19,557)	(1,979)	(1,459)	(421)	–	(733)	–	(37,572)
Depreciation and amortisation	(5,489)	(5,268)	(407)	(1,896)	(491)	–	(408)	–	(13,959)
Balance Sheet									
Assets									
Segment assets	111,963	85,652	9,039	29,179	12,282	69,123	31,181	–	348,419
Interest in associates	–	–	365	–	–	–	–	–	365
Consolidated total assets									348,784
Liabilities									
Segment liabilities	(59,609)	(44,136)	(6,769)	(28,854)	(11,276)	(1,168)	(25,602)	–	(177,414)

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

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

In 2005 the Group reported segment information in five segments comprising towage offshore and shipyard, port operations and logistics, ship agency, investment, unallocated and other. In 2006 offshore and logistics have been seperately reported and shipyard has been subsumed within unallocated and other. This analysis follows the Groups management and organisational structure.

Profit on disposal of the Groups interest in WR Operadores Portu·rias Ltda and the release of surplus on acquisition of Brasco has been recognised in port operations.

4 Business and geographical segments (continued)

Geographical Segments

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

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
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Brazil	**326,730**	274,836	**42,873**	37,572
Bermuda	**80,884**	70,677	**–**	–
Other	**2,065**	3,271	**–**	–
	409,679	348,784	**42,873**	37,572

5 Profit for the year

Profit for the year has been arrived at after charging:

	2006	2005
	US$'000	US$'000
Net foreign exchange gains	**6,110**	2,365
Depreciation of property plant and equipment	**14,822**	13,663
Amortisation of intangible assets	**278**	296
Employee benefits expense (see below)	**83,225**	71,719
Operating lease rentals	**8,498**	8,469
Auditors' remuneration for audit services (see below)	**793**	453
Non-executive directors emoluments	**174**	165
Cost of inventories recognised as expense	**53,886**	50,398

A more detailed analysis of auditors remuneration is provided below:

Statutory audit	**793**	453
Further assurance services	**8**	238
Other services	**31**	–
	832	691

Notes to the Accounts

6 Employee benefits expense

	2006 US$'000	2005 US$'000
Aggregate remuneration comprised		
Wages and salaries	**64,473**	54,750
Share based payment expense (note 32)	**212**	2,020
Social security costs	**17,704**	14,478
Other pension costs (note 34)	**836**	471
	83,225	71,719

7 Investment income

	2006 US$'000	2005 US$'000
Interest on bank deposits	**5,922**	5,997
Exchange gains on cash	**4,359**	5,361
Dividends from equity investments	**915**	642
Investment revenues from underwriting activities	**–**	2,212
	11,196	14,212

8 Other gains and losses

	2006 US$'000	2005 US$'000
Increase in fair value of trading investments held at year end	**4,456**	10,733
Profit on disposal of trading investments	**3,098**	1,251
Exchange gain/(loss) on trading investments	**3,879**	(4,220)
	11,433	7,764

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

9 Finance costs

	2006 US$'000	2005 US$'000
Interest on bank loans and overdrafts	**5,467**	5,508
Exchange gain on foreign currency borrowings	**(792)**	(1,224)
Interest on obligations under finance leases	**489**	1,059
Total borrowing costs	**5,164**	5,343
Derivative costs	**1,225**	–
Other interest	**25**	659
	6,414	6,002

Derivative costs represent the settlement of derivative contracts and the movement in the fair value of derivatives during the year.

10 Taxation

	2006 US$'000	2005 US$'000
Current		
Brazilian taxation		
Corporation tax	**14,689**	10,346
Social contribution	**5,970**	4,426
Total Brazilian currrent tax	**20,659**	14,772
UK corporation tax	**–**	380
Total current tax	**20,659**	15,152
Deferred tax		
Charge for the year in respect of deferred tax liabilities	**2,382**	6,247
Credit for the year in respect of deferred tax assets	**(2,276)**	(6,534)
Total deferred tax	**106**	(287)
Total taxation	**20,765**	14,865

Brazilian corporation tax is calculated at 25 percent (2005: 25 percent) of the assessable profit for the year.

Brazilian social contribution tax is calculated at 9 percent (2005: 9 percent) of the assessable profit for the year.

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda and,accordingly, no provision for such taxes has been recorded by the company. In the event that such taxes are levied, the company has received an undertaking from the Bermuda Government exempting it from all such taxes until 28 March 2016.

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

	2006 US$'000	2005 US$'000
Profit before tax	**77,648**	49,522
Tax at the standard Brazilian tax rate of 34% (2005–34%)	**26,400**	16,837
Tax effect of share of results of associates	**(17)**	13
Tax effect of expenses / income that are not included in determining taxable profit	**(1,921)**	(343)
Tax effect of utilisation of tax losses not previously recognised	**–**	(397)
Adjustment recognised in the period for current tax of prior periods	**–**	54
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,697)**	(1,299)
Tax expense and effective rate for the year	**20,765**	14,865
Effective rate for the year	**27%**	30%

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%.

Notes to the Accounts

11 Dividends

	2006 US$'000	2005 US$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2005 of 18.0c (2004: 18.0 c) per share	**6,365**	6,365
Interim dividend paid for the year ended 31 December 2006 of 2.0c (2005: 2.0c) per share	**707**	707
	7,072	7,072
Proposed final dividend for the year ended 31 December 2006 of 20.0c (2005: 18.0c) per share	**7,072**	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:

	2006 US$'000	2005 US$'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent.	**56,077**	33,086
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

	2006 US$'000	2005 US$'000
Cost and carrying amount attributed to Tecon Rio Grande		
At 1 January	**13,132**	–
Acquisition of subsidiary	**–**	13,132
At 31 December	**13,132**	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 2005	2,625
Exchange differences	346
At 1 January 2006	2,971
Exchange differences	50
Additions	–
At 31 December 2006	**3,021**
Amortisation	
At 1 January 2005	311
Charge for the year	296
Exchange differences	76
At 1 January 2006	683
Charge for the year	278
Exchange differences	7
At 31 December 2006	**968**
Carrying amount	
31 December 2006	**2,053**
31 December 2005	2,288

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 Salavdor, is 25 years, and for Eadi Santo Andre is 5 years.

Notes to the Accounts

15 Property, plant and equipment

	Land and buildings US$'000	Floating Floating Craft US$'000	Vehicles, plant and equipment US$'000	Assets under construction US$'000	Total US$'000
Cost or valuation					
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 1 January 2006	30,423	108,921	79,581	11,072	229,997
Additions	11,493	5,358	7,150	18,872	42,873
Acquisition of subsidiary	–	–	1,962	–	1,962
Disposal of joint venture	–	–	(2,186)	–	(2,186)
Transfers	–	12,617	–	(12,617)	–
Exchange differences	1,435	665	1,799	–	3,899
Disposals	(369)	(1,202)	(1,559)	–	(3,130)
At 31 December 2006	**42,982**	**126,359**	**86,747**	**17,327**	**273,415**
Accumulated depreciation and impairment					
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 1 January 2006	7,698	50,298	24,350	–	82,346
Charge for the year	1,829	7,700	5,293	–	14,822
Acquisition of subsidiary	–	–	1,140	–	1,140
Disposal of joint venture	–	–	(886)	–	(886)
Exchange differences	127	348	1,154	–	1,629
Disposals	(162)	(281)	(978)	–	(1,421)
At 31 December 2006	**9,492**	**58,065**	**30,073**	**–**	**97,630**
Carrying Amount					
31 December 2006	**33,490**	**68,294**	**56,674**	**17,327**	**175,785**
31 December 2005	22,725	58,623	55,231	11,072	147,651

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$ 5.6 million (2005: US$ 6.6 million) in respect of assets held under finance leases.

Land and buildings with a book value of US$ 294,217 (2005: US$ 751,000) and tugs with a value of US$ 3,500,320 (2005: US$ 10,782,000) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US$ 40.6million (2005: US$ 43.4million) to secure loans granted to the Group.

At 31 December 2006, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$ 2.2 million (2005: US$ 6.1 million).

16 Subsidiaries

	Place of incorporation and operation	Proportion of ownership interest	Method used to account for investment
OCEAN WILSONS LIMITED	Bermuda	100%	Consolidation
Holding company			
OCEAN WILSONS (INVESTMENTS) LIMITED	Bermuda	100%	Consolidation
Investment holding and dealing company			
WILSON SONS DE ADMINISTRAÇÂO E COMÉRCIO LTDA	Brazil	100%	Consolidation
Holding company			
SAVEIROS CAMUYRANO SERVIÇOS MARÍTIMOS LTDA	Brazil	100%	Consolidation
Tug operators			
WILSON, SONS S.A., COMÉRCIO, INDÚSTRIA, E AGÊNCIA DE NAVEGAÇÂO LTDA	Brazil	100%	Consolidation
Shipbuilders			
WILSON SONS AGENCIA MARÍTIMA LTDA.	Brazil	100%	Consolidation
Ship Agents			
SOBRARE-SERVEMAR LTDA	Brazil	100%	Consolidation
Tug operator			
WILPORT OPERADORES PORTUARIOS LTDA	Brazil	100%	Consolidation
Stevedoring			
COMPANHIA DE NAVEGAÇAO DAS LAGOAS LTDA	Brazil	100%	Consolidation
Tug operator			
COMPANHIA DE NAVEGAÇAO DAS LAGOAS NORTE LTDA	Brazil	100%	Consolidation
Tug operator			
WILSON, SONS LOGÍSTICA LTDA	Brazil	100%	Consolidation
Logistics			
WILSON, SONS TERMINAIS DE CARGAS LTDA	Brazil	100%	Consolidation
Transport services			
EADI SANTO ANDRÉ TERMINAL DE CARGA LTDA	Brazil	100%	Consolidation
Bonded warehousing			
ASCENSION UNDERWRITING LIMITED	UK	100%	Consolidation
Corporate underwriting member of Lloyds			
VIS LIMITED	Guernsey	100%	Consolidation
Holding company			
TECON RIO GRANDE S.A.	Brazil	100%	Consolidation
Port operator			
TECON SALVADOR S.A.	Brazil	90%	Consolidation
Port operator			
BRASCO LOGÍSTICA OFFSHORE LTDA	Brazil	75%	Consolidation*
Tug operator			

Brasco Logistica Offshore Ltda was proportionally consolidated as a joint venture until it was acquired as a subsidiary in March 2006 (see note 29).

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 (2005: US$ 23.3 million) and US$ 23.3 million (2005: US$ 23.3 million) respectively through its underwriting interests in a number of Lloyds syndicates. These assets and liabilities are not controlled by the company and are not included in the consolidated results of the Group.

Notes to the Accounts

17 Associates and joint ventures

Aggregate amounts relating to associates

	2006 US$'000	2005 US$'000
Total assets	**–**	2,045
Total liabilities	**–**	(1,680)
	–	365
Revenues	**413**	2,447
Profit	**(51)**	39

In June 2006 the Group sold its 30% interest in CMA CGM do Brasil Agencia Maritima Ltda for US$ 49,000.

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

	2006 US$'000	2005 US$'000
Current assets	**3,880**	7,054
Non-current assets	**5,226**	6,757
Current liabilities	**(4,023)**	(10,471)
Non-current liabilities	**(1,760)**	(1,912)

	2006 US$'000	2005 US$'000
Income	**29,769**	25,888
Expenses	**(21,903)**	(19,701)

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 Tug operator	Brazil	50%	Proportional consolidation
Allink Transportes Internacionais Limitada Non-vessel operating common carrier	Brazil	50%	Proportional consolidation
Consorcio de Rebocadores Barra de Coqueiros Tug operator	Brazil	50%	Proportional consolidation
Dragaport Limitada Dredge operator	Brazil	33%	Proportional consolidation
Dragaport Engenharia Dredge operator	Brazil	33%	Proportional consolidation

18 Investments

	2006 US$'000	2005 US$'000
Available for sale investments		
Fair value	**5,346**	4,821

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

	2006 US$'000	2005 US$'000
Trading investments		
Fair value		
Fair value at 1 January	**64,563**	57,938
Additions, at cost	**14,476**	11,704
Disposals, at market value	**(17,280)**	(12,843)
Increase in fair value of trading investments held at year end	**4,456**	10,733
Profit on disposal of trading investments	**3,098**	1,251
Exchange gain/(loss) on trading investments	**3,879**	(4,220)
Fair value at 31 December	**73,192**	64,563

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.

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

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.

19 Inventories

	2006 US$'000	2005 US$'000
Raw materials	**7,061**	6,669

Raw materials comprise spare parts and other raw materials

Notes to the Accounts

20 Construction contracts

	2006 US$'000	2005 US$'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	–	–
	–	252
Contract costs incurred plus recognised profits less recognised losses to date	–	7,908
Less progress billings	–	(7,656)
Net assets	–	252

21 Other financial assets

	2006 US$'000	2005 US$'000
Trade and other receivables		
Amount receivable for the sale of services	**27,681**	20,264
Amounts due from contract customers	–	252
Amounts owed by joint ventures and associate	**59**	2,248
Taxation recoverable	**1,529**	1,980
Prepayments and accrued income	**25,144**	20,551
	54,413	45,295

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$ 933,000 (2005: US$ 537,000) 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 trading 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

	2006	2005
	US$'000	US$'000
Bank overdrafts	**809**	169
Bank loans	**109,352**	104,777
	110,161	104,946

The borrowings are repayable as follows:		
On demand or within one year	**14,945**	16,431
In the second year	**14,216**	13,989
In the third to fifth years inclusive	**32,170**	32,803
After five years	**48,830**	41,723
	110,161	104,946
Less amounts due for settlement within 12 months		
(shown as current liabilities)	**(14,945)**	(16,431)
Amounts due for settlement after 12 months	**95,216**	88,515

Analysis of borrowings by currency:

31/12/2006	$Real US$'000	$Real linked to US Dollars US$'000	US Dollars US$'000	Total US$'000
Bank overdrafts	809	–	–	809
Bank loans	–	78,417	30,935	109,352
Total	809	78,417	30,935	110,161
31/12/2005				
Bank overdrafts	169	–	–	169
Bank loans	1,659	73,916	29,202	104,777
Total	1,828	73,916	29,202	104,946

The weighted average interest rates paid were as follows :

	Year ended 2006	Year ended 2005
Bank overdrafts	**15.1%**	24.4%
Bank loans	**5.3%**	5.5%

Bank loans of US$ 77.9 million (2005: US$ 73.9 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:

	2006	2005
	US$'000	US$'000
Bank overdrafts	**809**	169
Bank loans	**83,255**	93,372
	84,064	93,541

Notes to the Accounts

22 Bank overdrafts and loans (continued)

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

$Real denominated loans linked to the US dollar are monetarily corrected by the movement in the USdollar/$Real exchange rate and bear interest of 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 2006 are repayable over periods varying up to 18 years.

US dollar denominated loans bear interest at between six month LIBOR plus 3.5% per annum and six month LIBOR plus 4.15%. 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 8 years.

At 31 December 2005, the Group had available US$ 8.1 million of underdrawn committed borrowings facilities availabe in respect of which all conditions precendent had been ment (2006: $ nil).

23 Derivative financial instruments

Currency swaps

The Group uses currency swaps to fix its $Real cashflows associated with repayments and servicing on the short term portion of its US$ and US$ linked loans. To that end the Group entered into US$: $Real swaps with a nominal value of US$ 1,350,000 (2005: US$ nil). The fair value of swaps enterred into as at 31 December 2006 was US$ 746,000 (2005: US$ 103,000) and have been classified as derivative liabilities in the balance sheet. US$ 1,225,000 (2005: US$ nil) has been recognised within finance costs in relation to losses on swaps closed out during the period and the movement on swaps open as at the 31 December 2006.

24 Deferred tax

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

	Accelerated tax depreciation US$'000	Exchange variance on loans US$'000	Retranslation of Timing differences US$'000	Tax losses US$'000	non-current asset valuation US$'000	Total US$'000
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 1 January 2006	**(8,178)**	**(10,357)**	**7,282**	**1,636**	**8,624**	**(993)**
(Charge)/credit to income	(2,398)	(459)	(1,810)	(816)	5,377	(106)
Exchange differences	–	(189)	160	81	–	52
At 31 December 2006	**(10,576)**	**(11,005)**	**5,632**	**901**	**14,001**	**(1,047)**

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

	2006	2005
Deferred tax liabilities	**(9,336)**	(8,455)
Deferred tax assets	**8,289**	7,462
	(1,047)	(993)

At the balance sheet date the Group has unused tax losses of US$ 7,414,000 (2005: US$ 8,738,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$ 2,828,000 (2005: US$ 4,812,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$ 4,586,000 (2005: US$ 3,926,000) 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 Groups accounts and the $Real balances used in the Group's Brazilian tax calculations.

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

25 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable under finance leases				
Within one year	**619**	4,541	**581**	3,893
In the second to fifth years inclusive	**1,328**	627	**1,098**	566
After five years	**–**	–	**–**	–
	1,947	5,168	**1,679**	4,459
Less future finance charges	**(268)**	(709)	**N/A**	N/A
Present value of lease obligations	**1,679**	4,459		

Less : Amounts due for settlement within 12 months (shown under current liabilities)	**(581)**	(3,893)
Amount due for settlement after 12 months	**1,098**	566

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years. For the year ended the average effective borrowing rate was 21% (2005: 16%). 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.

26 Other financial liabilities

	Group	
	2006	2005
	US$'000	US$'000
Trade and other payables		
Trade creditors	**46,489**	42,095
Accruals and deferred income	**7,734**	12,171
	54,223	54,266

The average credit period for trade purchases is twenty days (2005: ten days).

The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe.

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

Notes to the Accounts

27 Provisions

	US$'000
At 1 January 2006	4,317
Additional provision in the year	1,180
Utilisation of provision	(89)
Exchange difference	505
At 31 December 2006	**5,913**
Included in current liabilities	–
Included in non-current liabilities	5,913
	5,913

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

Other non-current assets represent legal deposits required by the Brazilian legal authorities as security to contest legal actions.

28 Share capital

	2006	2005
	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, the date as which the Group's presentational currency changed from Sterling to US$, being US$ 1.61 to £1.

29 Acquisitions and disposals

Acquisition of subsidiary

In March 2006 the Group acquired the remaining 60% shareholding in onshore base manager and logistics business Brasco Logistica Offshore Ltda for cash consideration of US$ 1.2 million. Immediately following and linked to this acquisition, the Group sold a 25% interest in the company for US$ 0.5 million. These transactions have been accounted as a single acquisition by the purchase method of accounting.

	Book value	Fair value
Net assets acquired (at 35%)		
Property, plant and equipment	515	479
Deferred tax assets	501	501
Trade and other receivables	233	233
Cash and cash equivalents	1,413	1,413
Trade and other payables	469	469
Current tax liabilities	25	25
	2,169	2,133
Total consideration satisfied by cash		(700)
Surplus on acquisition		1,433

Net cash outflow arising on acquisition	
Cash consideration paid	(700)
Cash and cash equivalents acquired (Additional 60%)	2,423
	1,723
Increase in minority interest	1,524

The surplus on acquisition of US$ 1.4 million was recognised as revenue in income statement.

The acquisition of Brasco contributed US$ 1.9 million revenue and US$ 0.4 million to the Group's profit before tax for the period between the date of the acquisition and the balance sheet date.

If Brasco had been acquired on 1 January 2006, Group revenue would have been US$ 335.1 million and profit attributable to equity shareholders would have been US$ 55.9 million.

Notes to the Accounts

29 Acquisitions and disposals (continued)

Disposal of joint venture

On 7 April 2006 the Group disposed of its 50% shareholding in WR Operadores Portuarios a stevedoring and port operator.

The Group sold a 50% interest in the company for US$ 4.2 million.

	Book value US$'000
Intangible assets	62
Property, plant and equipment	1,300
Deferred tax assets	(287)
Inventories	61
Trade and other receivables	380
Cash and cash equivalents	771
Trade and other payables	(236)
Current tax liabilities	(781)
Net assets disposed of (proportional 50%)	1,270
Total consideration satisfied by cash	4,235
Gain on disposal	2,965

Net cash inflow arising on disposal

Cash consideration	4,235
Cash and cash equivalents disposed of (proportional 50%)	(771)
	3,464

30 Notes to the cash flow statement

	Year to 31 December 2006 US$'000	Year to 31 December 2005 US$'000
Reconciliation from profit before tax to net cash from operating activities		
Profit before tax	**77,648**	49,522
Less: investment revenues	**(11,196)**	(14,212)
Less: other gains and losses	**(11,433)**	(7,764)
Add: finance costs	**6,414**	6,002
Operating profit	**61,433**	33,548
Adjustments for:		
Depreciation of property, plant and equipment	**14,822**	13,663
Amortisation of intangible assets	**278**	296
Gain on disposal of property, plant and equipment	**(435)**	(565)
Profit on disposal of joint venture and associate	**(2,965)**	–
Release of surplus on acquisition of interest in subsidiary	**(1,433)**	–
Share of (loss)/profit of associate	**51**	(39)
Increase in provisions	**1,596**	1,676
Operating cash flows before movements in working capital	**73,347**	48,579
Increase in inventories	**(392)**	(1,663)
Increase in receivables	**(9,589)**	(5,165)
Increase in payables	**(43)**	8,531
Increase in other non-current assets	**(2,152)**	(2,192)
Cash generated by operations	**61,171**	48,090
Income taxes paid	**(17,508)**	(15,993)
Interest paid	**(6,424)**	(7,226)
Net cash from operating activities	**37,239**	24,871

Cash and cash equivalents held in Brazil amount to US$ 53.6 million (2005: US$ 50.0 million).

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

31 Contingent liabilities

In the normal course of business in Brazil, the Group continues to be exposed to numerous local legal claims. It is the Group's policy to vigorously 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 2006 which have not been provided for and which the Group's legal advisers consider are more likely than not to result in a financial settlement against the Group.

Notes to the Accounts

32 Cash-settled share-based payments

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

All awards outstanding under the scheme were exercised in 2005.

The weighted average share price at which awards were exercised during the period was 376p.

	2006 US$'000	2005 US$'000
The movement of the accrual relating to the plan is as follows:		
Liability at 1 January	**–**	8,560
Charge for the year	**–**	2,020
Exercise of options	**–**	(10,580)
Liability at 31 December	**–**	–

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 exercised. 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.

As at 31 December 2006, trade and other payables included US$ nil (2005: US$ 5,839,000) of cash amounts payable to members of the Group's long term incentive plan following the exercise of their options. From 1 January 2006, these amounts outstanding accrued interest at US LIBOR. The Group settled these interest payments to scheme members in 2006 of US$ 212,000 (2005: US$ nil).

33 Operating lease arrangements

	2006 US$'000	2005 US$'000
The Group as lessee		
Minimum lease payments under operating leases recognised in income for the year.	**8,498**	8,469

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$ 6,172,000 (2005: US$ 5,324,000).

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

Tecon Rio Grande guaranteed payments consist of two elements; a fixed rental, plus a fee per 1000 containers moved based on forecast volumes made by the consortium. 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.

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

33 Cash-settled share-based payments (continued)

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

	2006	2005
	US$'000	US$'000
Within one year	**855**	1,214
In the Second to fifth year inclusive	**1,995**	4,047
After five years	**–**	–
	2,850	5,261

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 2006 is 3 years and 4 months and rental payments are corrected by a Brazilian general inflation index.

34 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$ 836,000 (2005: US$ 471,000) represents contributions payable to this scheme by the Group at rates specified in the rules of the plan.

Notes to the Accounts

35 Related party transactions

Transactions between this company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates, joint ventures and others investments are disclosed below.

	Dividends received/ Revenue of services		Amounts paid/ Cost of services		Amounts owed by related parties		Amounts owed to related parties	
	2006	2005	2006	2005	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Associates								
1. CMA CGM do Brasil Agencia Maritima Ltda	334	323	–	–	–	–	–	–
Joint ventures								
2.Allink Transportes Internacionais Limitada	–	95	(15)	7	–	–	–	–
3. ConsÛrcio de Rebocadores Barra de Coqueiros	–	–	–	(20)	–	–	39	(81)
4. ConsÛrcio de Rebocadores BaÌa de S„o Marcos	–	–	(253)	(388)	–	–	–	354
5. Dragaport Limitada	11,487	3,333	–	265	–	–	703	1,516
6. Dragaport Engenharia	–	–	(11,487)	(3,190)	689	–	–	185
7. WR Consolidada	–	–	–	–	–	–	–	–
Others								
8. Campek	–	–	–	–	–	–	–	15
9. Porto Campinas	–	–	–	–	5	–	–	(5)
10.Hanseatic Asset Management	–	–	2,071	1,045	–	–	1,374	700
11.Escritorio de Advocacia Gouvea Vieira	–	–	78	121	–	–	–	–
12 CMMR Intermediacao Comercial Limitada	–	–	160	132	–	–	11	10
13. Codan Services Limited	–	–	60	40	–	–	5	–
14. Internacional Financial Corporation	–	–	1,709	2,364	–	–	30,935	30,114
15. Jofran services	–	–	(81)	(75)	–	–	–	–
16, Frag consulting	–	–	(30)	(30)	–	–	–	–

1. CMA CGM do Brasil Agencia Maritima Ltda was 30% owned by the Group. Our interest was sold in June 2006.
2. Mr A C Bai„o 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.

3-9. The transactions with the joint ventures are disclosed as a result of proportionate amounts not eliminated on consolidation. The proportion of ownership interest in each joint venture is described on note 17.

10. Mr W H Salomon is Chairman of Hanseatic Asset Management. Fees were paid to Hanseatic asset management for acting as investment managers of the Groups investment portfolio and administration services.
11. Dr J.F. Gouvea 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.
12. 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.

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

14. Internacional Financial Corporation is the minority shareholder of Tecon Salvador S.A. The Group has bank loans with this this financial institution.
15. Mr J F Gouvea Vieira is a Director of Jofran services. Directors fees and consultancy fees were paid to Jofran services.
16. Mr F Gros is a Director of Frag consulting. Directors fees were paid to Frag consulting.

In 2006 Hanseatic Asset Management received US$ 825,000 to manage on behalf of a Director (2005: nil).

35 Related party transactions (continued)

Remuneration of key management personnel

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

	Year ended 2006 US$'000	Year ended 2005 US$'000
Short-term employee benefits	**3,955**	3,420
Post-employment benefits	**1,412**	761
Other long-term benefits	**–**	–
Share-based paymemt	**212**	10,580
	5,579	14,761

The Group's LTIP was settled during 2006. A second LTIP is in the process of being drawn up, but is not yet in force.

Statistical Statement 2002-2006 (Unaudited)
(in US$'000)

	Year to 31 December 2006 US$'000	Year to 31 December 2005 US$'000	Year to 31 December 2004 US$'000	Year to 31 December 2003 US$'000	Year to 31 December 2002 US$'000
Closing rates of exchange – RS to US$	**2.14**	2.34	2.66	2.89	3.54
Income Statement					
Group revenue	**334,109**	285,227	217,713	160,952	120,523
Group operating profit	**61,433**	33,548	35,756	31,879	32,295
Profit before tax	**61,433**	33,548	35,756	51,845	(239)
Income tax expense	**(20,765)**	(14,865)	(13,926)	(19,132)	336
Profit for the year	**56,883**	34,657	34,262	32.713	97
Attributable to:					
Equiity holders of parent	**56,077**	33,086	31,599	29,665	1,248
Minority interests	**806**	1,571	2,663	3,048	(1,151)
	56,883	34,657	34,262	32.713	97
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance Sheet					
Net assets					
Brazilian interests	**146,135**	107,150	92,297	68,322	27,105
Investments held for trading	**73,192**	64,563	57,938	42,901	26,108
Other net assets	**6,314**	(343)	(2,808)	3,365	14,507
	225,641	171,370	147,427	114,588	67,720
Attributable net assets – per share					
Brazilian interests – book amount	**413.2c**	303c	261c	193c	77c
Other assets – book and market amount	**224.8c**	182c	156c	131c	115c
	638.1c	485c	417c	324c	192c
Key Statistics					
Earnings per share	**158.6c**	93.6c	89.4c	83.9c	3.5c
Cash dividends per share paid	**20.0c**	20.0c	18.0c	9.8c	9.1c
Mid-market quotation at end of period	**548.5p**	352p	285p	154p	64.5p
	1,073c	606c	545c	274c	104c
Dividends remitted by Brazilian operations to Bermudan parent	**10,757**	11,200	8,055	4,593	9,166
Operational statistics					
Manouvres attended by towage division	**57,359**	57,636	51,657	18,259	16,900
TEU's moved	**883,838**	905,279	850,538	777,341	578,512
Vessels attended by ship agency division	**6,613**	5,874	5,878	4,930	4,663

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 to 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 transition 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 15th Annual General Meeting of the company will be held at the Washington Mayfair Hotel, 5 Curzon Street, London W15 5HE on 19 April 2007 at 11.00 am for the following purposes:

1. To receive and if approved adopt the Director's Report and Accounts for the year ended 31 December 2006.
2. To declare a dividend
3. To determine the number of Directors for the ensuing year.
4. To re-elect Directors
   Mr. K. Middleton
   Mr F. Gros
5. To appoint the Auditors, and authorise the directors to fix the remuneration of the Auditors.

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

5 March 2007

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 19 April 2007 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 2006.		
2 To declare a dividend.		
3 To determine the number of Directors for the ensuing year.		
4 To re-elect directors: K W Middleton F Gros		
5 To appoint the Auditors, and authorise the directors to determine the remuneration of the Auditors.		

Signature ______________________ Dated ______________ 2007

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, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD, 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. RRHB-RSXJ-GKCY

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The Transfer Agent
Ocean Wilsons Holdings Limited
Capita Registrars
Proxy Processing Centre
Telford Road
Bicester
OX26 4LD

Second Fold

First Fold