Consolidated Financial Statements

Wilson Sons Limited

Years ended 31 December 2017 and 2016
with Independent Auditors' Report

Wilson Sons Limited

Consolidated financial statements

31 December 2017 and 2016

Contents

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Report on the audit of the consolidated financial statements

The
Board of Directors and Shareholders
Wilson Sons Limited

Opinion

We have audited the consolidated financial statements of Wilson Sons Limited ("Company"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

- Service revenue recognition (Note 4)

  As provided for by IFRS, the Company recognises revenue when the respective services, such as; port terminals, towage operations, logistics, offshore businesses and agency services have been rendered.

Given the business is geographically dispersed and considering the Company’s large volume of operations, the timely recognition of such revenues in the appropriate accounting period is more susceptible to the risk of error, especially for transactions in progress at year end.

Our audit approach

In evaluating the timing of the service revenue recognition, we assessed adherence of the Company’s policies to the relevant accounting standards. Our procedures included testing of operating effectiveness of key controls implemented by Management in all relevant segments, testing the appropriateness of a sample of revenue items accrued and deferred at year end based on the respective agreements and performing substantive analytical procedures in each of the segments. We also considered the adequacy of the disclosures in the consolidated financial statements.

Based on the results of the audit procedures performed, we consider that the Company’s revenue recognition policies are in line with relevant accounting standards in the context of the underlying contractual agreements and the disclosures in the context of the financial statements taken as a whole, are acceptable.

- Determining the percentage of completion on shipbuilding contracts (Note 4)

  The Company recognises shipbuilding revenue based on the stage of completion of the respective contracts, which is determined by the proportion of contract costs incurred for the work performed to the balance sheet date in relation to estimated total contract costs to completion. Recognition of revenue therefore relies on estimates in relation to the final outturn of costs on each contract, which are inherently judgmental and could be susceptible to a material misstatement.

Our audit approach

In evaluating shipbuilding revenue, our audit procedures included testing the operating effectiveness of key controls implemented by Management, and reviewing a sample of contracts assessing the most significant and complex contract estimates, all of which are incorporated within forecast contract outturn costs. We obtained the detailed projects’ budget forecast from the Company to support the estimates made, and inquired senior operational, commercial and financial management personnel and challenged the judgments applied. We evaluated the financial performance of the contracts as compared with the budget and historical trends to assess historical forecasting accuracy.

We also undertook a site visit to physically inspect the stage of completion of individual projects through observation and discussion with site personnel. In addition, we analysed the Company's judgments in respect of the forecasted contract outturn costs with reference to our own assessments and historical outcomes. We also inspected a sample of contracts for key clauses and assessed whether these key clauses have been appropriately reflected in the amounts recognized in the financial statements. We also considered the adequacy of the disclosures in the consolidated financial statements.

Based on the results of the audit procedures performed, we consider that the estimates and assumptions used to determine the percentage of completion, resultant revenue and profits recognised, as well as the related disclosure, are acceptable in the context of the financial statements taken as a whole.

- Impairment risk to goodwill and intangible assets relating to business combinations (Note 10)

  The Company recognised goodwill and intangible assets in respect of the acquisitions made in prior years, including the acquisitions of Tecon Rio Grande, Tecon Salvador and Brasco Caju (Briclog). There are inherent risks and uncertainty involved in forecasting and discounting future cash flows in this industry, which are the basis of impairment testing. In addition the magnitude of the goodwill and intangible assets balances and continued economic uncertainty in Brazil which could give rise to possible weakening of demand or variability of the cost base in the industry, we determined that this is a key audit matter.

Our audit approach

Our audit procedures included testing the Company's forecasting by considering the historical accuracy of previous forecasts compared with the actual results and projections in the current year and obtaining an understanding when significant variances were noted. We also compared the Company's port terminal cash-flow assumptions with underlying contracts to test forecast revenue streams and contract end dates. In addition, we used our own experience and held discussions with a range of operational personnel to assess the probability of the estimated handling (volumes), which is included as future cash flows in the forecasts.

We engaged a corporate finance valuation specialist to assist us in evaluating Management's assumptions and judgments relating to the main assumptions, such as the projected economic growth, inflation, exchange rates, cost base, terminal values and discount rates used to derive recoverable amounts.

We compared the Company's assumptions with externally derived data, industry guidance and our expectations based on our knowledge of the client and experience of the industry and conducted a sensitivity analysis around these assumptions to ascertain the extent of change that individually, or in combination, would be required for goodwill and intangible assets to be impaired.

Building a better working world

Based on the results of the audit procedures, we consider that the estimates criteria and assumptions used to derive the recoverable amount of goodwill and intangible assets are acceptable, in the context of the financial statements taken as a whole. We have also assessed adequacy of the disclosures made by Management in the financial statements.

- Provisions for tax, labour and civil risks (Note 17)

  The Company is party to a high volume of legal claims arising from civil proceedings, labour claims and tax legislation. These resultant contingent liabilities are potentially significant and the application of accounting standards to determine the amount, if any, to be recognised as a liability or disclosed, is inherently subjective. In making these decisions, Management use their judgment and, where appropriate, are supported by their external legal consultants in order to make the judgements and to determine their best estimate of the provisions to be recorded or amounts to be disclosed in the financial statements. This is one of the key areas that our audit concentrated on, since inappropriate evaluations of the possible outcome on material claims may materially impact the Company's financial position and result for the year.

Our audit approach

Our audit procedures included obtaining an understanding from Management and in-house legal counsel of the basis for their judgements and best estimates of financial amounts. We challenged the basis of those judgements and estimates with reference to the latest available corroborative information, and assessed correspondence with the Company's external counsel on all significant legal cases and held discussions with them when further clarity was deemed necessary. In addition, we obtained direct formal confirmations from the Company's external counsel for all litigation. With regard to ongoing tax cases, in addition to the above, we engaged internal tax specialists to assist with assessing the reasonableness of the Company's material tax positions including reviewing its correspondence with the relevant tax authorities.

Based on the results of our audit procedures performed, we consider that the judgements made and estimates prepared by the Company and the related disclosures in the context of the financial statements taken as a whole, are acceptable.

Other information accompanying the consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Other matters

The consolidated financial statements of the Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 15, 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Paulo José Machado
Accountant CRC-1RJ61469/O-4

Wilson Sons Limited

Consolidated statements of profit or loss and other comprehensive income
Years ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Notes	31/12/2017	31/12/2016	31/12/2017	31/12/2016
		US$	US$	R$	R$
Revenue	4	496,340	457,161	1,584,142	1,585,363
Raw materials and consumables used		(37,679)	(37,741)	(120,219)	(130,478)
Employee charge and benefits expense	5	(165,344)	(143,285)	(527,832)	(496,855)
Depreciation and amortisation expenses		(57,480)	(52,584)	(183,542)	(182,298)
Other operating expenses	6	(118,032)	(122,689)	(375,933)	(426,132)
Profit (loss) on disposal of property, plant and equipment		(2,930)	745	(9,704)	2,314
Results from operating activities		114,875	101,607	366,912	351,914
Share of result of joint ventures	23.2	3,366	8,073	10,584	26,510
Finance income	7	11,227	23,042	36,142	81,038
Finance costs	7	(21,976)	(17,621)	(69,847)	(61,038)
Exchange gain (loss) on translation	7	1,336	6,839	4,374	23,752
Profit before tax		108,828	121,940	348,165	422,176
Income tax expense	8	(36,056)	(36,836)	(114,068)	(128,894)
Profit for the year		72,772	85,104	234,097	293,282
Profit for the year attributable to:					
Owners of the Company		71,589	84,892	230,363	292,550
Non-controlling interests		1,183	212	3,734	732
		72,772	85,104	234,097	293,282
Other comprehensive income					
Items that will never affect profit or loss					
Exchange differences on translation		(6,485)	32,679	7,713	(172,470)
Post-employment benefits		(374)	1,130	(1,238)	3,683
Items that are or may be reclassified to profit or loss					
Effective portion of changes in fair value of cash flow hedges		557	1,513	1,763	4,769
Total comprehensive income for the year		66,470	120,426	242,335	129,264
Total comprehensive income for the year attributable to:					
Owners of the Company		65,321	120,096	238,601	128,687
Non-controlling interests		1,149	330	3,734	577
		66,470	120,426	242,335	129,264
Earnings per share from continuing operations					
Basic (cents per share)	21	100.52c	119.32c	323.45c	411.21c
Diluted (cents per share)	21	96.74c	114.77c	311.30c	395.52c

The accompanying notes are an integral part of the consolidated financial statements.

Wilson Sons Limited

Consolidated statements of financial position
Years ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Notes	31/12/2017	31/12/2016	31/12/2017	31/12/2016
		US$	US$	R$	R$
Assets					
Non-current assets					
Goodwill	10	30,319	30,607	100,295	99,751
Other intangible assets	11	30,592	30,444	101,198	99,220
Property, plant and equipment	12	634,878	646,922	2,100,176	2,108,383
Deferred tax assets	9	28,639	29,055	94,738	94,693
Investment in joint ventures	23.3	26,644	22,230	88,138	72,450
Other trade receivables	14	58,104	55,070	192,208	179,479
Other non-current assets		9,535	13,408	31,543	43,698
Total non-current assets		818,711	827,736	2,708,296	2,697,674
Current assets					
Inventories	13	13,773	15,427	45,561	50,278
Operational trade receivables	14	57,980	54,247	191,799	176,797
Other trade receivables	14	40,583	27,018	134,247	88,053
Short-term investments	15	31,636	37,400	104,652	121,890
Cash and cash equivalents	15	80,099	75,001	264,967	244,436
Total current assets		224,071	209,093	741,226	681,454
Total assets		1,042,782	1,036,829	3,449,522	3,379,128
Equity and liabilities					
Equity					
Capital and reserves					
Share capital	21	9,913	9,905	26,842	26,815
Capital reserves		89,934	89,196	190,191	187,817
Profit reserve and derivatives		620	61	841	(928)
Share Options		12,121	9,790	29,237	23,461
Retained earnings		497,312	463,094	1,173,542	1,062,104
Translation reserve		(62,779)	(56,328)	389,220	381,507
Equity attributable to owners of the Company		547,121	515,718	1,809,873	1,680,776
Non-controlling interests		527	770	1,744	2,510
Total equity		547,648	516,488	1,811,617	1,683,286
Non-current liabilities					
Bank loans	16	300,436	325,750	993,842	1,061,651
Deferred tax liabilities	9	51,531	48,974	170,465	159,611
Derivatives	25	395	1,182	1,306	3,852
Post-employment benefits	20.2	1,083	648	3,583	2,111
Provisions for tax, labour and civil risks	17	18,232	20,037	60,311	65,303
Obligations under finance leases	18	309	1,085	1,022	3,536
Total non-current liabilities		371,986	397,676	1,230,529	1,296,064
Current liabilities					
Bank loans	16	54,288	49,780	179,585	162,238
Operational trade payables	19	44,718	49,042	147,928	159,833
Other trade payables	19	18,987	18,621	62,809	60,687
Derivatives	25	1,108	712	3,665	2,322
Current tax liabilities		3,201	3,299	10,590	10,751
Obligations under finance leases	18	846	1,211	2,799	3,947
Total current liabilities		123,148	122,665	407,376	399,778
Total liabilities		495,134	520,341	1,637,905	1,695,842
Total equity and liabilities		1,042,782	1,036,829	3,449,522	3,379,128

The accompanying notes are an integral part of the consolidated financial statements.

Wilson Sons Limited

Consolidated statements of changes in equity
Years ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

			Capital reserves										
	Notes	Share capital	Share premium	Others	Additional paid-in capital	Derivatives	Profit reserve	Share options	Retained earnings	Translation reserve	Attributable to owners of the Company	Non-controlling interests	Total
		US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance at 1 January 2016	21	9,905	67,951	28,383	(2,010)	(3,471)	1,981	6,380	412,644	(88,851)	432,912	1,096	434,008
Profit for the year		-	-	-	-	-	-	-	84,892	-	84,892	212	85,104
Post-employment benefits		-	-	-	-	-	-	-	1,130	-	1,130	-	1,130
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	1,551	-	-	-	-	1,551	(38)	1,513
Other comprehensive income		-	-	-	-	-	-	-	-	32,523	32,523	156	32,679
Total comprehensive income for the year		-	-	-	-	1,551	-	-	86,022	32,523	120,096	330	120,426
Share Options		-	-	-	-	-	-	3,410	-	-	3,410	-	3,410
Purchase of non-controlling interest (Tecon SSA)	22	-	-	-	(5,128)	-	-	-	-	-	(5,128)	(271)	(5,399)
Dividends		-	-	-	-	-	-	-	(35,572)	-	(35,572)	(385)	(35,957)
Balance at 31 December 2016	21	9,905	67,951	28,383	(7,138)	(1,920)	1,981	9,790	463,094	(56,328)	515,718	770	516,488
Profit for the year		-	-	-	-	-	-	-	71,589	-	71,589	1,183	72,772
Post-employment benefits		-	-	-	-	-	-	-	(374)	-	(374)	-	(374)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	557	-	-	-	-	557	-	557
Other comprehensive income		-	-	-	-	-	-	-	-	(6,451)	(6,451)	(34)	(6,485)
Total comprehensive income for the year		-	-	-	-	557	-	-	71,215	(6,451)	65,321	1,149	66,470
Share Options		-	-	-	-	-	-	2,331	-	-	2,331	-	2,331
Capital increase	21	8	738	-	-	-	2	-	(2)	-	746	-	746
Dividends		-	-	-	-	-	-	-	(36,995)	-	(36,995)	(1,392)	(38,387)
Balance at 31 December 2017	21	9,913	68,689	28,383	(7,138)	(1,363)	1,983	12,121	497,312	(62,779)	547,121	527	547,648

(Continues)

Wilson Sons Limited

Consolidated statements of changes in equity
Years ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars, unless otherwise noted)

			Capital reserves										
	Notes	Share capital	Share premium	Others	Additional paid- in capital	Derivatives	Profit reserve	Share Options	Retained earnings	Translation Reserve	Attributable to owners of the Company	Non-controlling interests	Total
		R$	R$	R$	R$	R$	R$	R$	R$	R$	R$	R$	R$
Balance at 1 January 2016	21	26,815	136,396	76,018	(3,864)	(9,194)	3,342	15,346	891,601	553,977	1,690,437	4,279	1,694,716
Profit for the year		-	-	-	-	-	-	-	292,550	-	292,550	732	293,282
Post-employment benefits		-	-	-	-	-	-	-	3,683	-	3,683	-	3,683
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	4,924	-	-	-	-	4,924	(155)	4,769
Other comprehensive loss		-	-	-	-	-	-	-	-	(172,470)	(172,470)	-	(172,470)
Total comprehensive income (loss) for the year		-	-	-	-	4,924	-	-	296,233	(172,470)	128,687	577	129,264
Share Options		-	-	-	-	-	-	8,115	-	-	8,115	-	8,115
Purchase of non-controlling interest (Tecon SSA)	22	-	-	-	(20,733)	-	-	-	-	-	(20,733)	(1,096)	(21,829)
Dividends		-	-	-	-	-	-	-	(125,730)	-	(125,730)	(1,250)	(126,980)
Balance at 31 December 2016	21	26,815	136,396	76,018	(24,597)	(4,270)	3,342	23,461	1,062,104	381,507	1,680,776	2,510	1,683,286
Profit for the year		-	-	-	-	-	-	-	230,363	-	230,363	3,734	234,097
Post-employment benefits		-	-	-	-	-	-	-	(1,238)	-	(1,238)	-	(1,238)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	1,763	-	-	-	-	1,763	-	1,763
Other comprehensive loss		-	-	-	-	-	-	-	-	7,713	7,713	-	7,713
Total comprehensive income (loss) for the year		-	-	-	-	1,763	-	-	229,125	7,713	238,601	3,734	242,335
Share Options		-	-	-	-	-	-	5,776	-	-	5,776	-	5,776
Capital increase	21	27	2,374	-	-	-	6	-	(6)	-	2,401	-	2,401
Dividends		-	-	-	-	-	-	-	(117,681)	-	(117,681)	(4,500)	(122,181)
Balance at 31 December 2017	21	26,842	138,770	76,018	(24,597)	(2,507)	3,348	29,237	1,173,542	389,220	1,809,873	1,744	1,811,617

The accompanying notes are an integral part of the consolidated financial statements.

Wilson Sons Limited

Condensed statements of cash flows
For the year ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Note	31/12/2017	31/12/2016	31/12/2017	31/12/2016
		US$	US$	R$	R$
Net cash generated by operating activities	27	108,138	94,834	348,235	326,766
Cash flow from investing activities					
Interest received		6,980	7,442	22,294	26,061
Proceeds on disposal of property, plant and equipment		1,431	3,174	4,555	8,467
Purchases of property, plant and equipment		(30,746)	(96,209)	(99,228)	(339,074)
Other intangible assets		(4,196)	(5,277)	(13,455)	(18,932)
Short-term investment		5,764	3,323	18,402	11,140
Acquisition of non controlling interest		-	(1,855)	-	(7,500)
Net cash used in investing activities		(20,767)	(89,402)	(67,432)	(319,838)
Cash flow from financing activities					
Dividends paid		(36,995)	(35,572)	(117,681)	(125,730)
Dividends paid - non controlling interest		(1,392)	(385)	(4,500)	(1,250)
Capital increase by issuance of new shares under Employee Share Option Plan		746	-	2,401	-
Repayments of borrowings		(54,690)	(40,965)	(175,038)	(142,552)
Repayments of obligation under finance leases		(847)	(1,086)	(2,711)	(3,757)
Derivative paid		(529)	(1,016)	(1,667)	(3,543)
New borrowings obtained		12,611	46,604	39,487	155,272
Net cash used in financing activities		(81,096)	(32,420)	(259,709)	(121,560)
Net increase (decrease) in cash and cash equivalents		6,275	(26,988)	21,094	(114,632)
Cash and cash equivalents at the beginning of the year		75,001	90,401	244,436	352,998
Effect of foreign exchange rate changes		(1,177)	11,588	(563)	6,070
Cash and cash equivalents at the end of the year		80,099	75,001	264,967	244,436

The accompanying notes are an integral part of the consolidated financial statements.

1. General information

Wilson Sons Limited (the "Group" or "Company") is a limited company incorporated in Bermuda under the Companies Act 1981. The address of the registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The Group is one of the largest providers of integrated port and maritime logistics and supply chain solutions in Brazil. With a business track record of over 180 years, the Company has developed an extensive national network and provides a comprehensive set of services related to domestic and international trade, as well as to the oil and gas industry. The Company's principal activities are divided into the following segments: towage and agency services, port terminals, offshore vessels, logistics and shipyards.

2. Significant accounting policies and critical accounting judgements

2.1. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board - IASB.

All relevant information specific to the financial statements, and only them, are being evidenced, and correspond to those used by the Company´s management.

Basis of preparation

The consolidated financial statements are presented in US Dollars, which is the Company's functional currency, 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 accounting policies described below. All financial statements presented in dollar have been rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements has been prepared on the historical cost basis except for derivatives that are measured at fair values, as explained in the accounting policies.

As allowed by IAS 21 - The Effects of Changes in Foreign Exchange Rates, the Company also presents consolidated financial statements considering the Brazilian Real (R$) as presentation currency. The following procedures have been applied:

- Assets and liabilities for each statement of financial position presented have been translated at the closing, exchange rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income or separate income statement presented have been translated at average rate for the period, and
- All resulting exchange differences have been recognised as foreign currency translation in other comprehensive income.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 financial statements of subsidiaries are included in the consolidated financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if these results in the non-controlling interests have a deficit balance.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if these results in the non-controlling interests have a deficit balance.

Interests in investments

Interests in joint ventures
Joint venture is a contractual agreement where the Group has rights to the net assets of the contractual arrangement, and not entitled to specific assets and liabilities arising from the agreement.

Investments in joint venture entities are accounted for using the equity method. After initial recognition, the financial statements include the Group's share in the profit or loss for the year and other comprehensive income of the investee until the date that significant influence or joint control ceases.

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

The joint operations assets and any liabilities incurred jointly are recognised in the financial statements of the relevant entity and classified according to their nature. The Group's share of the assets, liabilities, income and expenses of joint operations are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

The consolidated financial statements include the accounts of joint ventures and joint operations which are listed in Note 23.

Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, income and expense 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 for the period. 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 other comprehensive income.

Employee Benefits

Short-term employee benefits

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

Stock option plan

For equity-settled share-based payment transactions, the Group measures the options granted, and the corresponding increase in equity, directly, at the fair value of the option grant.

Subsequent to initial recognition and measurement the estimate of the number of equity instruments for which the service and non-market performance conditions are expected to be satisfied is revised during the vesting period. The cumulative amount recognised is based on the number of equity instruments for which the service and non-market conditions are expected to be satisfied. No adjustments are made in respect of market conditions.

Defined health benefit plans

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

The calculation of the liability of the defined health benefit plan is performed annually by a qualified actuary using the projected unit credit method.

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

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

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

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

Taxation
Income tax and social contribution expense represent the sum of current tax and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences and tax losses (i.e. differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profits will be available against which those assets can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Property, plant and equipment
Property, plant and equipment are 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.

Buildings:	25 to 60 years
Leasehold improvements:	(*)
Vessels:	25 to 35 years
Vehicles:	5 years
Plant and Equipment:	5 to 20 years

(*) shorter of the rental period or useful life of underlying asset

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

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

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

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

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

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

Intangible assets
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows.

Lease right:	10 to 33 years
Computer software:	3 to 5 years

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. There is no indefinite life intangible asset.

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

Construction contracts in progress

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

Impairment

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

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

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

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

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

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and comprises direct materials and, where applicable, directly attributable 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 for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

a. Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets, except for FVTPL are subsequently measured in their entirety at amortised cost.

Income is recognised on an effective interest rate method basis for debt instruments other than those financial assets designated as at FVTPL.

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

Loans and receivables
The following instruments have been classified as loans and receivables and are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss comprise the financial assets held for trading and the derivative financial instruments, including embedded derivatives. These financial assets are initially recognised at fair value, and the transaction costs are recorded in the statement of profit or loss. Changes in fair value are recognised in the profit or loss under “financial income” or “financial expenses”, depending on the results obtained.

Fixed income investment and exchange funds have been classified as FVTPL.

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Derecognition of financial assets

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

b. Financial liabilities

Financial liabilities are classified as either “FVTPL” or “other financial liabilities”.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortisation cost, using the effective interest method, with interest expense recognised on an effective yield basis.

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

There are no financial liabilities classified at FVTPL.

Other financial liabilities

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

Derivatives
One of the Group's subsidiaries holds derivatives to hedge foreign currency exposure arising from capital expenditure denominated in Real. These derivatives are marked to market at the end of every month.

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. The Group does not have embedded derivatives for the periods presented.

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

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the derivatives reserve in equity. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment purchases) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue

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

Shipyard revenue

Revenue related to services and construction contracts is recognised when the work in proportion to the stage of completion of transaction contracted has been performed in accordance with contracted terms.

Port terminals revenue

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

Towage revenue

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

Ship agency and logistics revenues

Revenue from providing agency and logistics services is recognised when the services have been agreed and the transaction has occurred.

Interest income

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

Dividend income

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

Construction contracts

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

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

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

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

The Group as lessee:

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

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

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

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

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

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

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

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

Segment reporting
Segment results that are reported for the Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

2.2. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

a. Provision for tax, labour and civil risks – Judgment
In the normal course of business in Brazil, the Group is exposed to legal cases. Provisions for legal cases are made when the Group's management, together with their legal advisors, consider the outcome of a financial settlement against the Group is probable. Provisions are measured at the management's best estimate of the expected 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.

b. Impairment of goodwill – Judgment and Estimation
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 recoverable amount calculation requires the entity's management 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 end of the reporting period was US$33.3 million (R$100.3 million) (2016: US$30.6 million (R$99.8 million)). Details are disclosed in Note 10. There are no impairment losses recognised for the years presented.

c. Fair value of derivatives – Estimation
As described in Note 25, the Company may use derivative contracts to manage risk. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments.

2.3. Standards issued but not yet effective

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

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

Overall, the Group expects no significant impact on its statement of financial position and equity.

a. Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The assessment of financial assets and the comparative between classification applied to IAS 39 and IFRS 9 are detailed in the table below:

Financial Assets	FS Group	Asset category IAS 39	Asset category IFRS 9
Cash and bank	Cash and cash equivalents	Loans and receivables	Amortised Cost
Fixed income investment	Cash and cash equivalents	FVPL	FVPL
Exchange funds	Cash and cash equivalents	FVPL	FVPL
Time deposit	Short-term investments	Loans and receivables	Amortised Cost
Time deposit	Cash and cash equivalents	Loans and receivables	Amortised Cost
Receivable for services rendered	Operational trade receivables	Loans and receivables	Amortised Cost
Related parties loans	Other trade receivables	Loans and receivables	Amortised Cost

b. Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all debts securities, loans and trade receivables.

The Group assessed changes introduced by IFRS 9 with respect to the loss allowance and concluded that potential impacts will not be material.

c. Hedge accounting

The Group has chosen to defer applying the IFRS 9 general hedging model until the standard resulting from the IASB´s project on accounting for dynamic risk management is completed.

The Group will continue to apply IAS 39's hedge accounting requirements in their entirety to all of their hedging relationships.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

The Group assessed the principles and changes introduced by the new standard and concluded that its adoption will not bring significant impacts on the timing for the revenue recognition from contracts with customers, as well on the measurement.

The existing impacts are related to requirements of the presentation and disclosure in the financial statements. Further considerations about these impacts are detailed below:

a. Disaggregation of revenue

The Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In addition, the Group will provide information about the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment.

Considering the currently available information, the Group summarises a proposal of disaggregated revenue as below:

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Currently disclosure	**Proposed disclosure (IFRS 15)**	**Segment information**
Sales of services	Container Handling	Port Terminals
Sales of services	Warehousing	Port Terminals
Sales of services	O&G Support Base	Port Terminals
Sales of services	Harbour Manoeuvres	Towage and agency services
Sales of services	Special Operations	Towage and agency services
Sales of services	Ship Agency	Towage and agency services
Sales of services	Logistics	Logistics
Sales of services	Other services	Several segments
Construction contracts	Ship construction contracts	Shipyards

b. Performance obligations

The Group will disclose information about its performance obligations in contracts with customers, including a description of the following items: (i) when the entity typically satisfies its performance obligations; (ii) the significant payment terms; (iii) the nature of the goods or services that the entity has promised to transfer; (iv) obligations for returns, refunds and other similar obligations; and (e) types of warranties and related obligations.

<u>IFRS 16 - Leases</u>

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The assessment is being conducted in several areas of the Group in order to identify the existing contracts, as well as the environmental of internal controls and systems impacted by the adoption of the new standard. The Group expects a potential impact in the consolidated financial statement, but Group has not yet quantified the impact of adopting IFRS 16 on its assets and liabilities.

The quantitative effect of the adoption of IFRS 16 will depend specifically on the Group´s decision related to the method of transition, the use of practical expedients approach and exemptions for recognition, and any additional leases that Company will hold.

The Group expects to disclose its transition approach and quantitative information prior to adoption, planned for 1 January 2019.

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

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Insurance Contracts (IFRS 17);
- Transfers of Investment Property (Amendments to IAS 40);
- Foreign Currency Transactions and Advance Consideration (IFRIC 22);
- Uncertainty over Income Tax Treatments (IFRIC 23);
- Amendments to IFRS 9;
- Amendments to IAS 19; and
- Annual Improvement of IFRS 2015 to 2017 cycle.

3. Segment information

Reportable segments
For management purposes, the Group is currently organised into five reportable segments: towage and agency services, port terminals, offshore vessels, logistics and shipyards. These divisions are reported for the purposes of resource allocation and assessment of segment performance.

Finance costs relating to liabilities were allocated to reporting segments based on the loans taken to finance the acquisition or the construction of fixed assets in that segment. Finance income arising from bank balances held by Brazilian operating segments, including foreign exchange differences on such balances, were also allocated to the reporting segments.

Administrative expenses are presented as non-segment activities.

Wilson Sons Limited

Notes to the consolidated financial statements
Years ended 31 December 2017 and 2016
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Segment information relating to these businesses is presented below:

	2017							
	Towage and agency services	Port terminals	Offshore Vessels	Logistics	Shipyard	Non segmented activities	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$	US$
Revenue	218,048	203,123	-	54,656	28,611	(721)	(7,377)	496,340
Operating profit	76,540	59,848	-	13	(3,634)	(21,234)	3,342	114,875
Finance income	27	2,993	-	2,097	-	6,110	-	11,227
Finance costs	(7,242)	(7,034)	-	(97)	(864)	(6,666)	(73)	(21,976)
Operating profit (loss) adjusted by finance income and cost	69,325	55,807	-	2,013	(4,498)	(21,790)	3,269	104,126
Share of result of joint ventures	-	-	3,869	(503)	-	-	-	3,366
Exchange gain (loss) on translation	-	-	-	-	-	-	-	1,336
Profit before tax	-	-	-	-	-	-	-	108,828
Other information:								
Capital expenditures	(10,005)	(42,727)	-	(891)	(675)	(1,047)	-	(55,345)
Depreciation and amortisation	(27,163)	(23,732)	-	(1,655)	(2,427)	(2,503)	-	(57,480)
Balance sheet								
Segment assets	352,155	362,205	26,299	30,260	91,065	180,798	-	1,042,782
Segment liabilities	(285,526)	(99,273)	-	(16,409)	(44,474)	(49,452)	-	(495,134)

	2016							
	Towage and agency services	Port terminals	Offshore Vessels	Logistics	Shipyard	Non segmented activities	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$	US$
Revenue	219,664	167,770	-	43,319	76,858	-	(50,450)	457,161
Operating profit	84,207	41,555	-	(4,019)	5,609	(23,340)	(2,405)	101,607
Finance income	393	13,741	-	296	(2)	8,635	(21)	23,042
Finance costs	(6,810)	(10,981)	-	(231)	(870)	1,271	-	(17,621)
Operating profit (loss) adjusted by finance income and cost	77,790	44,315	-	(3,954)	4,737	(13,434)	(2,426)	107,028
Share of result of joint ventures	-	-	8,073	-	-	-	-	8,073
Exchange gain (loss) on translation	-	-	-	-	-	-	-	6,839
Profit before tax	-	-	-	-	-	-	-	121,940
Other information:								
Capital expenditures	(54,316)	(43,224)	-	(1,147)	(680)	(3,051)	-	(102,418)
Depreciation and amortisation	(24,050)	(21,944)	-	(1,667)	(884)	(4,039)	-	(52,584)
Balance sheet								
Segment assets	364,884	348,104	22,230	20,022	92,844	188,745	-	1,036,829
Segment liabilities	(296,984)	(131,440)	-	(12,020)	(49,278)	(30,619)	-	(520,341)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	2017							
	Towage and agency services	Port terminals	Offshore Vessels	Logistics	Shipyard	Non segmented activities	Elimination	Consolidated
	R$	R$	R$	R$	R$	R$	R$	R$
Revenue	696,032	648,397	-	174,511	91,263	(2,391)	(23,670)	1,584,142
Operating profit	244,682	191,081	-	186	(11,572)	(68,104)	10,639	366,912
Finance income	90	9,718	-	6,861	-	19,473	-	36,142
Finance costs	(23,122)	(22,524)	-	(308)	(2,762)	(20,909)	(222)	(69,847)
Operating profit (loss) adjusted by finance income and cost	221,650	178,275	-	6,739	(14,334)	(69,540)	10,417	333,207
Share of result of joint ventures	-	-	12,246	(1,662)	-	-	-	10,584
Exchange gain (loss) on translation	-	-	-	-	-	-	-	4,374
Profit before tax	-	-	-	-	-	-	-	348,165
Other information:								
Capital expenditures	(31,971)	(135,021)	-	(2,858)	(2,175)	(3,342)	-	(175,367)
Depreciation and amortisation	(86,720)	(75,822)	-	(5,284)	(7,742)	(7,974)	-	(183,542)
Balance sheet								
Segment assets	1,164,928	1,198,174	86,997	100,100	301,243	598,080	-	3,449,522
Segment liabilities	(944,522)	(328,395)	-	(54,281)	(147,120)	(163,587)	-	(1,637,905)

	2016							
	Towage and agency services	Port terminals	Offshore Vessels	Logistics	Shipyard	Non segmented activities	Elimination	Consolidated
	R$	R$	R$	R$	R$	R$	R$	R$
Revenue	764,028	579,969	-	150,818	263,277	-	(172,729)	1,585,363
Operating profit	292,294	143,288	-	(13,078)	18,088	(81,317)	(7,361)	351,914
Finance income	1,247	48,404	-	1,003	(8)	30,463	(71)	81,038
Finance costs	(23,628)	(38,247)	-	(814)	(3,566)	5,217	-	(61,038)
Operating profit (loss) adjusted by finance income and cost	269,913	153,445	-	(12,889)	14,514	(45,637)	(7,432)	371,914
Share of result of joint ventures	-	-	26,510	-	-	-	-	26,510
Exchange gain (loss) on translation	-	-	-	-	-	-	-	23,752
Profit before tax	-	-	-	-	-	-	-	422,176
Other information:								
Capital expenditures	(192,386)	(152,427)	-	(3,844)	(2,306)	(10,539)	-	(361,502)
Depreciation and amortisation	(83,392)	(75,821)	-	(5,764)	(2,931)	(14,390)	-	(182,298)
Balance sheet								
Segment assets	1,189,191	1,134,506	72,450	65,254	302,588	615,139	-	3,379,128
Segment liabilities	(967,900)	(428,377)	-	(39,174)	(160,602)	(99,789)	-	(1,695,842)

Geographical information

The Group's operations are mainly located in Brazil where it earns income and incurs expenses. The Group earns income on cash and cash equivalents and short-term investments in Bermuda and in Brazil. The Group, through its participation in an Offshore Vessel Joint Venture in Panama, earns income in that country and in Uruguay.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

4. Revenue

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

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Sales of services	475,106	430,753	1,516,549	1,494,815
Revenue from construction contracts (Note 19)	21,234	26,408	67,593	90,548
Total	496,340	457,161	1,584,142	1,585,363

5. Employee charges and benefits expenses

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Salaries and benefits	(132,591)	(116,713)	(422,903)	(404,908)
Payroll taxes	(29,372)	(22,188)	(94,138)	(76,696)
Pension costs	(1,050)	(974)	(3,346)	(3,379)
Long-term incentive plan	(2,331)	(3,410)	(7,445)	(11,872)
Total	(165,344)	(143,285)	(527,832)	(496,855)

6. Other operating expenses

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Service costs	(31,845)	(34,708)	(101,717)	(119,983)
Container handling	(21,126)	(16,412)	(67,413)	(56,474)
Rent of tugs	(19,335)	(23,903)	(61,691)	(84,045)
Other rentals	(15,429)	(13,097)	(49,292)	(45,235)
Energy, water and communication	(14,991)	(14,840)	(47,854)	(51,520)
Freight	(11,482)	(7,801)	(36,714)	(27,162)
Other taxes	(4,999)	(7,749)	(15,369)	(26,839)
Insurance	(3,878)	(3,761)	(12,347)	(13,066)
Credit taxes	11,278	9,281	36,207	31,903
Other expenses	(6,225)	(9,699)	(19,743)	(33,711)
Total	(118,032)	(122,689)	(375,933)	(426,132)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

7. Finance income and finance costs

	31/12/2017 US$	31/12/2016 US$	31/12/2017 R$	31/12/2016 R$
Interest on investments	5,888	7,901	18,752	27,796
Exchange gain on investments	1,540	-	4,952	-
Exchange gain on loans	-	12,806	-	45,162
Other interest income	3,799	2,335	12,438	8,080
Total finance income	11,227	23,042	36,142	81,038
Interest on bank loans	(13,274)	(12,277)	(42,381)	(42,537)
Exchange loss on investments	-	(4,216)	-	(14,590)
Exchange loss on loans	(774)	-	(2,544)	-
Interest on obligations under finance leases	(200)	(414)	(639)	(1,444)
Total bank and investment costs	(14,248)	(16,907)	(45,564)	(58,571)
Fine and interest on taxes	(7,392)	-	(23,218)	-
Other interest	(336)	(714)	(1,065)	(2,467)
Total finance costs	(21,976)	(17,621)	(69,847)	(61,038)
Exchange gain (loss) on translation	1,336	6,839	4,374	23,752

8. Income tax expense

Income tax recognised in profit or loss:

	31/12/2017 US$	31/12/2016 US$	31/12/2017 R$	31/12/2016 R$
Current				
Brazilian taxation				
Income tax	(27,794)	(26,900)	(88,094)	(93,429)
Social contribution	(9,978)	(10,924)	(31,695)	(37,850)
Total Brazilian current tax	(37,772)	(37,824)	(119,789)	(131,279)
Deferred tax				
Total deferred tax	1,716	988	5,721	2,385
Total income tax expense	(36,056)	(36,836)	(114,068)	(128,894)

Brazilian income tax is calculated at 25% of the taxable profit for the period. Brazilian social contribution taxes are calculated at 9% of the taxable profit for the period.

The income tax expense for the year can be reconciled to the accounting profit as follows:

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Profit before tax	108,828	121,940	348,165	422,176
Tax at the standard Brazilian tax rate (34%)	(37,001)	(41,460)	(118,376)	(143,540)
Utilisation of net operating losses	11,367	2,363	36,725	7,929
Amortisation of goodwill	1,818	1,672	5,800	5,800
Exchange variance on loans	454	(14,397)	1,500	(50,775)
Tax effect of share of results of joint ventures	1,144	2,745	3,599	9,013
Tax effect of foreign exchange gain or loss on monetary items	454	2,325	1,487	8,076
Effect of different tax rates in other jurisdictions	(100)	(169)	(319)	(601)
Retranslation of non-current asset valuation	1,372	22,376	4,322	78,898
Share option scheme	(793)	(1,159)	(2,531)	(4,036)
Non-deductible expenses	(1,340)	(638)	(4,225)	(2,230)
Net operating losses of the period	(7,932)	(7,442)	(25,352)	(26,547)
Termination of tax litigation	(3,290)	138	(10,465)	479
Others	(2,209)	(3,190)	(6,233)	(11,360)
Income tax expense	(36,056)	(36,836)	(114,068)	(128,894)

9. Deferred taxes

The following deferred tax assets and liabilities were recognised by the Group during the current and prior reporting periods:

	Tax depreciation	Unrealised foreign exchange	Other Timing differences	Non-monetary items	Total
	US$	US$	US$	US$	US$
At 1 January 2016	(19,087)	41,047	26,225	(68,688)	(20,503)
Charge (credit) to income	(10,124)	(14,305)	3,041	22,376	988
Exchange differences	(900)	1,437	(941)	-	(404)
At 31 December 2016	(30,111)	28,179	28,325	(46,312)	(19,919)
Charge (credit) to income	(8,743)	(1,175)	10,263	1,371	1,716
Compensation of tax losses	-	-	(5,023)	-	(5,023)
Exchange differences	746	(320)	(92)	-	334
At 31 December 2017	(38,108)	26,684	33,473	(44,941)	(22,892)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Tax depreciation	Unrealised foreign exchange	Other Timing differences	Non-monetary items	Total
	R$	R$	R$	R$	R$
At 1 January 2016	(74,538)	160,281	85,336	(251,139)	(80,060)
Charge (credit) to income	(35,242)	(50,298)	9,027	78,898	2,385
Translation adjustment to real	11,636	(18,143)	(13,273)	32,537	12,757
At 31 December 2016	(98,144)	91,840	81,090	(139,704)	(64,918)
Charge (credit) to income	(27,927)	(3,583)	32,894	4,337	5,721
Compensation of tax losses	-	-	(15,731)	-	(15,731)
Translation adjustment to real	-	15	918	(1,732)	(799)
At 31 December 2017	(126,071)	88,272	99,171	(137,099)	(75,727)

Certain tax assets and liabilities have been offset on an entity-by-entity basis. After offset, deferred tax balances are disclosed in the balance sheet as follows:

	31/12/2017	31/12/2016
	US$	US$
Deferred tax liabilities	(51,531)	(48,974)
Deferred tax assets	28,639	29,055
Total	(22,892)	(19,919)

	31/12/2017	31/12/2016
	R$	R$
Deferred tax liabilities	(170,465)	(159,611)
Deferred tax assets	94,738	94,693
Total	(75,727)	(64,918)

Deferred taxes over Net Operating Losses

At the end of the reporting period, the Group has a US$47.6 million (R$157.6 million) balance of tax losses to carry forward available to be utilised against future taxable profits.

Brazil has no tax consolidation rules, and it applies ring fencing on a legal entity basis in determining the utilisation of net operating losses (NOL) to carryforward.

Out of US$16.0 million (R$53.1 million) total deferred tax assets from net operating loses, US$7.9 million (R$26.2 million) was recognised per the accounting books at the end of reporting period and is expected to be utilised against cash-generating units / entities (future taxable profits).

Deferred taxes over non-monetary items
As disclosed in Note 2 ("Basis of Preparation"), under the IAS 21 the US dollar is the functional currency for the Group, and non-monetary items are re-measured using historical exchange rates. Changes in exchange rates and indexing for tax purposes will create differences between the Brazilian Reais cost of those items (tax basis) and the equivalent US dollar amount.

The deferred tax liability or asset for those differences are recognised to neutralise the effect of changes in exchange rates on non-monetary items that were measured at historical BRL/US dollar versus the exchange rates at the period close.

Deferred taxes over the utilization of non-recognised NOL
On 31 May 2017, the Brazilian Internal Revenue Service (IRS) and the Brazilian Attorney General of National Treasury (PGFN) published the Provisional Measure 783/2017, concerning a special tax amnesty program the know as PERT. Under this program, taxpayers are allowed to settle Federal tax debts, however, they must abdicate from administrative and judicial disputes with the Brazilian IRS regarding the tax debts included in the PERT.

The Group applied to the program with the following conditions: (i) a down payment in cash of 7.5% of the total tax debt; (ii) 90% reduction in late payment interest; (iii) 50% reduction in fines, and (iv) the balance by utilising the Group's 31 December 2015 net operating loss carryforwards for companies that are directly or indirectly controlled and domiciled in Brazil.

Subsequently, with the publication of Law 13.496/2017, on October 2017, the Group included new administrative and judicial disputes under the following conditions: (i) a down payment in cash of 5% of the total tax debt; (ii) 90% reduction in late payment interest; (iii) 70% reduction in fines, and (iv) the balance by utilising the Group's 31 December 2015 net operating loss carryforwards for companies that are directly or indirectly controlled and domiciled in Brazil.

As a result, out of US$15.1 million (R$47.5 million) in federal tax debts, the Group paid US$1.0 million (R$3.5 million) in cash; obtained a tax relief / discount of US$7.2 million (R$22.8 million); and, the remaining balance of US$6.9 million (R$21.2 million) will be settled by utilising NOL.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

10. Goodwill

	31/12/2017	31/12/2016
	US$	US$
Cost and carrying amount attributed to:		
Brasco	15,587	15,821
Tecon Rio Grande	12,252	12,306
Tecon Salvador	2,480	2,480
Total	30,319	30,607

	31/12/2017	31/12/2016
	R$	R$
Cost and carrying amount attributed to:		
Brasco	51,561	51,561
Tecon Rio Grande	40,530	40,107
Tecon Salvador	8,204	8,083
Total	100,295	99,751

The goodwill associated with each cash-generating unit (Brasco, Tecon Salvador and Tecon Rio Grande) is attributed to the Terminals segment.

As part of the annual impairment test, the carrying value of goodwill has been assessed with reference to its value in use reflecting the projected discounted cash flows of each cash-generating unit to which goodwill has been allocated. The cash-flows are based on the remaining life of the concession. Future cash flows are derived from the most recent financial budget and the remaining period of the concession.

The key assumptions used in determining value in use relate to growth rate, discount rate, inflation and interest rate. Further projections include sales and operating margins, which are based on past experience, taking into account the effect of known or likely changes in market or operating conditions.

Each cash-generating unit is assessed for impairment annually and whenever there is an indication of impairment.

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

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

11. Other intangible assets

	US$	R$
Cost		
At 1 January 2016	53,949	210,660
Additions (*)	5,277	18,932
Disposals	(292)	(986)
Exchange differences	5,988	-
Foreign currency effect in respect of translation into Brazilian Real	-	(17,018)
At 31 December 2016	64,922	211,588
Additions (*)	4,196	13,455
Disposals	(84)	(264)
Exchange differences	(644)	-
Foreign currency effect in respect of translation into Brazilian Real	-	1,454
At 31 December 2017	68,390	226,233
Accumulated amortisation		
At 1 January 2016	27,675	108,065
Charge for the year	5,248	18,305
Disposals	(291)	(983)
Exchange differences	1,846	-
Foreign currency effect in respect of translation into Brazilian Real	-	(13,019)
At 31 December 2016	34,478	112,368
Charge for the year	3,630	11,567
Disposals	(84)	(264)
Exchange differences	(226)	-
Foreign currency effect in respect of translation into Brazilian Real	-	1,364
At 31 December 2017	37,798	125,035
Carrying amount		
31 December 2017	30,592	101,198
31 December 2016	30,444	99,220

(*) Mostly related to software

The breakdown of intangibles by type is as follows:

	31/12/2017 US$	31/12/2016 US$
Lease right – Brasco Rio	13,133	13,853
Lease right – Tecon Salvador	4,825	5,049
Computer software – SAP	1,042	1,970
Other computer software	11,484	9,371
Other intangibles	108	201
Total	30,592	30,444

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	31/12/2017	31/12/2016
	R$	R$
Lease right - Brasco Rio	43,444	45,148
Lease right - Tecon Salvador	15,960	16,455
Computer software – SAP	3,448	6,421
Other computer software	37,988	30,541
Other intangibles	358	655
Total	101,198	99,220

In November 2016 the subsidiary Tecon Salvador S.A signed the second amendment to the terminal lease agreement, which extends the term of the lease until March 2050. Therefore, the amortisation expense for the lease right considers the valid period of the lease contract (2050). Details are disclosed in Note 12.

12. Property, plant and equipment

	Land and buildings	Vessels	Vehicles, plant and equipment	Assets under construction	Total
	US$	US$	US$	US$	US$
Cost or valuation					
At 1 January 2016	255,694	392,157	177,187	29,326	854,364
Additions	7,259	29,874	36,602	23,406	97,141
Transfers	(187)	53,071	(152)	(52,732)	-
Exchange differences	38,581	-	30,148	-	68,729
Disposals	(209)	(17,227)	(9,811)	-	(27,247)
At 31 December 2016	301,138	457,875	233,974	-	992,987
Additions	8,250	5,717	34,011	3,171	51,149
Transfers	265	588	(442)	(411)	-
Exchange differences	(3,692)	-	(4,573)	-	(8,265)
Disposals	(4,655)	(2,075)	(3,463)	-	(10,193)
At 31 December 2017	301,306	462,105	259,507	2,760	1,025,678
Accumulated depreciation					
At 1 January 2016	63,596	139,831	93,752	-	297,179
Charge for the year	10,824	19,809	16,703	-	47,336
Elimination on construction contracts	-	1,068	-	-	1,068
Exchange differences	11,356	-	14,817	-	26,173
Disposals	(169)	(16,808)	(8,714)	-	(25,691)
At 31 December 2016	85,607	143,900	116,558	-	346,065
Charge for the year	9,417	24,644	19,789	-	53,850
Elimination on construction contracts	-	81	-	-	81
Exchange differences	(1,352)	-	(2,012)	-	(3,364)
Disposals	(1,753)	(1,467)	(2,612)	-	(5,832)
At 31 December 2017	91,919	167,158	131,723	-	390,800
Carrying amount					
31 December 2017	209,387	294,947	127,784	2,760	634,878
31 December 2016	215,531	313,975	117,416	-	646,922

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Land and buildings	Vessels	Vehicles, plant and equipment	Assets under construction	Total
	R$	R$	R$	R$	R$
Cost or valuation					
At 1 January 2016	998,434	1,531,293	691,884	114,512	3,336,123
Additions	24,852	104,322	128,890	84,506	342,570
Transfers	(736)	186,482	(412)	(185,334)	-
Foreign currency effect in respect of translation into Brazilian Real	(40,375)	(271,107)	(20,125)	(13,684)	(345,291)
Disposals	(736)	(58,733)	(37,691)	-	(97,160)
At 31 December 2016	981,439	1,492,257	762,546	-	3,236,242
Additions	26,510	18,384	107,026	9,992	161,912
Transfers	853	1,882	(1,421)	(1,314)	-
Foreign currency effect in respect of translation into Brazilian Real	3,117	22,699	1,416	451	27,683
Disposals	(15,197)	(6,579)	(11,119)	-	(32,895)
At 31 December 2017	996,722	1,528,643	858,448	9,129	3,392,942
Accumulated depreciation					
At 1 January 2016	248,332	546,009	366,086	-	1,160,427
Charge for the year	37,554	68,488	57,951	-	163,993
Elimination on construction contracts	-	3,952	-	-	3,952
Foreign currency effect in respect of translation into Brazilian Real	(6,308)	(92,328)	(10,312)	-	(108,948)
Disposals	(577)	(57,137)	(33,851)	-	(91,565)
At 31 December 2016	279,001	468,984	379,874	-	1,127,859
Charge for the year	30,036	78,669	63,270	-	171,975
Elimination on construction contracts	-	260	-	-	260
Foreign currency effect in respect of translation into Brazilian Real	751	9,632	924	-	11,307
Disposals	(5,721)	(4,587)	(8,327)	-	(18,635)
At 31 December 2017	304,067	552,958	435,741	-	1,292,766
Carrying amount					
31 December 2017	692,655	975,685	422,707	9,129	2,100,176
31 December 2016	702,438	1,023,273	382,672	-	2,108,383

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$2.6 million (R$8.7 million) (2016: US$3.2 million (R$10.4 million)) in respect of assets held under finance leases.

Land and buildings with a net carrying amount of US$0.2 million (R$0.6 million) (2016: US$0.2 million (R$0.8 million)) and Plant and Equipment with a net carrying amount of US$0.3 million (R$0.9 million) (2016: US$0.3 million (R$1.0 million)) have been pledged as collateral for various tax lawsuits.

The Group has pledged assets with a carrying amount of approximately US$279.7 million (R$675.1 million) (2016: US$290.5 million (R$946.9 million)) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2017 is US$0.4 million (R$1.3 million) (2016: US$0.8 million (R$2.8 million)), at an average interest rate of 3.38% (2016: 3.12%).

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

In December 2017, the Group had contractual commitments to suppliers for the acquisition and construction of property, plant and equipment amounting to US$13.1 million (R$43.4 million) (2016: US$20.4 million (R$66.6 million)). The amount mainly refers to investments in Tecon Salvador, Tecon Rio Grande and purchase of raw materials for shipyard's production.

In November 2016 the subsidiary Tecon Salvador S.A signed the second amendment to the terminal lease agreement, which extends the term of the lease until March 2050. According to management's expectation and technical evidence presented in a report prepared by a specialized engineer, the estimated useful lives of the quay, patio, administrative building, warehouse, electrical substation, office and storage building are higher than the lease contract termination. Therefore, the depreciation expense for the above mentioned assets will be measured considering the validity of the lease contract (2050). The useful life of the ship to shore cranes is 20 years, according to management's expectation and builder's technical specifications.

13. Inventories

	31/12/2017	31/12/2016
	US$	US$
Operating materials	9,618	10,278
Raw materials for construction contracts (external customers)	4,155	5,149
Total	13,773	15,427

	31/12/2017	31/12/2016
	R$	R$
Operating materials	31,816	33,497
Raw materials for construction contracts (external customers)	13,745	16,781
Total	45,561	50,278

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

14. Operational and other trade receivables

	31/12/2017 US$	31/12/2016 US$
Recoverable taxes and levies	28,067	24,250
Related parties loans	29,472	28,995
Other trade receivables	565	1,825
Total other non-current trade receivables	58,104	55,070
Receivable for services rendered	58,938	55,434
Allowance for bad debts	(958)	(1,187)
Total operational current trade receivables	57,980	54,247
Recoverable taxes and levies	18,260	12,321
Prepayment	7,323	4,031
Income tax recoverable	6,752	7,466
Other trade receivables	8,248	3,200
Total other current trade receivables	40,583	27,018
Total	156,667	136,335

	31/12/2017 R$	31/12/2016 R$
Recoverable taxes and levies	92,846	79,033
Related parties loans	97,493	94,498
Other trade receivables	1,869	5,948
Total other non-current trade receivables	192,208	179,479
Receivable for services rendered	194,962	180,666
Allowance for bad debts	(3,163)	(3,869)
Total operational current trade receivables	191,799	176,797
Recoverable taxes and levies	60,404	40,155
Prepayment	24,224	13,137
Income tax recoverable	22,336	24,332
Other trade receivables	27,283	10,429
Total other current trade receivables	134,247	88,053
Total	518,254	444,329

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Trade receivables disclosed are classified as financial assets measured at amortised cost.

As a matter of routine, the Group reviews taxes and levies impacting its business to ensure that payments of such amounts are correctly made and that no amounts are paid unnecessarily. The Group has plan to use its tax credits, respecting the legal term for use of tax credits from prior years and, if the inability to recover them by offsetting is evidenced, requesting reimbursement of these values from the Brazilian Internal Revenue Service *("Receita Federal do Brasil")*.

The aging list of receivables for services rendered is as follows:

	31/12/2017	**31/12/2016**
	US$	**US$**
Current	45,233	45,048
Overdue but not impaired:		
01 to 30 days	10,450	6,177
31 to 90 days	1,368	2,178
91 to 180 days	929	844
Impaired:		
More than 180 days	958	1,187
Total	58,938	55,434

	31/12/2017	**31/12/2016**
	R$	**R$**
Current	149,629	146,818
Overdue but not impaired:		
01 to 30 days	34,570	20,131
31 to 90 days	4,526	7,098
91 to 180 days	3,074	2,750
Impaired:		
More than 180 days	3,163	3,869
Total	194,962	180,666

Generally, interest of one percent per month plus a two-percent penalty is charged on overdue balances. The Group has recognised an allowance for bad debts taking into account all receivables over 180 days because historical experience shows that receivables that are past due beyond 180 days are not recoverable. Allowances for bad debts are recognised as a reduction of receivables, and are recognised whenever a loss is identified. There are no expected changes in the allowance for bad debts recognition due to the applicaton of IFRS 9, as of January 2018. Details are disclosed in Note 2.3.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Changes in allowance for bad debts are as follows:

	US$	R$
At 1 January 2016	846	3,303
Increase in allowance	163	566
Exchange difference	178	-
At 31 December 2016	1,187	3,869
Decrease in allowance	(226)	(706)
Exchange difference	(3)	-
At 31 December 2017	958	3,163

Management believes that no additional accrual is required for the allowance for bad debts.

15. Cash and cash equivalents and short-term investments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank accounts and short-term investments that are highly liquid and readily convertible to known amounts of cash, and which are subject to an immaterial risk of changes in value.

US dollar-denominated cash and cash equivalents refer principally to investments in deposit certificates placed with major financial institutions, Real-denominated cash and cash equivalents refer principally to investments in deposit certificates and Brazilian treasury bonds.

Short-term investments

Short-term investments comprise investments with maturity dates of more than 90 days but less than 365 days.

The breakdown of cash and cash equivalents and short-term investments is as follows:

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	31/12/2017	31/12/2016
	US$	US$
Denominated in US dollar:		
Short-term investments - Time deposit	31,636	37,400
Time deposit	13,823	-
Exchange funds	5,302	8,158
Cash and bank	1,332	14,099
Total	52,093	59,657
Denominated in Brazilian Real:		
Fixed income investments	55,038	50,192
Cash and bank	3,619	1,631
Deposit certificates	985	921
Total	59,642	52,744
Total	111,735	112,401
Total cash and cash equivalents	80,099	75,001
Total short-term investments	31,636	37,400

	31/12/2017	31/12/2016
	R$	R$
Denominated in US dollar:		
Short-term investments - Time deposit	104,652	121,890
Time deposit	45,726	-
Exchange funds	17,539	26,588
Cash and bank	4,406	45,950
Total	172,323	194,428
Denominated in Brazilian Real:		
Fixed income investments	182,068	163,580
Cash and bank	11,970	5,316
Deposit certificates	3,258	3,002
Total	197,296	171,898
Total	369,619	366,326
Total cash and cash equivalents	264,967	244,436
Total short-term investments	104,652	121,890

Exclusive investment fund

The Group has investments in an exclusive investment fund called Hydrus Fixed Income Private Credit Investment Fund managed by Itaú bank that is consolidated in this financial information. The fund portfolio is marked to fair value on a daily basis against current earnings. This fund’s financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses. The fund’s investments are highly liquid which are readily convertible to known amounts of cash and which is subjected to insignificant risk of changes in value.

Additionally, US Dollar linked investments are made through Itaú Cambial FICFI to preserve the US Dollar value of the investment.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

16. Bank loans

Secured borrowings	Interest rate - % p.a.	31/12/2017	31/12/2016
		US$	US$
BNDES - FMM linked to US Dollar¹	2.07% - 4.27%	152,165	162,408
BNDES - FMM linked to US Dollar¹	5.00% - 6.00%	4,666	5,977
BNDES - Real	7.50% - 9.19%	20,982	25,466
BNDES - Finame Real	4.50% - 12.90%	1,834	1,133
BNDES - FMM Real¹	8.40% - 10.21%	1,635	1,838
BNDES - linked to US Dollar	5.07% - 5.36%	-	5,069
Total BNDES		181,282	201,891
Banco do Brasil - FMM linked to US Dollar¹	2.00% - 3.00%	90,750	85,576
IFC - US Dollar	7.00%	35,640	48,571
Santander - US Dollar	3.59%	31,173	14,005
China Construction Bank - US Dollar	5.11%	12,708	19,047
Eximbank - US Dollar	3.36%	3,171	5,270
Finimp - US Dollar	4.81%	-	1,170
Total others		173,442	173,639
Total		354,724	375,530

Secured borrowings	Interest rate - % p.a.	31/12/2017	31/12/2016
		R$	R$
BNDES - FMM linked to US Dollar¹	2.07% - 4.27%	503,364	529,305
BNDES - FMM linked to US Dollar¹	5.00% - 6.00%	15,434	19,480
BNDES - Real	7.50% - 9.19%	69,408	82,996
BNDES - Finame Real	4.50% - 12.90%	6,066	3,692
BNDES - FMM Real¹	8.40% - 10.21%	5,408	5,990
BNDES - linked to US Dollar	5.07% - 5.36%	-	16,520
Total BNDES		599,680	657,983
Banco do Brasil - FMM linked to US Dollar¹	2.00% - 3.00%	300,201	278,900
IFC - US Dollar	7.00%	117,898	158,297
Santander - US Dollar	3.59%	103,120	45,642
China Construction Bank - US Dollar	5.11%	42,038	62,077
Eximbank - US Dollar	3.36%	10,490	17,176
Finimp - US Dollar	4.81%	-	3,814
Total others		573,747	565,906
Total		1,173,427	1,223,889

(¹) As agents of the Merchant Marine Fund (Fundo da Marinha Mercante - FMM), Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”) and Banco do Brasil (“BB”) finance the construction of tugboats and shipyard facilities.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

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

	31/12/2017	31/12/2016
	US$	US$
Within one year	54,288	49,780
In the second year	52,123	49,029
In the third to fifth years (inclusive)	93,745	105,953
After five years	154,568	170,768
Total	354,724	375,530
Total current	54,288	49,780
Total non-current	300,436	325,750

	31/12/2017	31/12/2016
	R$	R$
Within one year	179,585	162,238
In the second year	172,424	159,787
In the third to fifth years (inclusive)	310,107	345,312
After five years	511,311	556,552
Total	1,173,427	1,223,889
Total current	179,585	162,238
Total non-current	993,842	1,061,651

The analysis of borrowings by currency is as follows:

	Real	Real linked to US Dollars	US Dollars	Total
	US$	US$	US$	US$
At 31 December 2017				
Bank loans	24,451	247,581	82,692	354,724
Total	24,451	247,581	82,692	354,724
At 31 December 2016				
Bank loans	28,437	259,030	88,063	375,530
Total	28,437	259,030	88,063	375,530

	Real	Real linked to US Dollars	US Dollars	Total
	R$	R$	R$	R$
At 31 December 2017				
Bank loans	80,882	818,999	273,546	1,173,427
Total	80,882	818,999	273,546	1,173,427
At 31 December 2016				
Bank loans	92,678	844,205	287,006	1,223,889
Total	92,678	844,205	287,006	1,223,889

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Guarantees
Loans with BNDES and Banco do Brasil rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda. For some contracts, the corporate guarantee is additional to pledge of the respective tug boat or lien on the logistics and port operation equipment.

The loan agreement for Tecon Salvador from International Finance Corporation ("IFC") is guaranteed by the totality of the subsidiaries shares, along with receivables, plant and equipment.

The loan agreement for Tecon Rio Grande from the Export-Import Bank of China for equipment acquisition is guaranteed by a standby letter of credit issued by Itaú BBA S.A, which in turn has a pledge on the equipment financed.

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

Undrawn credit facilities
At 31 December 2017, the Group had available US$51.0 million (R$168.6 million) of undrawn borrowing facilities.

Fair value
To date, management has not identified or recognised difference in the fair value and the book value of the Group's borrowings as follows:

	31/12/2017	**31/12/2016**
	US$	**US$**
Bank loans		
BNDES	181,282	201,891
BB	90,750	85,576
IFC	35,640	48,571
Santander	31,173	14,005
China Constrution Bank	12,708	19,047
Eximbank	3,171	5,270
Finimp	-	1,170
Total	354,724	375,530

	31/12/2017	**31/12/2016**
	R$	**R$**
Bank loans		
BNDES	599,680	657,983
BB	300,201	278,900
IFC	117,898	158,297
Santander	103,120	45,642
China Constrution Bank	42,038	62,077
Eximbank	10,490	17,176
Finimp	-	3,814
Total	1,173,427	1,223,889

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Covenants
Wilson, Sons de Administração e Comércio Ltda. ("WSAC") as corporate guarantor has to comply with annual loan covenants for both Wilson Sons Estaleiros and Brasco Logística Offshore in respect of loan agreements signed with BNDES.

Tecon Salvador S.A. has to comply with loan covenants including the maintenance of specific liquidity and capital structure ratios in respect of its loan agreement with the International Finance Corporation (IFC).

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

At 31 December 2017, the Company was in compliance with all clauses in the above mentioned loan contrats.

17. Provisions for tax, labour and civil risks

	US$	R$
At 1 January 2016	13,922	54,363
Increase in provision in the year	7,348	27.019
Utilisation of provisions	(3,987)	(16.079)
Exchange difference	2,754	-
At 31 December 2016	20,037	65,303
Increase in provision in the year *	6,946	22.201
Utilisation of provisions *	(8,402)	(27.193)
Exchange difference	(349)	-
At 31 December 2017	18,232	60,311

** Increase in provisions in the year, was principle related to labour claims, US$ 6.1 million and tax claims, US$ 0.9 million.*
Utilisation of provisions in the year, was principle related to labour claims, US$ 4.5 and tax claims, US$ 3.3 million.

The breakdown of the provisions as per legal nature, as follows:

	31/12/2017	31/12/2016
	US$	US$
Labour claims	14,942	13,612
Tax cases	2,468	4,816
Civil cases	822	1,609
Total	18,232	20,037

	31/12/2017	31/12/2016
	R$	R$
Labour claims	49,428	44,363
Tax cases	8,163	15,695
Civil cases	2,720	5,245
Total	60,311	65,303

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

In the ordinary course of business in Brazil, the Group is exposed to numerous local legal claims. It is the Group's policy to vigorously contest such claims, many of which appear to have little substance or merit, and to manage such claims through its lawyers.

In addition to the cases for which the Group booked provisions there are other tax, civil and labour disputes amounting to US$140.5 million (R$464.8 million) (2016: US$129.9 million (R$423.4 million)) with probability of loss estimated by the legal counsels as possible.

The breakdown of possible claims is described as follows:

	31/12/2017	**31/12/2016**
	US$	**US$**
Tax cases	96,890	93,271
Labour claims	28,931	25,232
Civil cases	14,686	11,411
Total	140,507	129,914

	31/12/2017	**31/12/2016**
	R$	**R$**
Tax cases	320,512	303,980
Labour claims	95,705	82,233
Civil cases	48,580	37,190
Total	464,797	423,403

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

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

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

Civil and environmental cases - Indemnification claims involving material damages, environmental and shipping claims and other contractual disputes.

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

- Upon receipt of notices of new judicial lawsuits, external lawyers generally classify the claim as possible, recorded at the total amount involved. Wilson Sons uses the criteria of the estimated value at risk and not the total order value involved in each process.
- Exceptionally, if there is sufficient knowledge from the beginning that there is very high or very low risk of loss, the lawyer may classify the claim as a probable loss or remote loss.
- During the course of the lawsuit and considering, for instance, its first judicial decision, legal precedents, arguments of the claimant, thesis under discussion, applicable laws, documentation for the defense and other variables, the lawyer may re-classify the claim as a probable loss or remote loss.
- When classifying the claim as a probable loss, the lawyer estimates the amount at risk for such claim.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

As a consequence of the application to the PERT (Tax Amnesty Program), as disclosed at Note 9, there was a reduction of possible claims of US$15.1 million (R$47.5 million) and probable claims of US$0.2 million (R$0.8 million), in the year.

Management are not able to give an indication when the provisions are likely to be utilised as the majority of provisions involve litigations the resolution of which is highly uncertain as to timing.

18. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	US$	US$
Amounts payable under finance leases:				
Within one year	1,178	1,669	846	1,211
From second to fifth years (inclusive)	434	1,721	309	1,085
	1,612	3,390	1,155	2,296
Less future finance charges	(457)	(1,094)	-	-
Present value of lease obligations	1,155	2,296	-	-
Total current	846	1,211	-	-
Total non-current	309	1,085	-	-

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	R$	R$	R$	R$
Amounts payable under finance leases:				
Within one year	3,897	5,439	2,799	3,947
From second to fifth years (inclusive)	1,436	5,609	1,022	3,536
	5,333	11,048	3,821	7,483
Less future finance charges	(1,512)	(3,565)	-	-
Present value of lease obligations	3,821	7,483	-	-
Total current	2,799	3,947	-	-
Total non-current	1,022	3,536	-	-

It is the Group's policy to lease certain of its vehicles and equipment under finance leases. The average original lease term is 60 months, of which an average of 20 months remained outstanding at the December 2017.

For the period ended 31 December 2017 the average effective leasing interest rate was 9.79% (December 2016: 16.43%).

All leases include a fixed repayment and a variable finance charge linked to the Brazilian base interest rate. The interest rates range from 9.12% p.a. to 11.29% p.a. Leases are denominated in Reais.

There is no significant difference between the fair value and the book value of the Group’s lease obligations. The present value is calculated with its own interest rate over the future instalments of each contract.

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

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

19. Operational and other trade payables

	31/12/2017	31/12/2016
	US$	US$
Operational trade payables		
Trade payables	42,573	44,462
Advance from customers for construction contracts	2,145	4,580
Total operational trade payables	44,718	49,042
Other trade payables		
Taxes	11,992	12,583
Accruals and other trade payables	6,883	6,008
Advances from customers	112	30
Total other trade payables	18,987	18,621
Total	63,705	67,663

	31/12/2017	31/12/2016
	R$	R$
Operational trade payables		
Trade payables	140,832	144,905
Advance from customers for construction contracts	7,096	14,928
Total operational trade payables	147,928	159,833
Other trade payables		
Taxes	39,670	41,009
Accruals and other trade payables	22,769	19,580
Advances from customers	370	98
Total other trade payables	62,809	60,687
Total	210,737	220,520

Construction contracts in progress at the end of each reporting period:

	31/12/2017	31/12/2016
	US$	US$
Contract costs incurred plus recognised revenues less recognised losses to date	3,178	3,925
Less unbilled services	(5,323)	(8,505)
Net liability included in suppliers	(2,145)	(4,580)

	31/12/2017	31/12/2016
	R$	R$
Contract costs incurred plus recognised revenues less recognised losses to date	10,514	12,792
Less unbilled services	(17,610)	(27,720)
Net liability included in suppliers	(7,096)	(14,928)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

20. Stock options plan and post-employment benefits

20.1. Stock option plan

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

Options series	Grant date	Original vesting date	Expiry date	Exercise price (R$)	Number	Expired	Exercised	Vested	Outstanding not vested	Total subsisting
07 ESO - 3 Year	10/01/2014	10/01/2017	10/01/2024	31.23	961,653	(178,695)	(21,417)	761,541	-	761,541
07 ESO - 4 Year	10/01/2014	10/01/2018	10/01/2024	31.23	961,653	(178,695)	(21,417)	-	761,541	761,541
07 ESO - 5 Year	10/01/2014	10/01/2019	10/01/2024	31.23	990,794	(184,110)	(22,066)	-	784,618	784,618
07 ESO - 3 Year	13/11/2014	13/11/2017	13/11/2024	33.98	45,870	(12,870)	(3,630)	29,370	-	29,370
07 ESO - 4 Year	13/11/2014	13/11/2018	13/11/2024	33.98	45,870	(12,870)	(3,630)	-	29,370	29,370
07 ESO - 5 Year	13/11/2014	13/11/2019	13/11/2024	33.98	47,260	(13,260)	(3,740)	-	30,260	30,260
07 ESO - 3 Year	11/08/2016	11/08/2019	11/08/2026	34.03	82,500	-	-	-	82,500	82,500
07 ESO - 4 Year	11/08/2016	11/08/2019	11/08/2026	34.03	82,500	-	-	-	82,500	82,500
07 ESO - 5 Year	11/08/2016	11/08/2019	11/08/2026	34.03	85,000	-	-	-	85,000	85,000
07 ESO - 3 Year	16/05/2017	16/05/2020	15/05/2027	38.00	20,130	-	-	-	20,130	20,130
07 ESO - 4 Year	16/05/2017	16/05/2021	15/05/2027	38.00	20,130	-	-	-	20,130	20,130
07 ESO - 5 Year	16/05/2017	16/05/2022	15/05/2027	38.00	20,740	-	-	-	20,740	20,740
07 ESO - 3 Year	09/11/2017	09/11/2020	09/11/2027	40.33	23,760	-	-	-	23,760	23,760
07 ESO - 4 Year	09/11/2017	09/11/2021	09/11/2027	40.33	23,760	-	-	-	23,760	23,760
07 ESO - 5 Year	09/11/2017	09/11/2022	09/11/2027	40.33	24,480	-	-	-	24,480	24,480
Total					3,436,100	(580,500)	(75,900)	790,911	1,988,789	2,779,700

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

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

Period commencing	Projected IFRS2 fair value expense US$	Projected IFRS2 fair value expense R$
2014	2,826	7,507
2015	3,296	7,848
2016	3,409	8,234
2017	2,331	5,811
2018	1,303	3,388
2019	370	1,129
2020	206	652
2021	99	316
2022	27	85
Total	13,867	34,970

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

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

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

20.2. Post-employment benefits

The Group operates a private medical insurance scheme for its employees which require the eligible employees to pay fixed monthly contributions. In accordance with regulation of the Brazilian law, eligible employees with greater than ten years' service acquire the right to remain in the plan following retirement or termination of employment, generating a post-employment commitment for the Group. Ex-employees remaining in the plan will be liable for paying the full cost of their continued scheme membership. The present value of actuarial liabilities in 31 December 2017 is US$1.1 million (R$3.6 million) (2016: US$0.6 million (R$2.1 million). The future actuarial liability for the Group relates to the potential increase in plan costs resulting from additional claims as a result of the expanded membership of the scheme.

Actuarial assumptions

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

Economic and financial assumptions

	31/12/2017	31/12/2016
Annual interest rate	10.46%	11.35%
Estimated inflation rate in the long-term	4.75%	5.00%
Aging factor	2.50% a.a	2.50% p.a.
Medical cost trend rate	2.50% a.a	2.50% p.a.

Biometric and demographic assumptions

	31/12/2017	31/12/2016
Employee turnover	22.7%	22.7%
Mortality table	AT-2000	AT-2000
Mortality table for disabled	IAPB-1957	IAPB-1957
Disability table	Álvaro Vindas	Álvaro Vindas
Retirement age	100% at 62	100% at 62
Employees who opt to keep the health plan after retirement and termination	23%	23%
Family composition before retirement:		
Probability of marriage	90% of the participants	90% of the participants
Age difference for active participants	Men 4 years older than the woman	Men 4 years older than the woman
Family composition after retirement	Composition of the family group	Composition of the family group

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Sensitivity analysis
The present value of future liabilities may change depending on market conditions and actuarial assumptions. Changes on a relevant actuarial assumption, keeping the other assumptions constant, would have affected the defined benefit obligation as shown below:

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
CiPBO(*) - discount rate + 0.5%	(95)	(41)	(315)	(134)
CiPBO(*) - discount rate - 0.5%	120	52	397	169
CiPBO(*) - Health Care Cost Trend Rate + 1.0%	225	112	743	364
CiPBO(*) - Health Care Cost Trend Rate - 1.0%	(178)	(84)	(590)	(274)
CiPBO(*) - Aging factor + 0.5%	475	N/A	1,571	N/A
CiPBO(*) - Aging factor - 0.5%	(425)	N/A	(1,405)	N/A

(*) CiPBO means Change in Projected Benefit Obligation.

21. Equity

Share Capital

	31/12/2017	31/12/2016
	US$	US$
71,219,900 common shares issued and fully paid	9,913	9,905

	31/12/2017	31/12/2016
	R$	R$
71,219,900 common shares issued and fully paid	26,842	26,815

In 2017, eligible members exercised their options and acquired 75,900 shares via Brazilian Depositary Receipts (“BRD”), increasing the Company's capital and share premium by US$0.01 million (R$0.03 million) and US$0.7 million (R$2.3 million), respectively. The Share Option Scheme is designed to motivate highly qualified personnel and top management to contribute to the Company’s value over the long term by granting such persons rights to purchase BDRs, each BDR representing one common share of the Company.

Dividends
The Board has approved a dividend policy defined in 2014 proposing a distribution of an amount of 50% of the Company’s net profit, provided that:

- The dividend policy will not compromise the policy for growth of the Company whether it be, through acquisition of other companies, or by reason of development of new business.

- The Board of Directors considers that the payment of such dividend would be in the interests of the Company and in compliance with the laws to which the Company is subject.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	31/12/2017	31/12/2016
	US$	US$
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid for the year ended 31 December 2016 of US$0.52 (2015: US$0.50) per share	36,995	35,572

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

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Profit for the year attributable to owners of the Company	71,589	84,892	230,363	292,550
Weighted average number of common shares	71,219,900	71,144,000	71,219,900	71,144,000
Basic earnings per share (cents per share)	100.52	119.32	323.45	411.21
Weighted average number of common shares	73,999,600	73,966,100	73,999,600	73,966,100
Diluted earnings per share (cents per share)	96.74	114.77	311.30	395.52

Capital reserves
The capital reserves arise principally from transfers from revenue which in prior periods were required by law to be transferred to capital reserves and other profits not available for distribution, share premium on incoming IPO issues and gains/losses on purchase and sale of non-controlling interest.

Profit reserve
An amount equal to 5% of the Company's net profit for the current year is to be credited to a retained earnings account to be called "profit reserve" until such account equals 20% of the Company's paid up share capital. The Company recognised, in 2017, US$2.0 thousand (R$6.0 thousand) of profit reserve and reached the limit of 20% of share capital

Additional paid in capital
The additional paid in capital arises from purchase of non-controlling interests in Brasco, sales of shares to non-controlling interests of Tecon Salvador in 2011 and the purchase of non-controlling interests in Tecon Salvador in 2016.

Translation reserve
The translation reserve arises from exchange differences on the translation of operations with a functional currency other than the US Dollar.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

22. Subsidiaries

Details of the Company's subsidiaries, and other entities and operations under its control, at the end of the reporting period are as follows:

	Place of incorporation and operation	Proportion of ownership interest 31/12/2017	Proportion of ownership interest 31/12/2016
Holding company			
Wilson, Sons de Administração e Comércio Ltda.	Brazil	100%	100%
WS Participações S.A.	Brazil	100%	100%
WS Participaciones S.A.	Uruguay	100%	100%
Wilson, Sons Administração de Bens Ltda.	Brazil	100%	100%
Towage			
Saveiros Camuyrano Serviços Marítimos S.A.	Brazil	100%	100%
Shipyard			
Wilson, Sons Comércio, Indústria, e Agência de Navegação Ltda.	Brazil	100%	100%
Wilson, Sons Estaleiro Ltda.	Brazil	100%	100%
Ship Agency			
Wilson, Sons Agência Marítima Ltda.	Brazil	100%	100%
Transamérica Visas Serviços de Despachos Ltda.	Brazil	100%	100%
Logistics			
Wilson, Sons Logística Ltda.	Brazil	100%	100%
EADI Santo André Terminal de Carga Ltda.	Brazil	100%	100%
Consórcio EADI Santo André	Brazil	-	100%
Allink Transportes Internacionais Ltda.(1)	Brazil	50%	50%
Port terminal			
Brasco Logística Offshore Ltda.	Brazil	100%	100%
Tecon Rio Grande S.A.	Brazil	100%	100%
Tecon Salvador S.A.	Brazil	100%	100%
Wilport Operadores Portuários Ltda.	Brazil	100%	100%

(1) The Group considers that it controls the subsidiary Allink Transportes Internacionais Ltda, despite having 50% of shares. Allink Transportes Internacionais Ltda controls 100% of Allink Serviços e Gerenciamento de Cargas Ltda.

On 2 February 2016, Wilson Sons, through its subsidiaries, completed the acquisition of the 7.5% of the ordinary shares of Tecon Salvador S.A. for consideration of US$5.1 million (R$20.7 million) from Intermaritima Terminais Ltda. The consideration included US$2.6 million (R$10.5 million) in cash and the settlement of US$2.8 million (R$11.3 million) in debt. Following completion of the transaction Wilson Sons now holds 100% of the shares of the subsidiary.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

23. Joint ventures and joint operations

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

	Place of incorporation and operation	Proportion of ownership interest 31/12/2017	Proportion of ownership interest 31/12/2016
Towage			
Consórcio de Rebocadores Barra de Coqueiros (1)	Brazil	50%	50%
Consórcio de Rebocadores Baia de São Marcos (1)	Brazil	50%	50%
Offshore			
Wilson, Sons Ultratug Participações S.A.(2)	Brazil	50%	50%
Atlantic Offshore S.A. (3)	Panamá	50%	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda	Brazil	50%	50%

(1) Joint operations.
(2) Wilson, Sons Ultratug Participações S.A. controls Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A. These latter two companies are indirect joint ventures of the Company.
(3) Atlantic Offshore S.A. controls South Patagonia S.A. This Company is indirect joint venture of Wilson Sons Limited.

23.1. Joint operations

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

	31/12/2017 US$	31/12/2016 US$	31/12/2017 R$	31/12/2016 R$
Income	18,126	14,490	57,878	50,204
Expenses	(8,792)	(7,315)	(28,089)	(25,316)
Net income	9,334	7,175	29,789	24,888

	31/12/2017 US$	31/12/2016 US$	31/12/2017 R$	31/12/2016 R$
Intangible assets	35	47	117	152
Property, plant & equipment	2,841	2,798	9,398	9,118
Inventories	353	340	1,169	1,107
Trade and other trade receivables	2,054	2,615	6,791	8,524
Cash and cash equivalents	904	614	2,991	2,002
Total assets	6,187	6,414	20,466	20,903
Trade and other trade payables	(6,153)	(6,362)	(20,352)	(20,733)
Deferred tax liabilities	(34)	(52)	(114)	(170)
Total liabilities	(6,187)	(6,414)	(20,466)	(20,903)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

23.2. Joint ventures

The following amounts are not consolidated in the Group's financial information as they are considered as joint ventures. The Group´s interests on joint ventures are equity accounted.

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	**US$**	**R$**	**R$**
Revenue	146,453	141,728	467,191	490,181
Raw materials and consumable used	(9,152)	(7,522)	(29,221)	(26,924)
Employee benefits expense	(47,001)	(41,382)	(149,891)	(143,283)
Depreciation and amortisation expenses	(39,606)	(34,912)	(126,411)	(121,996)
Other operating expenses	(18,881)	(17,063)	(60,476)	(58,250)
Loss on disposal of property, plant and equipment	(1)	(2,202)	(5)	(8,862)
Results from operating activities	31,812	38,647	101,187	130,866
Finance income	2,930	2,661	9,359	9,193
Finance costs	(20,408)	(21,218)	(65,128)	(74,012)
Exchange gain (loss) on translation	(1,129)	9,591	(3,671)	33,782
Profit before tax	13,205	29,681	41,747	99,829
Income tax expense	(6,473)	(13,535)	(20,579)	(46,809)
Profit for the year	6,732	16,146	21,168	53,020
Participation	50%	50%	50%	50%
Equity result	3,366	8,073	10,584	26,510

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	**US$**	**R$**	**R$**
Property, plant and equipment	647,659	674,476	2,142,457	2,198,185
Long-term investment	2,142	2,066	7,086	6,733
Other assets	4,740	3,752	15,680	12,226
Trade and other trade receivables	26,302	42,494	87,007	138,492
Derivative	381	261	1,260	851
Cash and cash equivalents	30,575	10,859	101,143	35,391
Total assets	711,799	733,908	2,354,633	2,391,878
Bank loans	500,987	533,771	1,657,265	1,739,613
Other non-current liabilities	35,604	30,295	117,779	98,734
Trade and other trade payables	82,654	82,114	273,421	267,617
Equity	92,554	87,728	306,168	285,914
Total liabilities and equity	711,799	733,908	2,354,633	2,391,878

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

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

Guarantees

Loan agreements of Wilson, Sons Ultratug Participações S.A. and subsidiaries with the BNDES are guaranteed by a lien on the financed supply vessels, and in the majority of the contracts, a corporate guarantee from both Wilson Sons Administração e Comércio and Remolcadores Ultratug Ltda, each guaranteeing 50% of its subsidiary's debt balance with the BNDES.

Wilson, Sons Ultratug Participações S.A. subsidiary´s loan agreement with Banco do Brasil is guaranteed by a pledge on the financed supply vessels. The security package also includes a standby letter of credit issued by Banco de Crédito e Inversiones - Chile for part of the debt balance, assignment of Petrobras' long-term contracts and a corporate guarantee issued by Inversiones Magallanes Ltda - Chile. A cash reserve account of US$2.1 million (R$7.1 million), classified as a long term investment is required to be maintained until full repayment of the loan agreement.

The loan agreements for Atlantic Offshore from Deutsche Verkehrs-Bank “DVB” and Norddeutsche Landesbank Girozentrale Trade “Nord/LB” for the financing of the offshore support vessels is guaranteed by a pledge on the vessels, the shares of Atlantic Offshore and a corporate guarantee for half of the credit from Wilson, Sons de Administração e Comércio. Remolcadores Ultratug Ltda which is the partner in the business, guarantee the other half of the loans.

Covenants

The Wilson, Sons Ultratug Participações S.A. joint venture has to comply with specific annual financial covenants. For the year ended 2017, the company was in compliance with all clauses in the loan agreements.

Atlantic Offshore S.A. has to comply with specific financial covenants on its two loan agreements with Deutsche Verkehrs-Bank “DVB” and Norddeutsche Landesbank Girozentrale Trade “Nord/LB”. The subsidiary is in compliance with the remaining covenants.

Provisions for tax, labour and civil risks

In its ordinary course of business in Brazil, Wilson, Sons Ultratug Offshore S.A. (WSUT) remains exposed to numerous local legal claims. It is the WSUT policy to vigorously contest such claims, many of which appear to have little substance in merit, and to manage such claims through its legal counsel.

WSUT booked provisions related to labour claims amounting to US$0.2 million (R$0.6 million) (2016: US$0.02 million (R$0.1 million)), whose probability of loss was estimated as probable.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

In addition to the cases for which WSUT booked the provision, there are other tax, civil and labour disputes amounting to US$17.5 million (R$57.9 million) (2016: US$13.9 million (R$45.1 million)), whose probability of loss was estimated by the legal counsel as possible.
The breakdown of possible losses is described as follows:

	31/12/2017	31/12/2016
	US$	US$
Tax cases	10,639	10,066
Labour claims	5,625	3,784
Civil claims	1,230	-
Total	17,494	13,850

	31/12/2017	31/12/2016
	R$	R$
Tax cases	35,195	32,805
Labour claims	18,606	12,331
Civil claims	4,069	-
Total	57,870	45,136

Insurance coverage
The main insurance coverage in 31 December 2017 that the Group contracted:

Risks	Subject	Coverage	Coverage
		US$	R$
Maritime CR	CR - Protection and loss of income *(shipowners)**	7,600,000	25,140,800
Maritime Hull	Platform Supply Vessels	786,398	2,601,405
Total		8,386,398	27,742,205

(*) Available limit to all P&I Club members

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

23.3. Investment in joint ventures

The investments valued by using the equity accounting method are shown as follows:

	31/12/2017								
	Currency	**Number of shares**	**Ownership interest - %**	**Share capital**	**Investee's adjusted shareholders' equity**	**Elimination of profit on Construction Contracts**	**Investee's adjusted profit or loss**	**Equity in subsidiaries**	**Book value of investment**
Wilson, Sons Ultratug Participações S.A.	US$	45,816,550	50.00	25,131	92,152	(39,265)	13,892	6,945	26,443
Atlantic Offshore S.A.	US$	10,000	50.00	8,010	(287)	-	(6,153)	(3,076)	(144)
Porto Campinas Logística e Intermodal Ltda	US$	5,603,862	50.00	1,694	689	-	(1,007)	(503)	345
Total					92,554	(39,265)	6,732	3,366	26,644
Wilson, Sons Ultratug Participações S.A.	R$	45,816,550	50.00	45,817	304,839	(129,889)	44,130	22,065	87,473
Atlantic Offshore S.A.	R$	10,000	50.00	18,345	(951)	-	(19,638)	(9,819)	(476)
Porto Campinas Logística e Intermodal Ltda	R$	5,603,862	50.00	5,604	2,280	-	(3,324)	(1,662)	1,141
Total					306,168	(129,889)	21,168	10,584	88,138

	31/12/2016								
	Currency	**Number of shares**	**Ownership interest - %**	**Share capital**	**Investee's adjusted shareholders' equity**	**Elimination of profit on Construction Contracts**	**Investee's adjusted profit or loss**	**Equity in subsidiaries**	**Book value of investment**
Wilson, Sons Ultratug Participações S.A.	US$	45,816,550	50.00	25,131	81,975	(43,269)	22,850	11,425	19,353
Atlantic Offshore S.A.	US$	10,000	50.00	8,010	5,753	-	(6,704)	(3,352)	2,877
Total					87,728	(43,269)	16,146	8,073	22,230
Wilson, Sons Ultratug Participações S.A.	R$	45,816,550	50.00	45,817	267,164	(141,018)	77,746	38,873	63,074
Atlantic Offshore S.A.	R$	10,000	50.00	18,345	18,750	-	(24,726)	(12,363)	9,376
Total					285,914	(141,018)	53,020	26,510	72,450

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

The reconciliation of the investment in joint ventures balance, including the impact of profit recognised by joint ventures:

	Investments	
	US$	**R$**
At 1 January 2016	18,301	71,462
Share of result of joint ventures	8,073	26,510
Elimination on construction contracts	(4,278)	(13,782)
Derivatives	134	427
Foreign currency loss in respect of translation into Brazilian Reais	-	(12,167)
At 31 December 2016	22,230	72,450
Share of result of joint ventures	3,366	10,584
Capital increase	847	2,793
Elimination on construction contracts	145	446
Derivatives	56	188
Foreign currency loss in respect of translation into Brazilian Reais	-	1,677
At 31 December 2017	26,644	88,138

24. Operating lease arrangements and other obligations

The Group as lessee
The lease payments under operating leases recognised in net income at 31 December 2017 was US$19.2 million (R$61.3 million) (2016: US$17.3 million (R$59.7 million)).

Lease commitments for operational areas and buildings with a term between five and sixty years are recognised as an expense on a straight-line basis over the lease term.

The main operating lease arrangements are between Tecon Rio Grande and the Rio Grande port authority, and between Tecon Salvador and the Salvador port authority.

Tecon Rio Grande
The Tecon Rio Grande minimum period extends to 2022 and has an option to renew the concession for an additional period of 25 years.

In respect of the option to renew the lease of Tecon Rio Grande, the port authority of Rio Grande has, in consideration of investments made, ensured the Company the right to renew the contract, provided the State government remains the delegated authority of the area or has in other legal way, ownership of the same.

The Tecon Rio Grande guaranteed payments consist of two elements: a fixed rental, and fee per 1,000 containers moved based on minimum forecast volumes.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Tecon Salvador
On 16 November 2016 the Tecon Salvador S.A subsidiary signed the second amendment to the lease agreement which extends the term of the lease for an additional period of 25 years until March 2050. The Company is obligated to complete minimum expansion and maintenance capital expenditure through the end of the concession. Minimum expansion civil work investments were budgeted at approximately R$398 million (US$122 million) using values of base date December 2013. These investments will be completed in three phases expanding the terminal's dynamic capacity to 925 thousand TEUs per year. The first phase construction is expected to commence as soon as the environmental licenses be granted after the Amendment signature and will be completed by twenty-four months after the commencement of the works (total gross investment of R$255 million (US$78 million) using values of base date December 2013). The limit for the second phase of construction is 2030 (total gross investment of R$29 million (US$9 million) using values of base date December 2013). And the third phase construction limit is by 2034 (total gross investment of R$114 million (US$35 million) using values of base date December 2013). Additionally, there are investments totalling R$317 million (US$97 million), related to the maintenance of the operating area and replacement of equipment that will be completed up to 2050.

Tecon Salvador guaranteed payments consist of three elements: a fixed rental, a fee per container handled based on minimum forecast volumes and a fee per tonne of non-containerized cargo handled based on minimum forecast volumes.

Brasco
Brasco lease commitments mainly refer to a 30-year lease right to operate a sheltered area at Guanabara Bay, Rio de Janeiro, Brazil with privileged location to attend Campos and Santos oil producing basins.

At the end of the reporting period, the Group had outstanding commitments for future minimum operating lease payments which fll due as follows:

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Within one year	19,447	16,968	64,331	55,300
In the second to fifth year inclusive	61,667	54,136	203,994	176,435
Greater than five years	201,939	198,725	668,014	647,665
Total	283,053	269,829	936,339	879,400

25. Financial instruments and risk assessment

a. Capital risk management

The Group manages its capital to ensure that its entities will be able to continue as going concerns, while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of debt (which includes the borrowings disclosed in Note 16), cash and cash equivalents and short-term investments disclosed in Note 15, and equity attributable to owners of the parent company comprising issued capital, reserves, and retained earnings as disclosed in Note 21.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

b. Categories of financial instruments

	Fair value		Book value	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	US$	**US$**	**US$**	**US$**
Financial instruments classified as loans and receivables				
Cash and cash equivalents	80,099	75,001	80,099	75,001
Short-term Investments	31,636	37,400	31,636	37,400
Operational trade receivables	57,980	54,247	57,980	54,247
Other trade receivables	29,472	82,088	29,472	82,088
Total	199,187	248,736	199,187	248,736
Financial instruments classified as amortised cost				
Bank loans	354,724	375,530	354,724	375,530
Trade payables	42,573	49,042	42,573	49,042
Financial leases	1,155	2,296	1,155	2,296
Other trade payables	-	18,621	-	18,621
Total financial instruments - amortised cost	398,452	445,489	398,452	445,489
Financial instruments classified as cash flow hedge				
Derivatives	1,503	1,894	1,503	1,894
Total	399,955	447,383	399,955	447,383

	Fair value		Book value	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	R$	**R$**	**R$**	**R$**
Financial instruments classified as loans and receivables				
Cash and cash equivalents	264,967	244,436	264,967	244,436
Short-term Investments	104,652	121,890	104,652	121,890
Operational trade receivables	191,799	176,797	191,799	176,797
Other trade receivables	97,493	267,532	97,493	267,532
Total	658,911	810,655	658,911	810,655
Financial instruments classified as amortised cost				
Bank loans	1,173,427	1,223,889	1,173,427	1,223,889
Trade payables	140,832	159,833	140,832	159,833
Financial leases	3,821	7,483	3,821	7,483
Other trade payables	-	60,687	-	60,687
Total financial instruments - amortised cost	1,318,080	1,451,892	1,318,080	1,451,892
Financial instruments classified as cash flow hedge				
Derivatives	4,971	6,174	4,971	6,174
Total	1,323,051	1,458,066	1,323,051	1,458,066

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

c. Financial risk management objectives

The Group monitors and manages financial risks related to the operations. A financial risk committee meets regularly to assess financial risks and decide mitigation based on guidelines stated in the Group's financial risk policy.

These risks include market risk, credit risk and liquidity risk. The primary objective is to minimise exposure to those risks by using financial instruments and by assessing and controlling the credit and liquidity risks. The Group may use derivatives and other financial instruments for hedging purposes only.

d. Foreign currency risk management

The operating cash flows are exposed to currency fluctuations because they are denominated partially in Brazilian Real. These proportions vary according to the characteristics of each business.

Cash flows from investments in fixed assets are denominated partly in Brazilian Real. These investments are subject to currency fluctuations between the moment when those goods or services are acquired and the actual payment date. The resources and their application are monitored with purpose of matching the currency cash flows and payment dates.

In general terms, the Group seeks to neutralise the currency risk of operating cash flows by matching revenues and expenses. Furthermore, the Group seeks to generate an operating cash surplus in the same currency in which the debt service of each business is denominated.

The Group has part of its debt and part of its Cash and cash equivalents denominated in Brazilian Real.

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

	Assets		Liabilities	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	US$	**US$**	**US$**	**US$**
Amounts denominated in Real	262,864	256,549	180,468	206,286

	Assets		Liabilities	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	R$	**R$**	**R$**	**R$**
Amounts denominated in Real	869,555	836,118	596,988	672,307

Foreign currency sensitivity analysis

The sensitivity analysis presented in the following sections estimates the impacts of the Brazilian Real devaluation against the US Dollar based on the position at 31 December 2017. Three exchange rate scenarios are contemplated: the likely scenario (Probable) and two scenarios of deterioration of 25% (Possible) and 50% (Remote) in the exchange rate. The Group uses the Brazilian Central Bank's "Focus" report to determine the probable scenario.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

31/12/2017

Exchange rates [1]

Probable scenario	Possible scenario (25%)	Remote scenario (50%)
R$3.340 / US$1.00	R$4.175 / US$1.00	R$5.010 / US$1.00

Operation	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	262,864	Exchange effects	(2,518)	(54,588)	(89,300)
Total liabilities	R$	180,468	Exchange effects	1,729	37,477	61,309
				(789)	(17,111)	(27,991)

Operation	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	869,555	Exchange effects	(8,331)	(180,576)	(295,406)
Total liabilities	R$	596,988	Exchange effects	5,720	123,973	202,809
				(2,611)	(56,603)	(92,597)

[1] Information source: Focus BACEN, report from 19 January 2018.

31/12/2016

Exchange rates [1]

Probable scenario	Possible scenario (25%)	Remote scenario (50%)
R$3.5000 / US$1.00	R$4.3750 / US$1.00	R$5.2500 / US$1.00

Operation	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	256,549	Exchange effects	(17,658)	(65,436)	(97,288)
Total liabilities	R$	206,286	Exchange effects	14,198	52,616	78,228
				(3,460)	(12,820)	(19,060)

Operation	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	836,118	Exchange effects	(57,549)	(213,263)	(317,072)
Total liabilities	R$	672,307	Exchange effects	46,274	171,481	254,952
				(11,275)	(41,782)	(62,120)

[1] Information source: Focus BACEN, report from 20 January 2017

e. Interest rate risk management

The Group holds most of its debts linked to fixed rates and most of which are with the FMM (Merchant Marine Fund).

Other loans exposed to floating rates are as follows:

- TJLP (Brazilian Long Term Interest Rate) for Brazilian Real-denominated funding through Finame credit line to port operations and Logistics operations;

- DI (Brazilian Interbank Interest Rate) for Brazilian Real-denominated funding in logistics operations, and

- 6-month Libor (London Interbank Offered Rate) for US Dollar-denominated funding for port operations (Eximbank).

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

Interest rate sensitivity analysis

The Group does not currently fair value account for financial assets or liabilities through profit or loss. Therefore, a change in interest rates at the reporting date would not change the profit or loss result. The Group uses the Brazilian Central Bank’s “Focus” BM&F (*Bolsa de Mercadorias e Futuros*) and Bloomberg data to estimate the probable scenarios.

The following analysis concerns a possible fluctuation of revenue or expenses linked to the transactions and scenarios shown, without considering their fair value.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

31/12/2017			
Libor [1], CDI [2], Selic [3] and TJLP			
Transaction	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	2.17%	2.72%	3.26%
Loans – Selic	6.90%	8.65%	10.38%
Loans – TJLP	7.00%	8.75%	10.50%
Investments – Libor	2.17%	2.71%	3.25%
Investments – CDI	6.92%	8.65%	10.38%

Transaction	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	Libor	47,052	Interest	(71)	(157)	(243)
Loans – Selic	Selic	321	Interest	-	(4)	(8)
Loans – TJLP	TJLP	23,422	Interest	-	(254)	(505)
Loans – Fixed	N/A	283,929	None	-	-	-
Total loans		354,724		(71)	(415)	(756)
Investments	Libor	45,080	Income	-	236	471
Investments	CDI	56,987	Income	229	1,297	2,366
Total investments		102,067		229	1,533	2,837
			Net income	158	1,118	2,081

Transaction	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	Libor	155,648	Interest	(234)	(519)	(804)
Loans – Selic	Selic	1,063	Interest	-	(14)	(27)
Loans – TJLP	TJLP	77,481	Interest	-	(842)	(1,671)
Loans – Fixed	N/A	939,235	None	-	-	-
Total loans		1,173,427		(234)	(1,375)	(2,502)
Investments	Libor	149,126	Income	-	780	1,560
Investments	CDI	188,515	Income	758	4,292	7,825
Total investments		337,641		758	5,072	9,385
			Net income	524	3,697	6,883

(1) Information source: Bloomberg, report from 16 January 2018.
(2) Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 15 January 2018.
(3) Information source: BC (Banco Central do Brasil), report from 16 January 2018.

The net effect was obtained by assuming a 12 month period starting 31 December 2017 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the weighted scenario rate and actual rate.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

31/12/2016 Libor [(1)], CDI [(2)] and TJLP			
Transaction	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	1.70%	2.13%	2.55%
Loans – CDI	11.14%	13.93%	16.71%
Loans –TJLP	7.50%	9.38%	11.25%
Investments – Libor	1.88%	2.31%	2.73%
Investments – CDI	11.14%	13.93%	16.71%

Transaction	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	Libor	88,041	Interest	(217)	(420)	(623)
Loans – TJLP	TJLP	27,441	Interest	-	(324)	(643)
Loans – Fixed	N/A	260,026	None	-	-	-
Total loans		375,508		(217)	(744)	(1,266)
Investments	Libor	51,500	Income	-	195	390
Investments	CDI	51,112	Income	(1,650)	(232)	1,187
Total investments		102,612		(1,650)	(37)	1,577
			Net income	(1,867)	(781)	311

Transaction	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans – Libor	Libor	286,934	Interest	(708)	(1,370)	(2,031)
Loans – TJLP	TJLP	89,433	Interest	-	(1,056)	(2,096)
Loans – Fixed	N/A	847,450	None	-	-	-
Total loans		1,223,817		(708)	(2,426)	(4,127)
Investments	Libor	167,842	Income	-	635	1,270
Investments	CDI	166,580	Income	(5,379)	(755)	3,868
Total investments		334,422		(5,379)	(120)	5,138
			Net income	(6,087)	(2,546)	1,011

(1) Information source: Bloomberg, report 11 January 2017.
(2) Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 10 January 2017.

The net effect was obtained by assuming a 12 month period starting 31 December 2016 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the scenario rate and actual rate.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Derivative financial instruments
The Group may enter into derivative contracts to manage risks arising from interest rate fluctuations. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group uses cash flow hedges to limit its exposure that may result from the variation of floating interest rates. On 16 September 2013, Tecon Salvador, entered into an interest rate swap agreement to hedge a portion of its outstanding floating-rate debt with IFC. On 31 December 2017 the notional amount was US$35.6 million. This swap converts floating interest rate based on the London Interbank Offered Rate (LIBOR) into fixed-rate interest and expires in March 2020. The derivatives were entered into with Santander Brasil as counterparty and its Standard & Poor's credit rating was AA at 31 December 2017.

Tecon Salvador is required to pay the counterparty interest at 4.250%, according to the schedule agreement and receives variable interest payments based on 6-month LIBOR. The net receipts or payments from the swap are recorded as financial expense.

	US$ Outflows	**R$ Outflows**
Within one year	(1,108)	(3,665)
In the second year	(337)	(1,114)
In the third to fifth years (including)	(58)	(192)
Fair value	(1,503)	(4,971)

Fair Value
The swap fair value was estimated based on the yield curve at 31 December 2017 and represents its carrying value. On 31 December 2017 the interest rate swap liability was US$1.5 million and the balance in accumulated other comprehensive income on the consolidated balance sheet was US$1.9 million. The net change in fair value of the interest rate swap recorded as other comprehensive income for the period ended 31 December 2017 was an after tax loss of US$0.5 million.

31 December 2017	**Notional amount US$**	**Maturity**	**US$ Fair value**	**R$ Fair value**
Financial liabilities				
Interest rates swap	35,640	Mar/2020	(1,503)	(4,971)
Total			(1,503)	(4,971)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Derivative Sensitivity Analysis
This analysis is based on 6-month Libor interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores any impact of forecast sales and purchases. Three scenarios were simulated: the likely scenario (Probable) and two possible scenarios of reduction of 25% (Possible) and 50% (Remote) in the interest rate.

31/12/2017					
Probable scenario	**Possible scenario (25%)**	**Remote scenario (50%)**	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
US$	**US$**	**US$**	**R$**	**R$**	**R$**
(1,500)	(1,748)	(2,004)	(4,963)	(5,782)	(6,631)

Cash Flow Hedge
The Group applies hedge accounting for transactions in order to manage the volatility in earnings. If a swap is designated and qualifies as a cash flow hedge, the swap is accounted for as an asset or a liability in the accompanying consolidated balance sheet at fair value. The effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented as an asset revaluation reserve in equity. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting operations, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively and then the amount stated in the equity is reclassified to the profit or loss.

On the initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged transaction, including the risk management objective and strategy on the implementation of the hedge and the hedged risk, together with the methods that will be used to evaluate the effectiveness of the hedging relationship. The Group utilises the dollar offset method to assess the effectiveness of the swap, analysing whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of the respective hedged items attributable to the hedged risk, and if the actual results for each coverage are within the range from 80 - 125 percent.

Under this methodology, the swap was deemed to be highly effective for the period ended 31 December 2017. There was no hedge ineffectiveness recognised in profit or loss for the year ended 31 December 2017.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

f. Liquidity risk management

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

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

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

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

31 December 2017	Weighted average effective interest rate %	Less than 12 months US$	1-5 years US$	More than 5 years US$	Total US$
Variable interest rate instruments	3.72%	19,090	47,192	4,513	70,795
Fixed interest rate instruments	3.29%	35,198	98,676	150,055	283,929
Trade payable	-	42,573	-	-	42,573
Financial lease	2.86%	846	309	-	1,155
		97,707	146,177	154,568	398,452

31 December 2017	Weighted average effective interest rate %	Less than 12 months R$	1-5 years R$	More than 5 years R$	Total R$
Variable interest rate instruments	3.72%	63,151	156,113	14,928	234,192
Fixed interest rate instruments	3.29%	116,434	326,418	496,383	939,235
Trade payable	-	140,832	-	-	140,832
Financial lease	2.86%	2,799	1,022	-	3,821
		323,216	483,553	511,311	1,318,080

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

31 December 2016	Weighted average effective interest rate %	Less than 12 months US$	1-5 years US$	More than 5 years US$	Total US$
Variable interest rate instruments	3.73%	27,762	75,307	12,435	115,504
Fixed interest rate instruments	2.85%	22,018	79,675	158,333	260,026
Trade payable	-	44,462	-	-	44,462
Financial lease	3.27%	1,211	1,085	-	2,296
		95,453	156,067	170,768	422,288

31 December 2016	Weighted average effective interest rate %	Less than 12 months R$	1-5 years R$	More than 5 years R$	Total R$
Variable interest rate instruments	3.73%	90,479	245,432	40,528	376,439
Fixed interest rate instruments	2.85%	71,759	259,667	516,024	847,450
Trade payable	-	144,905	-	-	144,905
Financial lease	3.27%	3,947	3,536	-	7,483
		311,090	508,635	556,552	1,376,277

g. Credit risk

The Group's credit risk can be attributed mainly to balances such as cash and cash equivalents, short term investments, debt securities, loans, trade receivables and other trade receivables. The disclosure in the balance sheet are shown net of the allowance for bad debts.

The Group invests temporary cash surpluses in government and private bonds, according to regulations approved by management, which follow the Group policy on credit risk concentration. Credit risk on investments in non-government backed bonds is mitigated by investing only in assets issued by leading financial institutions.

The Group's sales policy follows the criteria for credit sales set by management, which seeks to mitigate any loss due to customer default.

		US$		R$	
	Nota	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cash and cash equivalents	15	31,636	75,001	104,652	244,436
Short-term investments	15	80,099	37,400	264,967	121,890
Operational trade receivables	14	57,980	54,247	191,799	176,797
Other trade receivables	14	98,687	82,088	326,455	267,532
Exposed to credit risk		268,402	248,736	887,873	810,655

h. Fair value of financial instruments

The Group's financial instruments are recorded in balance sheet accounts at 31 December 2017 and 31 December 2016 at amounts consistent with the fair value at those dates. These instruments are managed though operating strategies aimed to obtain liquidity, profitability and security. The control policy consists of ongoing monitoring of rates agreed versus those in force in the market, and confirmation of whether its short-term financial investments are being properly marked to market by the institutions dealing with its funds.

The determination of estimated realisable values of the Group's financial assets and liabilities relies on information available in the market and relevant assessment methodologies. Nevertheless, considerable judgment is required when interpreting market data to derive the most adequate estimated realisable value.

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives:

1. the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements),
2. the second highest priority to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2 measurements), and
3. the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

All the Group's financial instruments (as disclosed in note 25 b) are considered as level 2. There were no amounts related to levels 1 or 3 at 31 December 2017 and 31 December 2016.

i. Criteria, assumptions and limitations used when computing market values

Cash and cash equivalents
The market values of the bank current account balances are consistent with book balances.

Investments
The market values of the short term investments are consistent with book balances.

Trade and other trade receivables/payables
According to management estimates the market values of the trade receivables and trade payables are consistent with book balances.

Bank and loans
Fair value of loan arrangements were calculated at their present value determined by future cash flows and at interest rates applicable to instruments of similar nature, terms and risks or at market quotations of these securities. Fair value measurements recognised in the consolidated financial statements are grouped into levels based on the degree to which the fair value is observable.

The fair values of BNDES, BB, IFC, CCB, Santander, Finimp, and Eximbank financing arrangements are considered similar to their carrying amounts as the Group has to date not identified comparable instruments.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

26. Related-party transactions

Transactions between the Company and its related party subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates, joint ventures, other investments, and other related parties are disclosed below.

There are no repayment terms and it is not the intention of the parties the loan would be repaid within one year.

	Non-current assets (liabilities)	Revenues	Expenses
	US$	US$	US$
Joint operations and joint ventures:			
1. Allink Transportes Internacionais Ltda.	(2)	1	19
2. Consórcio de Rebocadores Barra de Coqueiros	77	-	-
3. Consórcio de Rebocadores Baía de São Marcos	2,483	444	-
4. Wilson, Sons Ultratug and subsidiaries	11,848	1,379	-
5. Atlantic Offshore S.A.	17,767	-	-
Other:			
7. Gouvêa Vieira Advogados	-	-	73
8. CMMR Intermediação Comercial Ltda.	-	-	157
At 31 December 2017	32,173	1,824	249
At 31 December 2016	31,784	20,272	374

	Non-current assets (liabilities)	Revenues	Expenses
	R$	R$	R$
Joint operations and joint ventures:			
1. Allink Transportes Internacionais Ltda.	(7)	2	60
2. Consórcio de Rebocadores Barra de Coqueiros	255	-	-
3. Consórcio de Rebocadores Baía de São Marcos	8,214	1,409	-
4. Wilson, Sons Ultratug and subsidiaries	39,193	4,401	-
5. Atlantic Offshore S.A.	58,772	-	-
Other:			
7. Gouvêa Vieira Advogados	-	-	233
8. CMMR Intermediação Comercial Ltda.	-	-	501
At 31 December 2017	106,427	5,812	794
At 31 December 2016	103,587	69,205	1,271

1. Allink Transportes Internacionais Ltda. is 50% owned by the Group and rents terminal warehousing from the Group. Allink Transportes Internacionais Ltda controls 100% of Allink Serviços e Gerenciamento de Cargas Ltda.

2-3. The transactions with the joint operations are disclosed as a result of proportionate amounts not eliminated on consolidation.

4. Related parties loan with Wilson, Sons Ultratug (interest - 0.3% per month with no maturity) and other trade payables and receivables from Wilson, Sons Offshore and Magallanes.

5. Related parties loan with Atlantic Offshore S.A. (with no interest and with no maturity)

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

7. Mr. C.M. Marote is a shareholder and director of CMMR Intermediação Comercial Ltda. Fees were paid to CMMR Intermediação Comercial Ltda. for consultancy services to the Wilson Sons towage segment.

The Company has adopted the policy of netting the assets and liabilities of the group related party transactions.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

27. Notes to the consolidated statement of cash flows

	31/12/2017 US$	31/12/2016 US$	31/12/2017 R$	31/12/2016 R$
Profit before tax	108,828	121,940	348,165	422,176
Less: Finance income	(11,227)	(23,042)	(36,142)	(81,038)
Less: Exchange gain (loss) on translation	(1,336)	(6,839)	(4,374)	(23,752)
Less: Share of result of joint ventures	(3,366)	(8,073)	(10,584)	(26,510)
Add: Finance costs	21,976	17,621	69,847	61,038
Operating profit from operations	114,875	101,607	366,912	351,914
Adjustments for:				
Depreciation and amortisation expenses	57,480	52,584	183,542	182,298
Gain (loss) on disposal of property, plant and equipment	2,930	(745)	9,704	(2,314)
Provision equity-settled share-based payment	2,331	3,410	7,445	11,872
Post-employment benefits	74	198	237	686
Decrease (increase) in provisions	(7,064)	6,456	(20,281)	21,642
Operating cash flows before movements in working capital	170,626	163,510	547,559	566,098
Decrease in inventories	1,654	12,858	5,280	43,104
Increase in trade and other trade receivables	(23,020)	(21,862)	(73,456)	(75,671)
Decrease in trade and other trade payables	(1,824)	(7,115)	(5,876)	(24,364)
Decrease (increase) in other non-current assets	3,873	(5,389)	12,365	(18,066)
Cash generated by operations	151,309	142,002	485,872	491,101
Income taxes paid	(29,698)	(34,412)	(94,511)	(120,143)
Interest paid – borrowings	(12,808)	(12,291)	(41,001)	(42,592)
Interest paid – leasing	(497)	(383)	(1,592)	(1,309)
Interest paid – others	(168)	(82)	(533)	(291)
Net cash from operating activities	108,138	94,834	348,235	326,766

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Additions to fixed assets				
Equipment acquisition through bank loan	21,071	171	64,764	664
Capitalised interest	403	761	1,285	2,832
Acquisition of non controlling interest				
Reversion of debts from purchase of non controlling interest	-	(2,802)	-	(11,329)
Payables from purchase of non controlling interest	-	1,850	-	6,203
Taxes settlement				
Income tax compensation	1,302	2,376	4,158	7,964
Tax debts settled utilising net operating losses carryforward	6,909	-	19,889	-

28. Compensation of key management personnel

Compensation, of the Group's key management personnel, is set out below in aggregate for each of the categories:

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	US$	US$	R$	R$
Short-term employee benefits	(11,350)	(10,573)	(35,985)	(37,013)
Post-employment benefits and social charges	(1,648)	(1,440)	(5,277)	(4,997)
Stock Options	(2,331)	(3,410)	(7,445)	(11,872)
Total	(15,329)	(15,423)	(48,707)	(53,882)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

29. Insurance coverage

The main insurance coverage contracted by the Group in force at 31 December 2017 is detailed below:

Risks	Subject	Coverage US$	Coverage R$
Maritime CR	CR - Protection and civil responsibility (*shipowners*)[1]	7,600,000	25,140,800
Maritime Hull	Tugs	283,810	938,845
Port Operator CR	Port operator civil responsibility (including chattels and real estate), terminals (including chattels and real estate), logistics operations	80,000	264,640
Automobile	Damage to the vehicle	100% FIPE[2]	100% FIPE[2]
Builder Risk	Shipbuilding	43,204	142,920
Property (Multiline)	Buildings, machines, furniture and fixtures, goods and raw materials	36,276	120,000
Managers and directors	Managers' civil responsibility	15,115	50,000
International Transport	Import of shipbuilding parts	4,232	14,000
RCTR-C	Civil responsibility of the freight carrier	3,023	10,000
Environmental CR	Civil environmental responsibility	3,023	10,000
Ship repair CR	Civil responsibility for repair of third-party vessels	605	2,000
Agency Services CR	CR - Protection and loss of income (agency services)	500	1,654
Total		8,069,788	26,694,859

(1) Available limit to all P&I Club members
(2) The FIPE Table (Economic Research Institute Foundation) expresses the average prices of vehicles in the Brazilian market

30. Approval of the consolidated financial statements

The consolidated financial statements were approved by the board of directors and authorised for issue on 15 March 2018.

Directors Declaration

In compliance with article 25, section V of CVM Instruction 480 of 7 December 2009, the Directors of Wilson Sons Limited declare that they have reviewed, discussed and agreed with the condensed consolidated interim financial information and the views expressed in the independent auditor's review report.