

# Appendix 4E

## Preliminary Final Report

### For the year ended 30 June 2017

Name of entity

Royal Wolf Holdings Limited

ABN or equivalent company reference

ABN 91 121 226 793

## Results for announcement to the market

1. Details of reporting period	
Current	Year ended 30 June 2017
Previous	Year ended 30 June 2016
2. Key Items	
2.1. Revenue from ordinary activities	Down 12.6 % to \$143.6 million
2.2. Profit from ordinary activities after tax attributable to members	Down 21.3% to \$6.2 million
2.3. Profit for the period after tax attributable to members	Down 21.3% to \$6.2 million
2.4. Interim dividend amount per security	2.5 cents
Franked amount per security	2.5 cents
Special dividend amount per security	2.65 cents
Franked amount per security	2.65 cents
No current year final dividend	0 cents
2.5. Record date for determining Final dividend entitlements	N/A
2.6 Review of operations	A detailed review of the operations of the consolidated entity is included in the directors' report contained in the financial report lodged with the Australian Securities Exchange
3. Net tangible assets per security	\$1.03 per share (prior year: \$1.01 per share)
4. Details of entities over which control has been gained or lost	Nil
5. Total dividend distribution	Interim \$2,509,677 Special \$2,660,257 Final \$Nil

Dividend distribution date

Interim 4 April 2017

Special 2 August 2017

Final N/A

Conduit Foreign Income

Nil

6. Audit/review status

The financial statements have been audited and are not subject to a modified opinion or emphasis of matter or other matter paragraph

Signed by:

A handwritten signature in black ink, appearing to read 'P Housden', written in a cursive style.

P Housden

Date: 8 August 2017

Director

Sydney



**Royal Wolf Holdings Limited**  
**ACN 121 226 793**  
**And Controlled Entities**  
**Financial Report**  
**30 June 2017**

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**

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**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**  
**Corporate Directory**

<b>Directors</b>	<p>P Housden BCom (Hons), FCPA, FAICD  <i>Independent Chair</i></p> <p>D W Corsie MBA IMD, BEng (Civil)  <i>Independent Non-Executive Director</i></p> <p>P A Dexter AM, FAICD  <i>Independent Non-Executive Director</i></p> <p>R F Valenta  <i>Non-Executive Director</i></p> <p>M Marrero  <i>Non-Executive Director</i></p> <p>N Littlewood GAICD (appointed 1 July 2016)  <i>Executive Director</i></p> <p>J Miller (appointed 1 July 2016)  <i>Non-Executive Director</i></p>
<b>Secretary</b>	G B Baker CPA, GIA (Cert), MAICD.
<b>Executives</b>	<p>N R Littlewood  <i>Chief Executive Officer</i></p> <p>G B Baker  <i>Chief Financial Officer &amp; Company Secretary</i></p> <p>B R Buddo  <i>Executive General Manager Operations</i></p> <p>D P Creighton  <i>Executive General Manager, New Zealand</i></p>
<b>Principal registered office in Australia</b>	<p>Suite 203, Level 2, 22-28 Edgeworth David Avenue  Hornsby NSW 2077  (02) 9482 3466</p>
<b>Share register</b>	<p>Link Market Services, Level 12, 680 George Street  Sydney NSW 2000</p>
<b>Auditor</b>	<p>Crowe Horwath Sydney, Level 15, 1 O'Connell Street  Sydney NSW 2000</p>
<b>Solicitor</b>	<p>Herbert Smith Freehills, 161 Castlereagh Street  Sydney NSW 2000</p>
<b>Bankers</b>	<p>Australia and New Zealand Banking Corporation  242 Pitt Street  Sydney NSW 2000</p> <p>ANZ Bank New Zealand Limited, 22-29 Albert Street  Auckland 1010, New Zealand</p> <p>Commonwealth Bank, 201 Sussex Street  Sydney NSW 2000</p>
<b>Stock exchange listings</b>	<p>Royal Wolf Holdings Limited shares are listed on the  Australian Securities Exchange.</p>
<b>Website address</b>	<p><a href="http://www.royalwolf.com.au">www.royalwolf.com.au</a></p>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**  
**Directors' Report**  
**30 June 2017**

Your directors present their report on Royal Wolf Holdings Limited ("Royal Wolf" or "the company") and its controlled entities ("the Group") for the financial year ended 30 June 2017.

**Directors**

The following directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

P Housden  
D W Corsie  
P A Dexter  
R F Valenta  
M Marrero  
N R Littlewood  
J Miller

G B Baker has been the company secretary since the start of the financial year to the date of this report.

**Principal activities**

The Group is a leading provider of portable container solutions to the resources, construction, logistics, retail and manufacturing industries in Australia and New Zealand. The Group is an industry specialist in the hire, sale and modification of new and refurbished container products.

**Dividends**

Dividends paid to members during the financial year were as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Final fully franked ordinary dividend for the year ended 30 June 2016 of 2.5 cents (2015 – 5.0 cents fully franked ) per fully paid share paid on 4 October 2016	2,509	5,019
Interim fully franked ordinary dividend for the year ended 30 June 2017 of 2.5 cents (2016 –3.0 cents fully franked) per fully paid share fully franked paid on 4 April 2017	2,510	3,012

In addition to the above dividends, since the end of the financial year, the directors have declared a fully franked special dividend of 2.65 cents per fully paid ordinary share which was paid on 2 August 2017.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**  
**Directors' Report (continued)**  
**30 June 2017**

**Review of operations**

A review of the operations and financial position of the Group and its business strategies and prospects are set out below.

The profit after income tax (NPAT) of the consolidated Group for the financial year amounted to \$6,194,000 (2016: \$7,867,000).

(\$ in thousands, FYE 30 June)	Actual FY2017	Actual FY2016
Container lease revenue	79,710	77,212
Container sales revenue	63,867	87,103
Total revenue	143,577	164,315
EBITDA	36,379	37,371
EBITA	17,986	20,666
EBIT	14,231	17,674
NPAT	6,194	7,867
NPATA	8,823	9,961
EPS	6.2c	7.9c

*Key points on the results*

- EBITDA of \$36.4 million (margin of 25.3%) compared to \$37.4 million (margin of 22.7%) last year.
- Total revenues were \$143.6 million, a decrease of \$20.7 million, or 12.6% less than last year.
- Container sales revenues of \$63.9 million, a decrease of \$23.2 million, or 26.6% over last year. The low margin sales transactions in the freight sector valued at \$19.4 million were not replicated in FY2017.
- Container leasing revenues of \$79.7 million, an increase in total of \$2.5 million or 3.2% compared to last year.
- Container leasing revenue comprised 55.5% of total revenue versus 47.0% last year.
- Average utilisation for the year was 80.4% compared to 79.5% for last year.
- Utilisation of 80.0% at 30 June 2017 compares to 76.5% at 30 June 2016.
- Units on hire at 30 June 2017 was 33,771 units, up 1,908 units on the same time last year assisted by an acquisition in December 2016 of 940 units.
- Net Profit after Tax (NPAT) attributable to ordinary shareholders of \$6.2 million or 6.2c per share compared to \$7.9 million or 7.9c per share last year.
- Royal Wolf paid an interim dividend of 2.5c per share (fully franked) in April 2017 and a special fully franked dividend of 2.65c per share was paid on 2 August 2017.

## Review of operations (continued)

Following is a brief discussion of the main factors which affected Royal Wolf's operating and financial performance in FY2017.

The general factors described below are a summary only and do not represent everything that affected Royal Wolf's historical operating and financial performance, nor everything that is expected to affect operating and financial performance in future periods.

### Revenue

Royal Wolf's revenue is comprised of container sales revenue and container leasing revenue. Container sales revenue includes revenue from the sale of containers, container modifications and accessories, as well as delivery revenue. Container lease revenue consists predominantly of revenue from containers leased and transport delivery and return.

**Total revenues** for the year were \$143.6 million, a decrease of 12.6% from last year.

Total revenue for FY2016 included a number of low margin sales transactions in the freight sector valued at \$19.4 million which were not replicated in FY2017. Trading conditions remained difficult with continuing retraction in the resource sector which has particularly impacted our regional results in the resource dependent economies of West Australia and Queensland.

**Container lease revenue** increased by \$2.5 million, or 3.2%. The net impact of the resource sector retraction was a \$3.7 million decrease even after including the \$2.8 million we received as full and final payment of our claim as the secured creditor for Titan Energy Services.

Our strategy to deliver worksite stackable solutions to the building and construction and infrastructure industries as an alternative to the traditional modular building solution continues to generate increased market share with lease revenue growing by \$3.6 million, or 19% in FY2017 compared to FY2016. We expect to secure further market share in the Sydney, Auckland and Canterbury (NZ) areas.

We achieved leasing growth in the events, defence, agriculture, utilities and manufacturing sectors. Conditions were challenging in the removals, retail and resources sectors.

Container leasing revenues as a percentage of total revenue has increased from 47.0% for FY2016 to 55.5% for FY2017.

**Container sales revenue** for FY2017 was \$63.9 million, a decrease of \$23.2 million over the previous year, and primarily the result of a number of low margin freight industry sales transactions valued at \$19.4 million recorded in FY2016 not being replicated in FY2017. Excluding these transactions, container sales revenue was 9.4% behind FY2016.

**Royal Wolf reports revenue through three broad sectors:** Portable storage; portable buildings and freight.

Portable storage revenue fell by \$3.8 million, or 3.6% to \$101.3 million with leasing revenue steady and sales revenue down by 6.6%. The fall in sales revenue is a mix of reduced volume and the contraction in market rates for new and used containers.

Portable buildings revenue was up by 2.2% to \$27.8 million. Leasing revenue was up by 33.6% and includes \$2.8 million we received as full and final payment of our claim as the secured creditor for Titan Energy Services. Sales revenue was down by 13.9%.

Freight revenues decreased by 54.8% to \$14.5 million. The \$19.4 million in freight sales in the prior year was not replicated in FY2017. Leasing revenue decreased 1.7% or \$0.2 million.



**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**  
**Directors' Report (continued)**  
**30 June 2017**

**Review of operations (continued)**

**Gross margin**

Royal Wolf's cost of sales consists primarily of costs of containers sold or modified, transport and delivery costs for selling or leasing containers, and Customer Service Centre operating costs. The remaining costs include handling, repair and other production costs.

Royal Wolf's gross margin is also a function of the revenue mix. The company generates higher gross margin returns from leasing than sales revenue. The gross margin for the year of 47.8% compares to 42.9% last year. Excluding last year's low margin container sales the margin would have been 47.0% representing a modest improvement in operational controls.

**Selling, general, and administrative expenses ("SG&A")**

Royal Wolf's SG&A consists predominantly of customer service centre, national accounts and head office employee costs, as well as other items including rent, advertising, and fees paid to professionals, travel, entertainment and business promotion costs.

The selling and general expenses decreased by \$0.8 million during FY2017 to \$32.4 million from \$33.3 million during FY2016. We were able to deliver cost reductions within the business as we adjusted our structure to increase customer facing roles, improve customer engagement and better utilise digital technology to generate and retain additional customers.

**Earnings** at the EBITDA level for the year decreased by 2.7% to \$36.4 million when compared to last year.

**Depreciation and amortisation** combined was \$22.1 million up 12.4% from \$19.7 million due to the compound effect of current and previous year's asset purchases particularly focused in the higher depreciating portable buildings sector. Surplus accommodation units are being actively marketed for lease or sale across a variety of countries and Australasian industries as camp solutions or single unit applications. We remain confident in converting a number of leads in the next two years, and in the interim have the capacity to quickly react to any increased demand for camp accommodation within the Australian resource sector, however any redeployment would likely deliver reduced yields due to cost-cutting.

**Earnings Before Interest and Tax** decreased 19.5% from \$17.7 million to \$14.2 million year on year.

**Financing costs** of \$4.3 million is a decrease of 31.2% from last year and is net of a reversal of the mark to market position at 30 June 2016 for a \$50 million interest rate swap derivative that matured 30 June 2017. Excluding this reversal the financing cost would have been \$5.8 million a decrease of 6.5%.

**NPAT** of \$6.2 million is \$1.7 million behind FY2016 representing a decrease of 21.3%.

**Net cash flow before financing activities** for the period was a positive \$1.4 million (FY2016 \$36.7 million) comprising cash flow from operating activities of \$22.7 million (FY2016 \$37.4 million) and cash used in investing activities of \$21.3 million (FY2016 \$0.7 million).

The cash flow has been impacted by a reduction in operating cash as a result of the change in net working capital driven primarily from decreased payables and an increase in receivables

Container fleet capital expenditure has increased to \$15.9 million (\$12.5 million in FY2016) to support increased demand from the building and construction and infrastructure industries in our CSC network in Australia and New Zealand. The net cash used in investing activities of \$0.7 million for the prior period includes the disposal of two owned New Zealand properties for \$13.5 million.

### **Review of operations (continued)**

Financial gearing at the end of the period was 40% (2016: 39%) on a net debt to net debt plus equity basis. The current gearing level provides Royal Wolf with additional headroom to undertake the planned regional growth strategy and to undertake acquisition opportunities as they arise.

### **Container fleet**

Royal Wolf's container fleet includes both its sales fleet and lease fleet. As part of its overall fleet management strategy, Royal Wolf procures containers based on anticipated demand, with the focus on maximising the number of units on lease. In situations where utilisation rates are high, Royal Wolf proactively sources additional containers in order to meet leasing demand. Conversely, if utilisation rates are low, Royal Wolf decreases its fleet acquisition capital expenditure, or sells containers from its lease fleet in order to adjust to reduced demand.

Royal Wolf achieved average utilisation of 80.4% compared to 79.5% for last year. Units on lease at year end increased from 31,863 to 33,771, versus lease fleet of 42,230 as at 30 June 2017. Closing utilisation at 80.0% compares to 30 June 2016 utilisation of 76.5%.

Royal Wolf believes that our customers will continue to value the combination of our lease fleet size, our geographic spread and broad product offering as a key market differentiator. We expect to continue to engage with our customers to understand their changing storage requirements, generating new product lines to meet their needs and exiting non-performing assets.

### **Network Expansion**

Growth in Royal Wolf's distribution network has enabled it to manage lease fleet utilisation; enhance brand exposure and sales opportunities; optimise procurement through improved economies of scale; access new end markets, and provide services to customers on a local, national and multi-regional basis.

Within its industry, Royal Wolf has the largest distribution network in Australia and New Zealand with a network of 35 facilities including 32 dedicated Customer Service Centres (CSC's). Three regional CSC's were opened in FY2017 and our St Mary's (Sydney) depot was consolidated with our Moorebank (Sydney) facility after a depot upgrade.

### **Acquisitions**

Historically, Royal Wolf has focused on relatively small to medium size acquisitions to grow our market share and customer base in existing areas or to commence operations within a major regional city. We completed one acquisition in FY2017. Royal Wolf considers the Australasian container leasing and sales market is highly fragmented and conducive to value enhancing acquisition opportunities. Those that deliver accretive returns will remain a key focus.

### **End market exposure**

Royal Wolf's portable container products are used by a broad range of industries with over 22,700 customers across industries that include resources, construction, logistics, retail and manufacturing in Australia and New Zealand. Customers use Royal Wolf's products for a wide variety of applications, including storage of inventory, materials and equipment, transportation of goods, and as portable buildings and accommodation and are serviced through its 32 customer service centres located in every state in Australia and in the North Island and South Island of New Zealand, as well as through a National Accounts Management Team that is focused on large customers and contracts.

Its largest leasing customer accounted for 1.3% of total revenue and the top 50 customers accounted for around 23% of total revenue, reflecting the continued highly diverse nature of our customer base.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Report for the Year Ended 30 June 2017**  
**Directors' Report (continued)**  
**30 June 2017**

**Review of operations (continued)**

**Outlook**

Despite the continued expected challenging operating environment, Royal Wolf intends to leverage its diverse customer base, geographic reach and wide product solution offering. Cost management and increasing lease revenue through our Australasian network remain Royal Wolf's priority and we will continue to pursue container sales as opportunities arise.

Royal Wolf will continue to identify and secure opportunities to redeploy or sell idle camp accommodation assets domestically and internationally and remains confident of our ability to do so over the near to medium term.

**Significant changes in the state of affairs**

**Business acquisitions**

On 1 December 2017 Royal Wolf acquired the assets and business of All Direct Container Sales Pty limited operating in the Queensland region of Australia for consideration of A\$4.17 million. All Direct commenced operations in 1995 and is in the business of providing rental and sales of reefers and storage containers to a wide customer base that spans industries including logistics, construction, manufacturing and the retail market.

There were no other significant changes in the state of affairs of the Group during the financial year.

**Matters subsequent to the end of the financial year**

On 12 July 2017, the company announced that it had entered into a Bid Implementation Agreement with GFN Asia Pacific Holdings (GFN), a wholly owned subsidiary of our majority shareholder General Finance Corporation, to acquire the remaining 49% of shares that the GFN Group does not already own by way of an off-market takeover (**Offer**). The Offer opened for acceptances on 24 July 2017 and closes on 25 August 2017 (unless extended or withdrawn). In addition to the off-market takeover bid, the company also announced that it had declared the payment of a fully franked special dividend of 2.65 cents per fully paid share which was paid on 2 August 2017.

No other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**

Likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Statements for the Year Ended 30 June 2017**  
**Directors' Report (continued)**

**Information on directors**

**P Housden BCom (Hons), FCPA, FAICD** *Chair Independent Non Executive. Age 70*

*Experience, expertise and directorships*

P Housden was appointed chairman and director in April 2011. He has over 40 years' experience in accounting, finance and management across a range of industries, including over 20 years' experience as a director of ASX listed companies. In addition to being Chairman of Royal Wolf, he is currently a director of ASX listed companies GrainCorp Ltd, Alliance Aviation Services Ltd and Chairman of the Audit & Risk Committee for Sydney Trains (NSW Government). He has previously served as a director of ASX listed company Calibre Group and Seeing Machines Limited (listed on AIM) in the UK. He holds a Bachelor of Commerce (Hons) from Newcastle University and is a Fellow of the Australian Institute of Company Directors and a Fellow of CPA Australia.

*Interests in shares and options in Royal Wolf*

21,858 ordinary shares

50,000 ordinary shares held through Pepadaan Superannuation Fund.

*Special responsibilities*

Chair of the Board

Member of audit, risk and compliance committee

**D W Corsie MBA IMD, BEng (Civil)** *Independent Non-Executive Director. Age 70*

*Experience, expertise and directorships*

D W Corsie was appointed as a non-executive director in April 2011. He has over 40 years industry experience across services companies, the infrastructure sector, investment banking and construction. He has been a director for over 20 years in total, with four years' experience as director of the formerly ASX listed The MAC Services Limited. In addition, he has previously held Directorships with Transfield Services Infrastructure Fund1, Loy Yang A Power Station, Yarra Trams, Macarthur and Yan Yean Water Filtration Plants, Brisbane Ferry Services, M4 and M5 Tollways and Brisbane Airport Corporation. He holds an MBA from IMD, University of Lausanne and Bachelor of Civil Engineering from the University of Queensland.

*Interests in shares and options in Royal Wolf*

61,858 ordinary shares through Tandac Pty Limited

*Special responsibilities*

Chair of audit, risk and compliance committee

Member of nomination and remuneration committee

**P A Dexter AM, FAICD** *Independent Non-Executive Director. Age 74*

*Experience, expertise and directorships*

P A Dexter was appointed as a non-executive director in April 2011. He has over 40 years of experience in the maritime and logistics industries in Australia and internationally and more than 20 years' experience as a non-executive director. He is a non-executive director of Qube Holdings Limited, Chairman of the Australian National Maritime Museum and a director of Wilh. Wilhelmsen Investments Pty Ltd. Previously he was a director of the ASX listed Adsteam Marine Ltd, Chairman of SeaSwift Pty Ltd and a director of Australian Maritime Systems Ltd. He is a Fellow of the Australian Institute of Company Directors.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Statements for the Year Ended 30 June 2017**  
**Directors' Report (continued)**

**Information on directors (continued)**

*Interests in shares and options in Royal Wolf*

66,858 ordinary shares through Tarn Nominees Pty Limited.

*Special responsibilities*

Chair of nomination and remuneration committee

Member of audit, risk and compliance committee

**R F Valenta** *Non-Executive Director. Age 59*

*Experience, expertise and directorships*

R F Valenta is non-executive director of Royal Wolf who has served as the President and Chief Executive Officer of General Finance Corporation since its inception in October 2005. On 5 June 2015 he was appointed Executive Chairman of the board of General Finance Corporation. He has over 26 years' experience in senior management roles in the container and portable storage industry. Prior to joining General Finance Corporation, he was the President and Chief Executive Officer of The Mobile Storage Group for 16 years, a US based portable storage company he founded. In his capacity as Chief Executive Officer of The Mobile Storage Group, he grew a business from four containers to become the second largest domestic storage container business in the U.S. After 18 years, The Mobile Storage Group had grown to an enterprise value in excess of US\$700 million, and capitalised a UK business which, in 18 months, became the largest domestic storage container business in the UK. He received a Bachelor of Science undergraduate degree from Loyola Marymount University.

*Interests in shares and options in Royal Wolf*

Nil. R F Valenta is the Chairman and CEO of General Finance Corporation which ultimately holds approximately 51% of Royal Wolf's ordinary shares.

*Special responsibilities*

Member of nomination and remuneration committee

**M Marrero** *Non-Executive Director. Age 59*

*Experience, expertise and directorships*

M Marrero was appointed as a non-executive director in October 2014. He has served as a non-executive director of General Finance Corporation since November 2005. Since March 2009 he has served as the Chief Executive Officer of certain specialty finance companies. From January 2004 to March 2009 he worked as a financial and operations management consultant with several companies, principally focused in consumer products brand management. From May 2002 until January 2004 he served as the Chief Financial Officer of Mossimo Inc., a designer and licensor of apparel and related products. From 1999 to 2001 he was the Chief Operating Officer and Chief Financial Officer of Interplay Entertainment Corp., a developer and publisher of interactive entertainment software, and from 1996 to 1999 he served as the Chief Financial Officer of Precision Specialty Metals, Inc., a light gauge conversion mill for flat rolled stainless steel and high performance alloys. He has served on the board of directors of Interplay OEM, Inc., Shiny Entertainment, Inc., Seed Internet Ventures, Inc., L.A. Top Producers, LLC, Friends of Rancho San Pedro and Tree People.

*Interests in shares and options in Royal Wolf*

Nil. M Marrero is a non-executive director of General Finance Corporation which ultimately holds approximately 51% of Royal Wolf's ordinary shares.

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**Financial Statements for the Year Ended 30 June 2017**  
**Directors' Report (continued)**

**Information on directors (continued)**

*Special responsibilities*

Member of audit, risk and compliance committee

**N R Littlewood** *Executive Director. Age 56*

*Experience, expertise and directorships*

N R Littlewood was appointed as a non-executive director in July 2016. He became CEO of Royal Wolf in July 2016. He joined the company in March 2013 in the role of Executive General Manager and was appointed Chief Operating Officer in December 2015. Neil joined Royal Wolf with strong experience in the rental industry having held senior roles with both Coates Hire and Australian Temporary Fencing.

*Interests in shares and options in Royal Wolf*

10,305 ordinary shares

*Special responsibilities*

Chief Executive Officer

**J Miller** *Non-Executive Director. Age 50*

*Experience, expertise and directorships*

J Miller was appointed as a non-executive director in July 2016. He became President of GFN in January 2017 and was previously Executive Vice President and the Chief Executive Officer of GFN North America Leasing Corporation since June 2015. Prior to joining GFN, Mr. Miller spent over 25 years in the equipment rental industry, including at Mobile Mini, Inc. as Executive Vice President and Chief Operations Officer for five years, Mobile Storage Group, Inc. as Senior Vice President for five years, and RSC Holdings, Inc. as Regional Vice President for seven years. Prior to that, he worked in smaller rental businesses in various leadership roles. Mr. Miller is a 1990 graduate of Central Missouri State University.

*Interests in shares and options in Royal Wolf*

Nil. J Miller is the President of General Finance Corporation which ultimately holds approximately 51% of Royal Wolf's ordinary shares.

*Special responsibilities*

Nil

**Company Secretary**

The company secretary is G B Baker who was appointed to the position of company secretary in January 2011.

*Qualifications*

CPA, GIA (Cert), MAICD

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Statements for the Year Ended 30 June 2017**  
**Directors' Report (continued)**

**Meetings of Directors**

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2017, and number of meetings attended by each director were:

	Full Meetings of directors		Meetings of non-executive directors		Meetings of committees			
					Audit, Risk and Compliance		Human Resource and Remuneration	
	A	B	A	B	A	B	A	B
P Housden	4	4	1	1	4	4	-	-
D W Corsie	4	4	1	1	4	4	4	4
P A Dexter	4	4	1	1	4	3	4	4
R F Valenta	4	3	-	-	-	-	4	3
M Marrero	4	4	-	-	4	4	-	-
N R Littlewood	4	4	*	*	-	-	-	-
J Miller	4	4	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\* = Not a non-executive director

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Financial Statements for the Year Ended 30 June 2017**  
**Directors' Report (continued)**  
**Remuneration report**

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) of the Group, who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly.

The remuneration report is presented under the following sections:

1. Directors and key management personnel disclosed in this report
2. Remuneration governance
3. Use of remuneration consultants
4. Non-executive director remuneration policy and framework
5. Executive remuneration policy and framework
6. Relationship between remuneration and the Group's performance
7. Voting and comments made at the company's 2016 Annual General Meeting
8. Details of remuneration
9. Service agreements
10. Details of share-based compensation
11. Equity instruments held by key management personnel
12. Loans to key management personnel
13. Other transactions with key management personnel

**1. Directors and key management personnel disclosed in this report**

<b>Name</b>	<b>Position</b>
<i>Non-executive and executive directors</i>	
P Housden	Chair
D W Corsie	Non-executive director
P A Dexter	Non-executive director
R F Valenta	Non-executive director
M Marrero	Non-executive director
J Miller	Non-executive director
N R Littlewood	Executive director & Chief Executive Officer
<i>Other key management personnel (KMP)</i>	
G B Baker	Chief Financial Officer & Company Secretary
B R Buddo	Executive General Manager, Operations
D P Creighton	Executive General Manager, New Zealand
M Sommerton	Executive General Manager, Australia (ceased May 2017)

**2. Remuneration governance**

One of the key roles of the human resource and remuneration committee is to advise the Board on the remuneration of directors and senior management, and Royal Wolf's employment benefits and entitlements. The current members of the committee are P A Dexter (Chair), D W Corsie and R F Valenta. The Corporate Governance Statement will provide further information on the role of this committee.



### **3. Use of remuneration consultants**

The committee has appointed Godfrey Remuneration Group Pty Ltd as an independent remuneration consultant to assist it and the Board in relation to director and executive remuneration and was paid \$2,200 for these services. The appointment was made in compliance with section 206K of the Corporations Act 2001 and the consultants have declared under Section 206M their freedom from undue influence by key management personnel.

### **4. Non-executive director remuneration policy and framework**

The current annual fees set out below are designed to preserve directors' independence and reflect the demands which are made on, and the responsibilities of, directors. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the market.

a. Base fees	\$
Chairman	137,917
Other-non executive directors	76,383
b. Additional fees for Committee Chairs	
Audit, risk and compliance	8,489
Human resource and remuneration	8,489

The limit on the current aggregate fee pool for non-executive directors is \$550,000. This limit can only be changed by approval of a general meeting.

Royal Wolf does not pay benefits (other than statutory entitlements) on retirement to directors.

### **5. Executive remuneration policy and framework**

The Board has reviewed the remuneration policy and has satisfied itself that:

- the company's remuneration structures are equitable and aligned with the long-term interests of the company and its shareholders and having regard to relevant Group policies;
- it is designed to attract and retain skilled executives;
- the short and long term incentives are challenging and linked to the creation of sustainable shareholder returns; and
- termination benefits are justified and appropriate.

The Board has developed a strategic remuneration framework and set of principles that will achieve these objectives and that will drive performance as follows:

- base package, including superannuation
- short-term performance incentives, and
- long-term incentives.

#### *a. Base package*

Executives receive a competitive base package as the fixed component of their remuneration. This base package is reviewed annually to ensure it is competitive with the market. It is also reviewed on promotion. Base package is broadly pitched to the median in the market. Particular consideration is given to internal relativity, moving employees through their salary range to reflect experience and performance and the need to retain and attract quality management.

#### *b. Short-term incentives (STI)*

The STI plan is aimed to reward management for the achievement of annual financial goals, operational goals (like safety, utilisation of fleet and rental revenue) and individual performance objectives (KPIs) which are designed to reinforce the likelihood of achieving EBITDA as well as the achievement of strategic objectives.

Performance against these goals is reviewed annually to ensure executives remain focussed on key business drivers. The STI target structure includes the payment of STI awards in both cash and in deferred rights in 12 months.

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*c. Long-term incentives (LTI)*

The Board has adopted the following broad LTI plan design:

<b>Design Component</b>	<b>Description</b>
Entitlement	Performance rights
Measurement Period	Three (3) years from 1 July in the Financial Year of Offer to 30 June in the third Financial Year after Year of Offer
EPS Growth Performance	EPS growth will be measured by comparing the EPS figure for the financial year ending 30 June in the third Financial Year after Year of Offer with the EPS figure for the financial year ended 30 June at the period prior to the Year of Offer (base year).
EPS Growth Performance Measure	The extent to which Performance Rights subject to EPS performance measures vest will be determined by calculating the compound annualised EPS growth achieved over the three year period, and then comparing that figure with the targets shown in the Performance Hurdles section below. EPS is the base earnings per share on a post-tax basis adjusted for any non-recurring or non-trading items (NPATA) as determined by the Board. The Board may adjust EPS for items such as those of a capital nature that do not reflect management and employee performance and day-to-day business operations and activities. The underlying principle for making EPS adjustments is that the vesting outcome should reflect the contribution of participants and that the adjustments should not provide a disadvantage or advantage to participants. The aim is that the resulting EPS outcome fairly reflects management's contribution to the improvement of EPS since the commencement of the performance period. EPS has been chosen as it links the individual's remuneration to the Company's growth in earnings.
Performance Hurdles	The EPS vesting schedule adopts a defined target vesting approach, and a hurdle to provide a fair balance of shareholders' and employees' interests as follows: <ul style="list-style-type: none"> <li>• Threshold – 25% (6% compound growth);</li> <li>• Target - pro-rata vesting on a straight line basis between 25% and 50% (pro-rata to 8% compound growth);</li> <li>• Stretch – pro-rata vesting on a straight line basis between 50% and 100% (pro-rata to 12% compound growth).</li> </ul>
Eligibility	The LTI Plan will only be offered to approved executives.
Retesting	Retesting is allowed only once. If nil vesting arises at the initial test, the measurement period is increased by one year for a time-adjusted retest and the hurdle is pro-rata increased in difficulty to account for the additional time available. If any vesting occurs at the initial test, no retesting applies.
Plan Limit	While General Finance Corporation (GFN) holds more than 50% of the shares, unless GFN agrees otherwise, any shares which are to be allocated under the LTI Plan will be sourced by purchasing them on-market rather than by issuing them. In addition for that same period all shares allocated for vested rights must be purchased on the market. It is intended that Royal Wolf will allocate approximately 1% of the shares on issue to the LTI Plan.

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*c. Long-term incentives (LTI) (continued)*

<b>Design Component</b>	<b>Description</b>
Restrictions on Dealing	Without the prior approval of the Board, performance rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered. After allocation, dealing in Restricted Shares is limited by the Company's Share Trading Policy and by the Corporations Act.
Cessation of Employment	The LTI Plan contains provisions concerning the treatment of vested and unvested performance rights and restricted shares in the event a participant ceases employment. There are mechanisms in the LTI Plan that allow the performance rights for which the applicable performance conditions have not been satisfied as at the date of cessation of employment, to keep the rights and shares 'on foot', subject to the original performance and vesting conditions (except that any continuous service will be deemed to have been waived). However in respect of performance rights granted during the financial year in which the termination occurs, the number will be pro-rata reduced to reflect the portion of the financial year that would not be served as a result of the termination.
Lapsing & Forfeiture	Other than as set out above the usual rules on lapsing and vesting of performance rights apply to the Plan.
Winding up, restructures and capital reorganisations	The LTI Plan also contains terms for dealing with winding up, changes in capital structure and administration and variation of the LTI Plan. Prior to vesting of the performance rights, the Board may make any adjustments it considers appropriate to the terms of the performance rights in order to minimise or eliminate any material advantage or disadvantage resulting from a corporate action such as a capital raising or capital reconstruction.
Employee Share Trust	The Company has appointed Pacific Custodians Pty Limited as Trustee of the Royal Wolf Employee Share Plan to hold shares for the purposes of the LTI Plan

**6. Relationship between remuneration and the Group's performance**

The following table shows key performance indicators for the Group since 2015.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Profit for the year attributable to owners of Royal Wolf Holdings Limited (\$'000)	6,194	7,867	13,028
Basic earnings per share (cents)	6.2	7.9	13.0
Dividend payout ratio (%)*	83.1	55.4	60.0
Increase/ (Decrease) in share price (%) for the year	17.4%	(49.3%)	(40.2%)
Total KMP incentives paid as a percentage of EBITDA for the year	0.2	1.8	4.2

\* The dividend payout ratio is calculated by dividing the interim and final declared dividend for the year by the adjusted profit for the year (NPATA).

**7. Voting and comments made at the company's 2016 Annual General Meeting**

Royal Wolf Holdings Limited received more than 90% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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**8. Details of remuneration**

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables:

**Key management personnel & other executives of the Group**

2017	Short-term benefits			Post-employment	Long-term benefits		Share-based payments	
	Cash salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Annual and long service leave	Termination benefits	Shares, Options, cash settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
P Housden	137,917	-	-	-	-	-	-	137,917
D W Corsie	77,508	-	-	7,364	-	-	-	84,872
P A Dexter	77,508	-	-	7,364	-	-	-	84,872
R F Valenta	-	-	-	-	-	-	-	-
M Marrero	76,383	-	-	-	-	-	-	76,383
J Miller	76,383	-	-	-	-	-	-	76,383
<b>Sub-total non-executive directors</b>	<b>445,699</b>	<b>-</b>	<b>-</b>	<b>14,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,427</b>
Executive directors								
N R Littlewood	440,200	9,500	-	34,800	11,653	-	181,892	678,045
Other key management personnel								
G B Baker	323,102	19,620	-	34,800	9,702	-	77,211	464,435
B R Buddo	226,584	9,480	-	25,921	5,616	-	69,577	337,178
D P Creighton*	225,983	18,066	-	-	-	-	66,297	310,346
M Sommerton**	205,936	-	-	19,654	-	-	-	225,590
<b>Total key management personnel compensation (Group)</b>	<b>1,867,504</b>	<b>56,666</b>	<b>-</b>	<b>129,903</b>	<b>26,971</b>	<b>-</b>	<b>394,977</b>	<b>2,476,021</b>

\*D P Creighton's remuneration information has been converted from New Zealand dollars to Australian dollars using an exchange rate of \$0.952853

\*\*M Sommerton ceased employment as Executive General Manager, Australia on 8 May 2017

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**Key management personnel & other executives of the Group**

2016	Short-term benefits			Post-employment	Long-term benefits		Share-based payments	
	Cash Salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Annual and long service leave	Termination benefits	Shares, Options, cash settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
P Housden	137,917	-	-	-	-	-	-	137,917
D W Corsie	77,508	-	-	7,364	-	-	-	84,872
P A Dexter	77,508	-	-	7,364	-	-	-	84,872
R F Valenta	-	-	-	-	-	-	-	-
M Marrero	76,383	-	-	-	-	-	-	76,383
<b>Sub-total non-executive directors</b>	<b>369,316</b>	<b>-</b>	<b>-</b>	<b>14,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384,044</b>
Executive directors								
R G Allan	555,200	40,000	-	34,800	14,425	-	675,711	1,320,136
Other key management personnel								
N R Littlewood	283,602	25,000	-	31,135	-	-	110,975	450,712
G B Baker	296,795	35,000	-	27,600	4,883	-	155,396	519,674
B R Buddo	220,332	66,441	-	21,349	3,558	-	96,708	408,388
D P Creighton*	208,639	-	-	-	-	-	96,708	305,347
M Sommerton**	54,905	-	-	5,198	-	-	-	60,100
P J Breen***	234,052	-	-	23,103	-	-	96,708	353,863
<b>Total key management personnel compensation (Group)</b>	<b>2,222,838</b>	<b>166,441</b>	<b>-</b>	<b>157,913</b>	<b>22,866</b>	<b>-</b>	<b>1,232,206</b>	<b>3,802,264</b>

\* D P Creighton's remuneration information has been converted from New Zealand dollars to Australian dollars using an exchange rate of \$0.9556

\*\*M Sommerton was appointed Executive General Manager, Australia on 11 April 2016

\*\* Position was made redundant as a result of restructuring in July 2016

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The relative proportions of remuneration that were linked to performance and those that are fixed were as follows:

	2017			2016		
	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
Executive directors						
N R Littlewood	72%	1%	27%	69%	6%	25%
Other key management personnel						
G B Baker	79%	4%	17%	63%	7%	30%
B R Buddo	76%	3%	21%	60%	16%	24%
D P Creighton	73%	6%	21%	68%	-	32%
M Sommerton	100%	-	-	100%	-	-

## 9. Service agreements

On appointment to the Board, all non-executive directors entered into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the chief executive officer, chief financial officer and the other key management personnel are formalised in employment agreements. Each of these agreements provide for the apportionment of remuneration between base salary, superannuation, and other salary sacrifice benefits. They may also during the term of agreement become eligible to participate in incentive plans approved by the Board.

### *Chief Executive Officer*

N R Littlewood has agreed to act as Chief Executive Officer of Royal Wolf indefinitely, unless terminated by him or Royal Wolf upon at least six months' notice or payment in lieu of notice. A summary of the arrangements are as follows:

### *Fixed Remuneration*

The new arrangements provide for fixed remuneration of \$475,000 which includes superannuation and any salary sacrifice items. This will be reviewed annually, with the first such review being on or around 1 July 2017.

### *Short Term Incentive*

Mr Littlewood is eligible for a discretionary short term incentive (STI) allocation each year. The target STI opportunity for each year is 40% of Mr Littlewood's fixed remuneration. The actual STI outcome will depend upon Royal Wolf and Mr Littlewood's performance during the year with payment of STI awards in both cash (25%) and in deferred rights in 12 months (15%).

### *Long Term Incentive*

Mr Littlewood is eligible for a discretionary long term incentive (LTI) award in accordance with the terms of the Royal Wolf' Long Term Incentive Plan Rules. The target LTI opportunity value for each year is 40% of Mr Littlewood's fixed remuneration.

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The number of performance rights to be granted is calculated in accordance with the following formula:

- Step 1: Basic value of a performance right = share price – assumed annual dividend over vesting period;  
 Step 2: Adjusted value of a performance right calculated based on the probability of vesting;  
 Step 3: Number of performance rights = value of Mr Littlewood's participation in the LTI Plan which is equal to 40% of his Total Employment Cost divided by the adjusted value of a performance right.

*Restraint provisions*

Mr Littlewood will be subject to provisions which prevent him from competing with the Royal Wolf Group and/or soliciting customers and/or employees in Australia, New Zealand and in areas in which Royal Wolf markets its products during the 2 year period commencing on the date his employment ceases.

*Termination*

There is no severance or similar obligation to Mr Littlewood under his employment agreement other than as described above.

*Chief Financial Officer*

G B Baker has agreed to act as Chief Financial Officer of Royal Wolf indefinitely, unless terminated by him or Royal Wolf upon at least six months' notice or payment in lieu of notice. Under his employment agreement he receives a base package of \$326,700 per annum, which includes superannuation and other salary packaged benefits, and is eligible to participate in bonus plans, share plans or other incentive plans approved by the Board from time to time with payment based upon the achievement of specified performance indicators. There is no severance or similar obligation to him under his employment agreement other than as described above.

For all other key management personnel their employment agreements have:

- no prescribed duration and can be terminated with six months' notice by either party;
- no provision for a payout on termination other than accrued pay, leave entitlements or other statutory payments.

Other key management personnel's base package which includes superannuation and other salary packaged benefits are summarised in the table below:

Name	\$
B R Buddo	236,900
D P Creighton (in NZD)	236,900

*Termination payments*

Mr Allan retired with effect 1 July 2016. On cessation of Mr Allan's employment, he continues to remain entitled to any unvested STI, LTI or special incentives subject to their terms of grant.

Subject to completion of the Offer and GFN moving to compulsory acquisition of any remaining shares, all of his unvested 582,370 performance rights will vest in accordance with the contractual arrangements between Royal Wolf Trading Australia Pty Ltd and Mr Allan and he will be paid a cash amount of \$1,065,737.10 in lieu of an allocation of shares (less any applicable withholdings or deductions as required by law).

Mr Allan is subject to provisions which prevent him from competing with the Royal Wolf Group and/or soliciting customers and/or employees in Australia, New Zealand and in areas in which Royal Wolf markets its products for a 2 year period which commenced on 1<sup>st</sup> July, 2016.

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**Remuneration report (continued)**

**10. Details of share-based compensation**

*a). Long Term Incentive Plan*

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

Grant date	Measurement Period	Right value per unit \$ TSR	Right value per unit \$ EBITDA	Right value per unit \$ EPS	Performance achieved	% Vested
November 2014	1 July 2014 – 30 June 2017	1.61	2.82	-	To be determined	n/a
November 2015	1 July 2015 – 30 June 2018	1.61	2.12	-	To be determined	n/a
November 2016	1 July 2016- 30 June 2019	-	-	1.14	To be determined	n/a

In accordance with the plan offer letter, shortly after the end of the measurement period the Board will determine the extent to which vesting has been achieved in relation to each tranche.

If any level of vesting occurs in relation to a tranche then the participant will:

- be paid \$1,000 via payroll, a total of \$2,000 if all two tranches vest, and it will have PAYG tax deducted;
- the value of the vested rights in the tranche will be calculated by multiplying the then company share price by the number of vested rights in the tranche, and
- to the extent that this value exceeds \$1,000 it will be converted into restricted shares using the then current share price.

Restricted shares may not be sold until the next share trading window when sales are not precluded by the insider trading provisions of the Corporations Act or the Company's share trading policy.

If nil or partial vesting occurs in relation to Performance Rights then any that do not vest will be forfeited.

On 12 July 2017, the company announced that it had entered into a Bid Implementation Agreement with GFN Asia Pacific Holdings (**GFN**), a wholly owned subsidiary of our majority shareholder General Finance Corporation, to acquire the remaining 49% of shares that the GFN Group does not already own by way of an off-market takeover (**Offer**).

In respect of the Company's key management personnel, the Board has decided that it would not exercise its discretion to vest any unvested Performance Rights, subject to completion of the Offer and GFN moving to compulsory acquisition of any remaining shares, noting that the relevant executives of the Company (other than Robert Allan) will be entitled to participate in GFN Group incentive arrangements following the company's acquisition by GFN.



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In respect of Mr Allan, the former CEO, subject to completion of the Offer and GFN moving to compulsory acquisition of any remaining shares, all of his unvested 582,370 performance rights will vest in accordance with the contractual arrangements between Royal Wolf Trading Australia Pty Ltd and Mr Allan and he will be paid a cash amount of \$1,065,737.10 in lieu of an allocation of shares (less any applicable withholdings or deductions as required by law).

The details of performance rights over ordinary shares in the company provided as remuneration to key management personnel are shown below.

Name	FY of grant	Year of vesting	Number granted to KMPs	Value at grant date	Number vested during the year	Vested %	Number forfeited during the year	Value at date of forfeiture	Forfeited %
N R Littlewood	2017	2019	425,000	484,500	-	-	-	-	-
	2016	2018	116,600	217,459	-	-	-	-	-
	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	29,000	31,152	100%
G B Baker	2017	2019	146,300	166,782	-	-	-	-	-
	2016	2018	98,500	183,703	-	-	-	-	-
	2015	2017	53,000	117,395	-	-	-	-	-
	2014	2016	65,000	174,525	-	-	65,000	69,823	100%
B R Buddo	2017	2019	106,000	120,840	-	-	-	-	-
	2016	2018	86,000	160,390	-	-	-	-	-
	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	29,000	31,152	100%
D P Creighton	2017	2019	106,000	120,840	-	-	-	-	-
	2016	2018	86,000	160,390	-	-	-	-	-
	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	29,000	31,152	100%
Total			1,474,400						

*(b) Employee Share Scheme*

The key management personnel are eligible to participate in the company's employee share scheme. Under the scheme the KMPs were eligible for shares in the value of \$1,000 for each of 2013, 2014 and 2015 financial years.

*(c) GFN Stock Incentive Plan*

Royal Wolf employees no longer participate in any further grants under the GFN stock incentive plan.

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**11. Equity instruments held by key management personnel**

The tables on the following pages show the number of:

- (a) rights and options over ordinary shares in the company
- (b) shares in the company that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

(a) *Rights holdings*

2017 Name	Balance at the start of the year	Granted as compensation	Vested and exercised	Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
N R Littlewood - Rights	178,600	425,000	-	(29,000)	574,600	-	574,600
G B Baker - Rights	216,500	146,300	-	(65,000)	297,800	-	297,800
- GFN options	15,000	-	-	-	15,000	15,000	-
B R Buddo - Rights	148,000	106,000	-	(29,000)	225,000	-	225,000
- GFN options	6,000	-	-	-	6,000	6,000	-
D P Creighton - Rights	148,000	106,000	-	(29,000)	225,000	-	225,000
- GFN options	3,000	-	-	-	3,000	3,000	-
M Sommerton Rights	-	121,000	-	(121,000)	-	-	-

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**Remuneration report (continued)**

**11. Equity instruments held by key management personnel (continued)**

*(b) Shareholdings including granted under employee share scheme plan*

2017 Name	Balance at the start of the year	Granted as compensation	Exercised/Disposed	Acquired/Other changes	Balance at the end of the year
P Housden	71,858	-	-	-	71,858
D W Corsie	61,858	-	-	-	61,858
P A Dexter	66,858	-	-	-	66,858
R F Valenta	-	-	-	-	-
M Marrero	-	-	-	-	-
J Miller	-	-	-	-	-
N R Littlewood	10,305	-	-	-	10,305
G B Baker	101,082	-	-	-	101,082
B R Buddo	52,885	-	-	-	52,885
D P Creighton	20,635	-	-	-	20,635

**12. Loans to key management personnel**

There were no loans provided to the key management personnel during the financial year ended 30 June 2017 and no amounts are due for the year then ended.

**13. Other transactions with key management personnel**

Royal Wolf paid \$15,000 as sponsorship of Parramatta Rugby Union Football Club Limited of which G Baker is a director.

Royal Wolf paid \$30,000 as sponsorship to Australian National Maritime Museum of which P Dexter is the Chairman.

Royal Wolf received revenue totalling \$40,005 from GrainCorp Operations Limited, a subsidiary of GrainCorp Ltd, of which P Housden is a director, on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual or company at arm's length in the same circumstances.

Royal Wolf received revenue from Qube Logistics Group totalling \$1,379,363 of which P Dexter is a director, on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual or company at arm's length in the same circumstances.

There were no other transactions with key management personnel during the year ended 30 June 2017 (2016: nil).

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**Directors and officers liability insurance**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

**Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

**Non-audit services**

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor Crowe Horwath Sydney for audit and non-audit services provided during the year are set out below. The board of directors has considered the position and, in accordance with advice received from the audit, risk and compliance, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit, risk and compliance to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence asset out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Auditor's remuneration		
Crowe Horwath, Sydney		
Audit or review	299	292
Total remuneration for audit or review services	299	292

There were no non-audit related services provided by our auditors and its related firms.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

**Rounding of amounts**

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Auditor**

Crowe Horwath Sydney continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, appearing to read 'P Housden', is written over a light blue horizontal line.

P Housden      Director

Dated this 8th day of August 2017

8 August 2017

The Board of Directors  
Royal Wolf Holdings Limited  
Suite 202, Level 2  
22 – 28 Edgeworth David Avenue  
HORNSBY NSW 2077

Dear Board Members

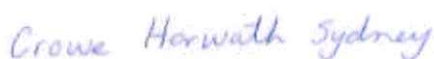
## Royal Wolf Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Royal Wolf Holdings Limited.

As lead audit partner for the audit of the financial report of Royal Wolf Holdings Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Crowe Horwath Sydney**



**Leah Russell**  
Senior Partner

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Annual Financial Report**  
**30 June 2017**

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Royal Wolf Holdings Limited and its subsidiaries. These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Royal Wolf Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 203, Level 2,  
22-28 Edgeworth David Avenue  
Hornsby NSW 2077

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 5 to 9 of the directors' report.

The financial statements were authorised for issue by the directors on 8 August 2017. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Investors' Centre on our website: [www.royalwolf.com.au](http://www.royalwolf.com.au).

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Income Statement**  
**For the year ended 30 June 2017**

		<b>Consolidated Group</b>	
	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Revenue from continuing operations</b>			
Container lease revenue	4	79,710	77,212
Container sales revenue	4	63,867	87,103
<b>Total revenue</b>		<b>143,577</b>	<b>164,315</b>
Cost of sales		(74,956)	(93,888)
Other income		179	197
Foreign exchange (losses)/gains		(214)	(75)
Employee benefits expense	5	(23,786)	(24,633)
Business promotion		(1,560)	(1,471)
Travel and accommodation		(876)	(779)
Professional expenses		(2,411)	(3,026)
IT and telecommunications		(1,326)	(1,217)
Other expenses		(2,248)	(2,053)
<b>Profit before interest, tax, depreciation and amortisation</b>		<b>36,379</b>	<b>37,370</b>
Depreciation expense	5	(18,393)	(16,704)
<b>Profit before interest, tax and amortisation</b>		<b>17,986</b>	<b>20,666</b>
Amortisation expense	12	(3,755)	(2,992)
<b>Profit before interest and tax (EBIT)</b>		<b>14,231</b>	<b>17,674</b>
Financing costs	5	(4,281)	(6,222)
<b>Profit before tax</b>		<b>9,950</b>	<b>11,452</b>
Income tax benefit/(expense)	6	(3,756)	(3,585)
<b>Profit after tax (NPAT)</b>		<b>6,194</b>	<b>7,867</b>
<b>Profit from continuing operations</b>		<b>6,194</b>	<b>7,867</b>
<b>Profit attributable to:</b>			
Owners of Royal Wolf Holdings Limited		6,194	7,867
		<b>6,194</b>	<b>7,867</b>
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Group</b>			
Basic earnings per share (cents)	22	6.2	7.9
Diluted earnings per share (cents)	22	6.2	7.9

The above consolidated income statement should be read in conjunction with the accompanying notes.



**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2017**

		<b>Consolidated Group</b>	
	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Profit for the year</b>		6,194	7,867
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		(8)	378
Exchange differences on translation of foreign operations		1,595	1,495
<b>Total comprehensive income for the period, net of tax</b>		<u>1,588</u>	<u>1,873</u>
<b>Total comprehensive income for the year</b>		<u>7,782</u>	<u>9,740</u>
Total comprehensive income for the year is attributable to:			
Owners of Royal Wolf Holdings Limited		<u>7,782</u>	<u>9,740</u>
		<u>7,782</u>	<u>9,740</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Balance Sheet**  
**As at 30 June 2017**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>30 June 2017 \$'000</b>	<b>30 June 2016 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,851	5,300
Trade and other receivables	8	21,020	18,111
Inventories	9	16,700	17,843
Current tax asset	6	941	-
<b>Total current assets</b>		<b>43,512</b>	<b>41,254</b>
<b>Non-current assets</b>			
Trade and other receivables	8	29	72
Property, plant and equipment	10	4,257	5,301
Container for hire fleet	11	205,877	204,371
Intangible assets	12	54,553	55,533
<b>Total non-current assets</b>		<b>264,716</b>	<b>265,277</b>
<b>Total assets</b>		<b>308,228</b>	<b>306,531</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	21,083	23,787
Derivative financial instruments	14	389	342
Current tax liability	6	-	235
Employee benefits	16	2,812	2,872
<b>Total current liabilities</b>		<b>24,284</b>	<b>27,236</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	14	125	1,170
Borrowings	15	104,735	101,643
Deferred tax liabilities	6	20,854	18,916
Employee benefits	16	477	541
Provisions		53	53
<b>Total non-current liabilities</b>		<b>126,244</b>	<b>122,323</b>
<b>Total liabilities</b>		<b>150,528</b>	<b>149,559</b>
<b>Net assets</b>		<b>157,700</b>	<b>156,972</b>
<b>Equity</b>			
Contributed equity	17	142,003	141,878
Retained earnings	19	8,901	7,726
Reserves	19	6,796	7,368
<b>Total equity</b>		<b>157,700</b>	<b>156,972</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2017**

	Note	Contributed Equity	Retained Earnings/ (Accumulated Losses)	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group</b>					
<b>Balance at 1 July 2015</b>		141,082	7,890	4,977	153,949
Profit for the year		-	7,867	-	7,867
Other comprehensive income		-	-	1,873	1,873
<b>Total comprehensive income for the year</b>		-	7,867	1,873	9,740
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid		-	(8,031)	-	(8,031)
Share repurchase and distribution		796	-	-	796
Employee share options – value of employee services		-	-	518	518
<b>Balance at 30 June 2016</b>		141,878	7,726	7,368	156,972
Profit for the year		-	6,194	-	6,194
Other comprehensive income		-	-	(285)	(285)
<b>Total comprehensive income for the year</b>		-	6,194	(285)	5,909
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid		-	(5,019)	-	(5,019)
Share repurchase and distribution		125	-	-	125
Employee share options – value of employee services		-	-	(287)	(287)
<b>Balance at 30 June 2017</b>		142,003	8,901	6,796	157,700

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Statement of Cash Flows**  
**For the year ended 30 June 2017**

	Note	<b>Consolidated Group</b>	
		30 June 2017 \$'000	30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		154,294	183,708
Payments to suppliers and employees		(122,984)	(135,730)
Interest paid		(5,504)	(6,142)
Income taxes paid		(3,097)	(4,586)
<b>Net cash provided by operating activities</b>	31	22,709	37,250
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		183	14,203
Interest received		53	127
Purchase of intangible assets		(627)	(457)
Purchase of property, plant and equipment		(1,055)	(1,457)
Purchase of container hire fleet		(15,923)	(12,509)
Purchase of business, net of cash acquired		(3,901)	(561)
<b>Net cash (used in) investing activities</b>		(21,270)	(654)
<b>Cash flows from financing activities</b>			
Payment of finance lease and other liabilities		-	-
Proceeds from borrowings		28,237	43,043
Payment of borrowings		(25,395)	(66,869)
Dividends paid		(5,019)	(8,031)
Purchase of shares on market and distribution		-	-
<b>Net cash provided by/(used) in financing activities</b>		(2,177)	(31,857)
Net increase in cash and cash equivalents		(738)	4,739
Cash and cash equivalents at beginning of the financial year		5,300	3,531
Effect of exchange rate on cash and cash equivalents		289	(2,970)
<b>Cash and cash equivalents at the end of the year</b>	7	4,851	5,300

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 1: Significant changes in the current reporting period**

On 1 December 2017 Royal Wolf acquired the assets and business of All Direct Container Sales Pty limited operating in the Queensland region of Australia for consideration of A\$4.17 million. All Direct commenced operations in 1995 and is in the business of providing rental and sales of reefers and storage containers to a wide customer base that spans industries including logistics, construction, manufacturing and the retail market.

For a detailed discussion about the group's performance and financial position please refer to our operating and financial review on pages 5-9.

There were no other significant changes in the state of affairs of the Group during the financial year.

**Note 2: Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk.

Risk management is carried out by the finance department under policies approved by the Board of directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The Group's financial instruments consist mainly of deposits with banks, hedging instruments including forward exchange contracts and interest rate swaps and options, accounts receivable and payable, loans to and from subsidiaries, commercial bills and leases.

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 2: Financial risk management (continued)**

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2017	2016
		\$'000	\$'000
<b>Financial assets</b>			
Cash and cash equivalents	7	4,851	5,300
Trade receivables	8	19,359	16,325
Lease receivables	8	72	195
		<u>24,282</u>	<u>21,820</u>
<b>Financial liabilities</b>			
Trade payables	13	10,085	12,591
Derivative financial instruments	14	514	1,512
Borrowings	15	104,735	101,643
		<u>115,334</u>	<u>115,746</u>

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk, and foreign exchange risk.

**a. Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. During 2017 and 2016 the Group's borrowings were denominated in Australian and New Zealand dollars.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2017 approximately 40 per cent of Group debt is fixed.

The net effective variable interest rate borrowings (i.e. unhedged debt) exposes the Group to interest rate risk which may impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Weighted average interest		Consolidated Group	
	2017	2016	2017	2016
			\$'000	\$'000
<b>Floating rate instruments</b>				
Bank loans (unhedged)	5.22%	3.71%	64,735	52,184
			<u>64,735</u>	<u>52,184</u>

**Note 2: Financial risk management (continued)**

**Interest rate swaps and options**

The details of loans interest rate swaps and options at 30 June 2017 are as follows:

	2017		2016	
	Notional Amount \$'000	Fixed rate/ Strike Rate %	Notional Amount \$'000	Fixed rate/ Strike Rate %
Swap no. 5376392			50,000	3.98
			<u>50,000</u>	
Swap no.1972800	20,000	2.0025		
Swap no.1030447288	<u>20,000</u>	2.290		
Total	<u>40,000</u>			

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a credit profile;
- managing credit risk related to financial assets;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

*Undrawn borrowing facilities*

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2017 \$'000	2016 \$'000
<b>Floating rate</b>		
Expiring beyond one year (bank loans)	45,265	72,816
	<u>45,265</u>	<u>72,816</u>

*Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 2: Financial risk management (continued)**

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount(assets) /liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2017</b>							
<b>Non-derivatives</b>							
Trade payables	10,085	-	-	-	-	10,085	10,085
Borrowings	-	-	-	104,735	-	-	104,735
Total non-derivatives	10,085	-	-	104,735	-	10,085	114,820
<b>Derivatives</b>							
Net settled (interest rate swaps)			125			125	125
Gross settled (forward exchange contracts – cash flow hedges)							
-(inflow)	(10,395)	-	-	-	-	(10,395)	-
-outflow	10,395	-	-	-	-	10,395	389
	-	-	-	-	-	-	389
<b>At 30 June 2016</b>							
<b>Non-derivatives</b>							
Trade payables	12,591	-	-	-	-	12,591	12,591
Borrowings	-	-	-	101,643	-	101,643	101,643
Total non-derivatives	12,591	-	-	101,643	-	114,234	114,234
<b>Derivatives</b>							
Net settled (interest rate swaps)	-	-	1,170	-	-	1,170	1,170
Gross settled (forward exchange contracts – cash flow hedges)							
-(inflow)	(12,441)	-	-	-	-	(12,441)	-
-outflow	12,441	-	-	-	-	12,441	342
	-	-	-	-	-	-	342



**Note 2: Financial risk management (continued)**

*Financial assets pledged as collateral*

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. The carrying amount of the collateral (total assets) at 30 June 2017 was \$307,042,000 of which the financial assets amounted to \$24,282,000

**c. Foreign exchange risk**

The Group has transactional currency exposures. Such exposure arises from sales or purchases and loans payable in currencies other than the unit's measurement currency. The currency giving rise to this risk is primarily US Dollars.

The Group has a bank account denominated in US Dollars, into which customers pay their debts. This is a natural hedge against fluctuations in the exchange rate. The funds are then used to pay suppliers, avoiding the need to convert to Australian dollars.

The Group uses forward currency contracts and options to eliminate the currency exposures on the majority of its transactions denominated in foreign currencies, either by transaction if the amount is significant, or on a general cash flow hedge basis. The forward currency contracts and options are always in the same currency as the hedged item.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. At 30 June 2017, the consolidated entity had hedged 100% of its foreign currency purchases for which firm commitments existed at the reporting date extending to 15 December 2017.

The Group's exposure to foreign currency risk at the reporting date expressed in US dollars was as follows:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Trade payables	3,984	4,403
Forward exchange contracts	7,688	8,617

Refer to note 2(f) on information regarding sensitivity.

**d. Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or Group of counterparties. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed on a Group basis and reviewed regularly by the Board.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. The credit terms are generally 30 days from the date of invoice.

Customers are assessed for credit worthiness using the criteria detailed above.

All derivative contracts at 30 June 2017 are with either ANZ or Commonwealth Bank. Bank accounts are with ANZ Banking Corporation in Australia and New Zealand and Bank of China for the branch office in China.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 2: Financial risk management (continued)**

**e. Price risk**

The Group is not exposed to any material commodity price risk.

**Net Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Balance Sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below.

	2017		2016	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	4,851	4,851	5,300	5,300
Trade receivables	19,359	19,359	16,325	16,325
Lease receivables	72	72	195	195
<b>Total financial assets</b>	<b>24,282</b>	<b>24,282</b>	<b>21,820</b>	<b>21,820</b>
<b>Financial liabilities</b>				
Trade payables	10,085	10,085	12,591	12,591
Derivative financial instruments	514	514	1,512	1,512
Borrowings	104,735	104,735	101,643	101,643
<b>Total financial liabilities</b>	<b>115,334</b>	<b>115,334</b>	<b>115,746</b>	<b>115,746</b>

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to annual leave which is not considered a financial instrument.
- (ii) Fair value derivatives are recorded at fair market values therefore are equivalent to the net carrying values.

**e. Price risk (continued)**

- (iii) For interest bearing liabilities including borrowings fair value is based on expected future and interest cash flows. At 30 June 2017 carrying value is equivalent to fair value.

**Note 2: Financial risk management (continued)**

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**Valuation techniques used to determine fair value**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	-	-	-
<b>Financial liabilities</b>				
Derivative financial instruments	-	(514)	-	(514)
<b>2016</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	-	-	-
<b>Financial liabilities</b>				
Derivative financial instruments	-	(1,512)	-	(1,512)

**Note 2: Financial risk management (continued)**

**e. Price risk (continued)**

Included within Level 2 of the hierarchy are fair value derivatives which include forward exchange contracts, currency options, interest rate swaps and interest rate options. The fair value of these instruments is provided by ANZ Market Operations and the valuations provided are based on ANZ's valuation methodology and incorporate market-based rates and the valuation has been prepared in accordance with ANZ's internal models and calculation methods.

**f. Sensitivity analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and foreign exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	<b>Consolidated Group</b>	
	<b>Profit</b>	<b>Equity</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended 30 June 2017</b>		
+/- 1% in interest rates	(549)	(549)
+/-10% in USD exchange rate	175	175
<b>Year ended 30 June 2016</b>		
+/- 1% in interest rates	(407)	(407)
+/-10% in USD exchange rate	44	44

The above sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

**Note 3: Segment Information**

**Description of segments**

Management has determined the operating segments from both a product and a geographic perspective and has identified reportable segments being National Accounts Group and Customer Service Centre (CSC) Operations for Australia and New Zealand and the Head Office.

The National Accounts Group represents the freight and projects division, CSC operations represent the site operations where units are sold, modified and hired from the respective country and New Zealand represents CSC operations in that country.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale, lease and modification of containers. A breakdown of revenue and results is provided in the tables below.

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**Note 3: Segment Information (continued)**

**(a) Segment information provided to the board**

	National Accounts	Customer Service Centres Australia	Service Centres New Zealand	Head Office	Total
2017					
	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	23,838	91,649	28,018	72	143,577
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	23,838	91,649	28,018	72	143,577
EBITDA	10,266	20,071	10,551	(4,508)	36,380
Depreciation and amortisation	5,333	10,658	3,082	3,075	22,148
Income tax expense				3,756	3,756
Total segment assets	66,756	169,084	64,207	8,181	308,228
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	3,397	16,391	10,765	-	30,553
Total segment liabilities	2,534	16,750	5,088	53	24,426

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**Note 3: Segment Information (continued)**

	National Accounts	Customer Service Centres Australia	New Zealand	Head Office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2016					
Total segment revenue	45,664	91,796	26,846	9	164,315
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	45,664	91,796	26,846	9	164,315
EBITDA	13,128	20,118	10,919	(6,795)	37,370
Depreciation and amortisation	5,082	9,755	2,467	2,392	19,696
Income tax expense				3,585	3,585
Total segment assets	79,773	162,276	57,686	6,796	306,351
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	3,929	20,194	3,672	-	27,795
Total segment liabilities	4,903	18,857	3,440	53	27,253

Interest revenue is netted off against financing costs.

The head office of the entity is in Australia with CSC operations in Australia and New Zealand. The amount of its revenue from external customers in Australia is \$115,559,000 (2016: \$137,472,000), and the total revenue from external customers in other countries is \$28,018,000 (2016: \$26,843,000). Segment revenues are allocated based on the country in which the customer is located.

*(i) EBITDA*

The Board assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

	2017 \$'000	2016 \$'000
<b>EBITDA</b>	36,380	37,371
Intersegment eliminations	-	-
Interest revenue	53	127
Finance costs	(4,335)	(6,349)
Depreciation and amortisation	(22,148)	(19,697)
<b>Profit before income tax from continuing operations</b>	9,950	11,452

For the year ended 30 June 2017

**Note 3: Segment Information (continued)**

*(ii) Segment assets*

The amounts with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated assets on the operations of the segment and the physical location of the asset.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is \$ 227,689,000 (2016: \$232,649,000), and the total of these non-current assets located in other countries is \$37,027,000 (2016: \$32,628,000). Segment assets are allocated to countries based on where the assets are located.

*(iii) Segment liabilities*

The amounts with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but rather managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Segment liabilities</b>	<b>24,426</b>	<b>27,253</b>
Intersegment eliminations		
Unallocated:		
Deferred tax liabilities	20,854	18,916
Current tax liabilities	-	235
Non-current borrowings	104,735	101,643
Derivative financial instruments	514	1,512
<b>Total liabilities as per the statement of financial position</b>	<b>150,528</b>	<b>149,559</b>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**For the year ended 30 June 2017**

**Consolidated Group**  
30 June      30 June  
2017      2016  
\$'000      \$'000

**Note 4: Revenue**

Container lease revenue	79,710	77,212
Container sales revenue	63,867	87,103
Total revenue	<u>143,577</u>	<u>164,315</u>

**Note 5: Material Profit and Loss items**

Depreciation of hire fleet containers	16,609	14,798
Depreciation of property, plant and equipment	1,784	1,906
Total depreciation expense	<u>18,393</u>	<u>16,704</u>
Net financing costs		
Interest (received)	(53)	(127)
Interest expense		
- bank	4,335	6,349
	<u>4,281</u>	<u>6,222</u>
Rental expense relating to operating leases		
Minimum lease payments	<u>7,997</u>	<u>7,414</u>
Doubtful debt expense	765	620
Fair value gain/(loss) on interest rate swaps/options and forward exchange contracts cash flow hedges	<u>1,531</u>	<u>(242)</u>
Remuneration of auditor:		
Crowe Horwath Sydney - audit or review	<u>300</u>	<u>292</u>



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<b>Consolidated Group</b>	
30 June	30 June
2017	2016
\$'000	\$'000

**Note 6: Income tax expense and assets**

**(a) The components of tax expense/(benefit) comprise:**

Current tax	1,979	2,906
Deferred tax	756	679
Adjustments for current tax relating to prior periods	1,022	-
	<u>3,756</u>	<u>3,585</u>

**Deferred income tax expense included in income tax expense comprises:**

Decrease/(increase) in deferred tax liabilities	333	977
(Decrease)/increase in deferred tax assets	423	(298)
	<u>756</u>	<u>679</u>

**(b) Numerical reconciliation between tax expense and pre-tax net profit**

Profit before tax	<u>9,950</u>	<u>11,452</u>
Income tax using the domestic corporation tax rate of 30%	2,985	3,436

**Increase in income tax expense due to:**

Add/(less) non-deductible items:		
Performance rights expense	(96)	394
Gain on sale of fixed asset in NZ	(114)	-
Entertainment, legal & other expenses	21	33
Foreign currency adjustment	(50)	141
NZ income tax rate difference	(12)	(72)
Prior year adjustments	1,022	(347)
Income tax expense/(benefit) on pre-tax net profit	<u>3,756</u>	<u>3,585</u>

The applicable weighted average effective tax rates as follows:	38%	31%
The effective tax rate is below 30% due to prior year adjustments being recognised during the year.		

**Franking credits**

Franking credits available for subsequent financial years based on a tax rate of 30% (2016 – 30%)

	<u>4,181</u>	<u>2,257</u>
	4,181	2,257

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<b>Consolidated Group</b>	
30 June	30 June
2017	2016
\$'000	\$'000

**Note 6: Income tax expense and assets (continued)**

**(c) Current**

Current tax assets	941	-
Current tax liability	-	235

**(d) Non-current**

Deferred tax liabilities	20,854	18,916
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**(e) The balance comprises temporary differences attributable to:**

**Deferred tax liabilities**

Hire-fleet containers	(23,711)	(21,934)
Intangible assets	(44)	(263)
Fair value of derivatives	-	(47)
Other future taxable amounts	(6)	-
Accounts payables – unrealized exchange differences	(37)	-
Total deferred tax liabilities	(23,798)	(22,244)

**Set-off with deferred tax assets**

PPE	564	319
Provision for doubtful debts	440	354
Fair value of derivatives	176	363
Provision for inventories	4	3
Accruals and provisions	1,270	1,814
Tax losses recognised	106	190
Section 40-880 deduction	65	-
Future deductions on LTI contribution to Trust	128	283
Cash and bank	190	-
	2,944	3,328

Net deferred tax liabilities	(20,854)	(18,916)
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**(f) Reconciliations**

**(i) Gross movements**

Opening balance	(18,916)	(18,237)
(Charge)/credit to income tax	(756)	(714)
Effect of foreign exchange translation	(160)	(103)
Directly to equity	(150)	(92)
Prior period adjustment for losses brought forward	(1,172)	230
Closing balance	(20,854)	(18,916)

**Royal Wolf Holdings Limited can 121 226 793 and Controlled Entities**  
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**Note 6: Income tax expense and assets (continued)**

The movement in deferred tax assets is as follows:

Movements	Tax losses	Accruals & Provisions	Derivatives	Section 40-880	Exchange differences	Other	Total
At 1 July 2015	190	1,776	558	-	-	187	2,711
(Charged)/credited to:							
-profit or loss							
-directly to equity	-	397	(195)	-	-	96	298
At 30 June 2016	190	2,173	363	-	-	283	3,009
(Charged)/credited to:							
-profit or loss	(84)	(459)	(187)	65	-	36	(629)
At 30 June 2017	106	1,714	176	65	-	319	2,380

The movement in deferred tax liabilities is as follows:

Movements	Lease receivables	PPE & Container assets	Derivatives	Intangible assets	Exchange differences	Other	Total
At 1 July 2015	-	(19,823)	(120)	(990)	-	(15)	(20,948)
(Charged)/credited to:							
-profit or loss	-	(1,792)	88	727	-	-	(977)
-directly to equity	-	-	-	-	-	-	-
At 30 June 2016	-	(21,615)	(32)	(263)	-	(15)	(21,925)
(Charged)/credited to:							
-profit or loss	-	(1,533)	32	219	-	123	(1,159)
-directly to equity	-	-	-	-	-	(150)	(150)
At 30 June 2017	-	(23,148)	-	(44)	-	(42)	(23,234)

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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Note	Consolidated Group	
	30 June 2017	30 June 2016
	\$'000	\$'000

**Note 7: Cash and cash equivalents**

Cash at bank and on hand	4,851	5,300
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The effective interest rate on cash balances at bank was 1.665% (2016: 1.75%).

The Group's exposure to interest rate risk is disclosed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

**Note 8: Trade and other receivables**

**Current**

Trade receivables		20,834	17,513
Provision for impairment	(a)	(1,475)	(1,188)
		19,359	16,325
Lease receivable	(b)	43	123
Other receivables and prepayments		1,618	1,663
		21,020	18,111

**Non-current**

Lease and other receivable		29	72
		29	72

**Lease Receivable**

Lease Receivable - Current	43	123
Lease Receivable – Non Current	29	72
	72	195

**a. Provision for impairment of receivables**

Current trade and term receivables are non-interest bearing loans and for credit account customers are generally on 30-day terms from the date of invoice. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item in income statement.

Movement in the provision for impairment of receivables is as follows:

Provision for impairment at the beginning of the year	1,188	1,499
Charge for year	765	620
Written off	(478)	(931)
Provision for impairment at the end of the year	1,475	1,188

**Note 8: Trade and other receivables (continued)**

**b. Foreign exchange and interest rate risk**

There is minimal exposure to foreign currency risk and interest rate exposure in relation to trade and other receivables.

**c. Classification as trade and other receivables**

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. Lease and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and are therefore all classified as current. Due to the short-term nature of the receivables, their carrying amount is assumed to be the same as their fair value.

The following table details the Group's trade and other receivables (excluding prepayments) exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	<b>Gross amount \$'000</b>	<b>Past due and impaired \$'000</b>	<b>Past due but not impaired (days overdue)</b>			<b>Within initial trade terms \$'000</b>
			<b>31-60 \$'000</b>	<b>61-90 \$'000</b>	<b>&gt; 90 \$'000</b>	
<b>Consolidated Group</b>						
<b>2017</b>						
Trade and term receivables	20,834	1,475	1,881	1,094	2,504	13,881
Other receivables	1,690	-	-	-	-	1,690
<b>Total</b>	<b>22,525</b>	<b>1,475</b>	<b>1,881</b>	<b>1,094</b>	<b>2,504</b>	<b>15,571</b>
<b>2016</b>						
Trade and term receivables	17,513	1,188	989	238	632	14,465
Other receivables	195	-	-	-	-	195
<b>Total</b>	<b>17,708</b>	<b>1,188</b>	<b>989</b>	<b>238</b>	<b>632</b>	<b>14,660</b>

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**Consolidated Group**  
30 June                      30 June  
2017                              2016  
\$'000                              \$'000

**Note 9: Inventories**

Finished goods	13,480	14,830
Materials	2,636	2,399
Work in progress	598	625
Less: impairment allowance	(12)	(11)
	<u>16,700</u>	<u>17,843</u>

**Note 10: Property, plant and equipment**

	Land	Buildings	Plant and equipment, furniture and fittings and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
<i>Cost</i>				
Balance at 1 July 2016	-	-	19,885	19,885
Acquisitions during the year	-	-	655	655
Business acquisitions	-	-	60	60
Disposals during the year	-	-	(840)	(840)
Exchange adjustments	-	-	(35)	(35)
Cost at 30 June 2017	-	-	<u>19,725</u>	<u>19,725</u>
<i>Depreciation and impairment losses</i>				
Balance at 1 July 2016	-	-	(14,584)	(14,584)
Depreciation charge for the year	-	-	(1,784)	(1,784)
Disposals during the year	-	-	840	840
Exchange adjustments	-	-	60	60
Accumulated depreciation at 30 June 2017	-	-	<u>(15,468)</u>	<u>(15,468)</u>
<i>Carrying amounts</i>				
At 30 June 2017	-	-	<u>4,257</u>	<u>4,257</u>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 10: Property, plant and equipment (continued)**

	Land	Buildings	Plant and equipment, furniture and fittings and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<b>2016</b>				
<i>Cost</i>				
Balance at 1 July 2015	9,853	2,751	20,383	32,987
Acquisitions during the year			1,457	1,457
Disposals during the year	(10,466)	(2,923)	(2,148)	(15,537)
Exchange adjustments	613	172	193	978
Cost at 30 June 2016	-	-	19,885	19,885
<i>Depreciation and impairment losses</i>				
Balance at 1 July 2015	-	(99)	(13,577)	(13,676)
Depreciation charge for the year	-	(18)	(1,826)	(1,844)
Disposals and other adjustments	-	117	819	936
Accumulated depreciation at 30 June 2016	-	-	(14,584)	(14,584)
<i>Carrying amounts</i>				
At 30 June 2016	-	-	5,301	5,301

**Non-current assets pledged as security**

Refer to note 15 for information on non-current assets pledged as security by the Group.

**Note 11: Container for hire fleet**

	<b>Consolidated Group</b>	
	30 June 2017	30 June 2016
	\$'000	\$'000
<i>Cost</i>		
Balance at beginning of the year	256,329	246,681
Acquisitions and transfers from inventory	28,267	26,831
Acquisition of businesses	2,225	590
Disposals	(15,839)	(20,797)
Exchange adjustments	(21)	3,024
Cost at the end of the year	270,961	256,329
<i>Depreciation and impairment losses</i>		
Balance at the beginning of the year	(51,957)	(43,188)
Depreciation charge for the year	(16,609)	(14,798)
Disposals during the year	3,496	6,476
Exchange adjustments	(15)	(447)
Accumulated depreciation at the end of the year	(65,085)	(51,957)
<i>Carrying amounts</i>		
At 30 June	205,877	204,371

**(a) Disposals**

Transfers includes hire fleet inventory that are sold and therefore recorded as inventories prior to sale. The sale of these containers is accounted for similar to the sale of containers.

**(b) Non-current asset pledged as security**

Refer to note 15 for information on non-current assets pledged as security by the Group.

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**Note 11: Container for hire fleet (continued)**

**(c) Fair Value**

The group's hire container fleet was independently valued at 30 June 2017 by valuers, Liquidity Services Global Solutions Pty Ltd using the sales comparison approach as the valuation method. The fair market value of the hire container fleet based on the independent valuation report dated 13 July 2017 was \$227,063,689. The fair market value exceeds the carrying value at 30 June 2017.

**Note 12: Intangible assets**

<b>2017</b>	<b>Software</b>	<b>Goodwill</b>	<b>Non- compe</b>	<b>Customer list</b>	<b>Establish- ment costs</b>	<b>Developm- ent costs</b>	<b>Trade-mark</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Cost</i>								
Balance at 1 July 2016	4,340	46,336	8,633	32,860	6	51	3,300	95,526
Acquisitions	600	-	-	-	-	-	-	600
Acquisition of businesses	-	960	473	452	-	-	-	1,885
Disposal during the period	(28)	-	(6,791)	(5,992)	(6)	(51)	-	(12,868)
Exchange adjustments	27	267	(2)	(20)	-	-	-	272
Cost at 30 June 2017	4,939	47,563	2,313	27,300	-	-	3,300	85,415
<i>Amortisation and impairment losses</i>								
Balance at 1 July 2016	(1,944)	-	(7,942)	(30,051)	(6)	(51)	-	(39,994)
Amortisation for the year	(980)	-	(325)	(2,450)	-	-	-	(3,755)
Disposal during the period	28	-	6,791	5,992	6	51	-	12,868
Exchange adjustments	-	-	(91)	110	-	-	-	19
Accumulated amortisation at 30 June 2017	(2,896)	-	(1,567)	(26,399)	-	-	-	(30,862)
<i>Carrying amounts</i>								
At 30 June 2016	2,043	47,563	746	901	-	-	3,300	54,553
<b>2016</b>								
<i>Cost</i>								
Balance at 1 July 2015	3,418	46,204	8,494	32,347	193	317	3,300	94,273
Acquisitions	922	-	-	-	(187)	(266)	-	469
Acquisition of businesses	-	178	190	430	-	-	-	798
Exchange/other adjustments	-	(46)	(51)	83	-	-	-	(14)
Cost at 30 June 2016	4,340	46,336	8,633	32,860	6	51	3,300	95,526
<i>Amortisation and impairment losses</i>								
Balance at 1 July 2015	(1,720)	-	(7,567)	(27,312)	(193)	(305)	-	(37,097)
Amortisation for the year	(279)	-	(336)	(2,365)	-	(12)	-	(2,992)
Exchange adjustments/other adjustments	55	-	(39)	(374)	187	266	-	95
Accumulated amortisation at 30 June 2016	(1,944)	-	(7,942)	(30,051)	(6)	(51)	-	(39,994)
<i>Carrying amounts</i>								
At 30 June 2016	2,397	46,336	691	2,808	-	-	3,300	55,532



**Note 12: Intangible assets (continued)**

**(a) Description of intangible assets**

*Goodwill and other intangible assets*

Goodwill and intangibles were recognised/acquired on business acquisition. Intangible assets that were separately identified from goodwill on business combinations included non-compete and customer lists (refer accounting policy k).

*Software*

Software assets are capitalised at cost. This intangible asset has been assessed as having a finite useful life, and is amortised using the straight-line method over a period of 3-5 years (refer accounting policy k).

*Non-compete*

The non-compete agreement is carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 5 years (refer accounting policy k).

*Development costs*

Development assets are capitalised at cost. This intangible asset has been assessed as having a finite useful life, and is amortised using the straight-line method over a period of 3-5 years (refer accounting policy k).

*Trademark*

Trademark assets are capitalised at cost. This intangible asset has been assessed as having an infinite useful life, and is tested annually for impairment and carried at cost less impairment losses.

**(b) Impairment of assets**

Management has assessed impairment of assets including goodwill and intangible assets with indefinite useful lives. Goodwill is allocated to Group's cash-generating units (CGUs) which are its individual operating segments; National Accounts Group, CSC Australia and CSC New Zealand.

**(c) Key assumptions used for value-in-use calculations**

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them for the financial year ended 30 June 2017.

	National Accounts	CSC Australia	CSC New Zealand
Long-term growth rate	2%	2%	2%
Pre-tax discount rate	11.8%	11.8%	11.1%
Goodwill allocated	\$9.3m	\$29.8m	\$8.5m
Base figures	2017/2018 budget	2017/2018 budget	2017/2018 budget

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 12: Intangible assets (continued)**

Management has determined the values assigned to each of the above key assumptions as follows:

<b>Assumption</b>	<b>Approach used to determining values</b>
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are based on management expectation, market factors and historical experience.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate. In performing the value-in-use calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed in the table above.

**(d) Impairment charge**

There has been no impairment of intangible assets for the financial year ended 30 June 2017 (2016: Nil).

**(e) Impact of possible changes in key assumptions**

The value-in-use calculation is less sensitive to increases in the discount rate. In 2017 there were no reasonably possible changes in any of the key assumptions that would have caused the carrying amount of the assets to exceed their recoverable amounts.

*Sensitivity*

Management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities as follows:

- (a) Long term growth of -5.8% for CSC Australia, -18.1% for CSC New Zealand and -3.3% for National Accounts before goodwill would need to be impaired, with all other assumptions remaining constant.
- (b) The discount rate would be required to increase to 29.5% for CSC New Zealand, 16.1% for CSC Australia and 13.6% for National Accounts before goodwill would need to be impaired, all other assumptions remaining constant.

Management believe that other reasonable changes in key assumptions on which the recoverable amount of each of the segments goodwill is based would not cause the cash-generating unit's amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in an impairment charge for each of the segments.

**Note 13: Trade and other payables**

	<b>Consolidated Group</b>	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current (unsecured)</b>		
Trade payables	10,085	12,591
Accruals and other payables	6,299	6,749
Unearned revenue	4,699	4,447
	<u>21,083</u>	<u>23,787</u>

**Note 14: Derivative financial instruments**

**Current liabilities**

Forward foreign exchange contracts

**Non-current liabilities**

Interest rate swap

	389	342
	<u>125</u>	<u>1,170</u>

**Note 14: Derivative financial instruments (continued)**

**(a) Instruments used by the Group**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

*(i) Interest rate swap contracts – cash flow hedges*

Bank loans of the Group currently bear an average variable interest rate of 5.22%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 40% (2016 – 50%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 2.0025% & 2.290% (2016 – 3.98%).

The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

*Forward exchange contracts*

Royal Wolf purchases the majority of its containers from China and payments are denominated in US dollar. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars.

These contracts are hedging committed future purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments of component parts are scheduled to be made.

**(b) Risk exposures and fair value measurements**

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

<b>Consolidated Group</b>	
30 June	30 June
2017	2016
\$'000	\$'000

**Note 15: Interest bearing loans and borrowings**

**Non-current (secured)**

Bank loan

(i)

104,735	101,643
<u>104,735</u>	<u>101,643</u>

(i) Includes borrowings costs capitalised amounting to \$704,822.

**(a) Financial arrangements**

The Group has a \$150 million secured senior credit facility, as amended, under a common terms deed poll with ANZ Bank and Commonwealth Bank. Under the common deed arrangement of the credit facility, ANZ's proportionate share of the borrowing capacity is \$90 million and CBA's proportionate share is \$60 million. The credit facility has \$100 million maturing on July 31, 2019 (Facility A), and \$50 million maturing on January 31, 2022 (Facility B).

Borrowings under the credit facility bear interest at the bank bill swap interest rate in Australia (BBSY) or New Zealand (BKBM), plus a margin of 1.35%-2.40% per annum on the Facility A and 1.10% - 2.10% on the Facility B, depending on the net debt leverage ratio, as defined. The CBA proportionate share has a minimum margin that is 0.10% higher than the ANZ proportionate share.

In addition to above, ANZ provides electronic payaway facility with a limit of \$2,950,000 which is used to facilitate direct payments and global payments using an ANZ electronic banking service and the encashment facility of \$50,000 to facilitate cheque cashing arrangements at designated ANZ branch locations. These facilities work within the limits of the Facility A and the Facility B and do not increase the overall limit for the group.

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**Note 15: Interest bearing loans and borrowings (continued)**

The credit facility, as amended, is subject to certain financial and other customary covenants, including, among other things, compliance with specified interest coverage and net debt ratios based on EBITDA tested on a semi-annual basis and that borrowings may not exceed a multiple of 3.25 times EBITDA.

**(b) Risk exposure**

Information about the Group's exposure to interest rate risk is set out in note 2.

**(c) Fair value**

The carrying amounts of borrowings are disclosed at the beginning of note 15 above. The fair values of borrowings are disclosed in note 2.

**(d) Assets pledged as securities**

The carrying amounts of assets pledged as security for current and non-current borrowings are as follows:

	<b>Consolidated Group</b>	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current</b>		
<i>Floating charge</i>		
Cash and cash equivalents	4,851	5,300
Receivables	21,020	18,111
Inventories	16,700	17,844
	<u>42,571</u>	<u>41,255</u>
<b>Non-current</b>		
<i>Floating charge</i>		
Property, plant and equipment	4,257	5,301
Container hire fleet	205,877	204,371
	<u>210,134</u>	<u>209,672</u>

*Securities over assets with ANZ Bank and Commonwealth Bank equally ranked.*

- Registered Charges (Mortgage Debentures) by:
  - Royal Wolf Holdings Limited ACN 121 226 793
  - Royal Wolf Trading Australia Pty Ltd ACN 069 244 417
  - Royalwolf NZ Acquisition Co. Limited Company Number 2115393; and
  - Royalwolf Trading New Zealand Limited Company Number 1062072
 each being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that Security Provider.
- Cross Guarantee and Indemnity between:
  - Kookaburra Containers Pty Ltd ACN 079 735 050;
  - Royal Wolf Holdings Limited ACN 121 226 793;
  - Royal Wolf Trading Australia Pty Ltd ACN 069 244 417;
  - Royalwolf NZ Acquisition Co. Limited Company Number 2115393; and
  - Royalwolf Trading New Zealand Limited Company Number 1062072,
 in favour of ANZ Bank New Zealand Limited and Commonwealth Bank.
- Security Sharing Deed between ANZ, CBA and each of the following entities:
  - Kookaburra Containers Pty Ltd ACN 079 735 050;
  - Royal Wolf Holdings Limited ACN 121 226 793;
  - Royal Wolf Trading Australia Pty Ltd ACN 069 244 417;
  - Royalwolf NZ Acquisition Co. Limited Company Number 2115393; and
  - Royalwolf Trading New Zealand Limited Company Number 1062072.

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**Consolidated Group**

30 June	30 June
2017	2016
\$'000	\$'000

**Note 16: Employee benefits**

**Current**

Liability for annual leave	1,672	1,621
Liability for long service leave	1,140	1,251
	<u>2,812</u>	<u>2,872</u>

**Non Current**

Liability for long service leave	477	541
	<u>3,289</u>	<u>3,413</u>

Total employee benefits

**Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision for annual leave is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

**Consolidated Group**

30 June	30 June
2017	2016
\$'000	\$'000

Current leave obligations expected to be settled after 12 months

302	302
<u>302</u>	<u>302</u>

**Note 17: Share capital**

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares Fully paid	100,387,052	100,387,052	142,003	141,878

**(i) Movements in share capital**

On issue at 1 July, 100,387,052 fully paid shares (30 June 2016: 100,387,052 fully paid)	141,878	141,082
Repurchase of shares on market	-	-
Shares distributed under the LTI plan	125	796
Subtotal	<u>125</u>	<u>796</u>
Balance at the end of the year	<u>142,003</u>	<u>141,878</u>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 17: Share capital (continued)**

**(ii) Terms and conditions**

*Ordinary Shares*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares paid and are entitled to one vote per share at meetings of the Group.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

**Note 18: Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The gearing ratios are as follows:

		<b>Consolidated Group</b>	
		30 June 2017 \$'000	30 June 2016 \$'000
Total borrowings	15	104,735	101,643
Less cash at bank	7	(4,851)	(5,300)
Net debt		99,885	96,343
Total equity		157,700	156,972
Total capital		257,585	253,315
Gearing ratio		39%	38%

Royal Wolf Holdings Limited has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods. The current gearing level provides Royal Wolf with additional headroom to undertake the planned regional growth strategy and to undertake acquisition opportunities as they arise.

**Note 19: Reserves**

Share based payments reserve	(a)	3,531	3,817
Foreign currency translation reserve	(b)	3,497	3,397
Hedging reserve	(c)	(232)	154
		6,796	7,368

**Movements**

**(a) Share-based payments reserve**

Balance 1 July	3,817	3,299
Option expense	(286)	518
Balance 30 June	3,531	3,817

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 19: Reserves (continued)**

The share-based payments reserve is used to recognise the value of options issued to employees.

*Share options expense*

There were 904,300 performance rights issued during the year under Royal Wolf Long Term Incentive plan. For the current financial year there were 35,371 exercised and 584,000 lapsed, 89,000 cancelled and 164,000 forfeited which brings the total remaining to 1,940,141. There were no further grants made under the GFN Stock Incentive Plan. Refer to note 21 below for further information. An amount of \$125,000 was recognised as equity for the year ended 30 June 2017 (2016: \$1,369,000).

	2017 \$'000	2016 \$'000
<b>(b) Foreign currency translation reserve</b>		
Balance 1 July	3,397	1,902
Currency translation differences arising during the year	100	1,495
Balance 30 June	3,497	3,397

Foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of Royal Wolf NZ Acquisition Co. Limited and its controlled entity at 30 June 2017.

<b>(c) Hedging reserve</b>		
Balance 1 July	154	(224)
Currency translation differences arising during the year	(386)	378
Balance 30 June	(232)	154

Hedging reserve is used to recognise changes in the fair value of interest rate instruments and foreign exchange rate instruments that are designated to be effective hedges under the hedge accounting rules per AASB 9.

**(d) Retained earnings**

Balance 1 July	7,726	7,890
Net profit for the year	6,194	7,867
Dividends	(5,019)	(8,031)
Balance 30 June	8,901	7,726

**Note 20: Dividends**

Final ordinary dividend for the year ended 30 June 2017 of 2.5 cents (2016 – 5.0 cents fully franked ) per fully paid share fully franked paid on 4 October 2016

2,509	5,019
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Interim ordinary dividend for the year ended 30 June 2017 of 2.5 cents (2016 –3.0 cents fully franked) per fully paid share fully franked paid on 4 April 2017

2,510	3,012
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**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 21: Share-based payments**

*a). Long Term Incentive Plan*

Details of performance rights over ordinary shares in the company provided as remuneration to key management personnel can be found in the remuneration report on pages 14-25.

*(b) Employee Share Scheme*

There were no new grants during the 2017 and 2016 financial years.

*(c) GFN Stock Incentive Plan*

GFN Stock Incentive Plan was closed for Royal Wolf employees following the listing and there were no new grants during 2017 financial year. The details of historical grants to the key management personnel is provided below.

*Options outstanding*

For the year ended 30 June 2017 the outstanding options were as follows:

**2017**

Options	Opening balance	Granted during the year	Exercised	Forfeited/ terminated	Ending Balance	Vested/ Exercisable
Time-based	121,000	-	-	(56,000)	65,000	65,000
Performance-based	60,500	-	-	(43,000)	17,500	17,500
Total	181,500	-	-	(99,000)	82,500	82,500

**2016**

Options	Opening balance	Granted during the year	Exercised	Forfeited/ terminated	Ending Balance	Vested/ Exercisable
Time-based	125,000	-	-	(4,000)	121,000	121,000
Performance-based	60,500	-	-	-	60,500	60,500
Total	185,500	-	-	(4,000)	181,500	181,500



**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 21: Share-based payments (continued)**

The Group has utilised the Black-Scholes model to calculate the effect of the above share options. As a result, an expense of \$Nil (2016:\$ Nil) has been recognised in the current year's income statements.

The vested (exercisable) and non-vested (unexercisable) options for time-based and performance based at June 30, 2017 were 65,000 and 17,500 (2016: 121,000 and 60,500), respectively, for a total outstanding amount of 82,500 (2016: 181,500).

The range of exercise prices for the outstanding options is US\$1.94 - US\$8.80.

The contractual term of the options is 10 years from the date of grant. Of the outstanding options at June 30, 2017, 71,500 were granted on January 22, 2008, 9,000 were granted on July 23, 2008 and 2,000 granted on January 27, 2009.

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.70 years (2016 – 1.70 years).

*Expenses arising from share-based payment transactions*

	30 June 2017 \$'000	30 June 2016 \$'000
Options issued under employee option plans	(82)	1,369

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**Note 22: Earnings per share**

	2017 cents	2016 cents
<b>Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Group	6.2	7.9
Total basic earnings per share attributable to the ordinary equity holders of the Group	<u>6.2</u>	<u>7.9</u>
<b>Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Group	6.2	7.9
Total diluted earnings per share attributable to the ordinary equity holders of the Group	<u>6.2</u>	<u>7.9</u>
 (a) Reconciliation of earnings used in calculating earnings per share	 2017 \$'000	 2016 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:	6,194	7,867
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Group: Used in calculating basic earnings per share	6,194	7,867
 <b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share	6,194	7,867
 <b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	<u>100,146,454</u>	<u>100,085,623</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>100,146,454</u>	<u>100,085,623</u>

**Note 23: Group details**

The registered office and principal place of business of the Group is:  
Suite 203, Level 2,  
22-28 Edgeworth David Avenue  
Hornsby NSW 2077

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**Note 24: Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

<b>Balance Sheet</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Current Assets	92,614	91,982
Total Assets	<u>124,184</u>	<u>123,837</u>
<b>Liabilities</b>		
Current Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
<b>Equity</b>		
Share Capital	142,003	141,878
Retained earnings	(21,356)	(21,440)
Reserves	3,537	3,399
	<u>124,184</u>	<u>123,837</u>
<b>Statement of comprehensive income</b>		
Profit/(loss) for the year	5,103	5,930
Total comprehensive income	<u>5,103</u>	<u>5,930</u>

**Guarantees**

Royal Wolf Holdings Limited has entered into guarantees in respect of borrowing facilities with the ANZ Banking Corporation and Commonwealth Bank as disclosed in note 15.

**Contingent Liabilities**

At 30 June 2017 there were no contingent liabilities (2016: nil)

**Contractual Commitments**

At 30 June 2017 Royal Wolf Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: nil)

**Significant Accounting Policies**

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in note 34.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 25: Business combination**

(a) Summary of acquisition

**All Direct Container Sales Pty Limited**

On 01 December 2016 Royal Wolf acquired the assets and business of All Direct Container Sales Pty Limited for consideration of \$4.17million.

Details of the purchase consideration, the net assets acquired and gain on purchase are as follows:

	<b>Fair Value \$'000</b>
Purchase price	4,170
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	2,225
PPE	60
Intangible assets-customer lists	473
Intangible assets – non compete	452
Net identifiable assets acquired	3,210
Goodwill	960

(i) *Purchase price*

The purchase price of \$4,170,000 includes cash paid of \$3,901,000 and purchase price adjustments of \$60,200.

(ii) *Contingent consideration*

Under the agreement of sale of business there is a holdback amount of \$209,000 in respect of any unanticipated shortages or other contingencies and the liability of the seller relating to breach of warranties.

(iii) *Acquisition-related costs*

Acquisition-related costs of \$1,000 are included in other expenses in profit or loss and in the operating cash flows in the statement of cash flows.

(iv) *Revenue and profit contribution*

Since the acquisition of this business occurred only partial of this financial year, the revenue and profit contribution from this business was not material for the year ended 30 June 2017.

**Note 26: Related party transactions**

**(a) Parent entity**

The parent entity in the Group is Royal Wolf Holdings Limited. The US parent entity is GFN US (incorporated in the United States) which at 30 June 2017 owned 50% (2016:50%) of the issued shares of Royal Wolf Holdings Limited. General Finance Corporation (GFN) owns 100% of GFN US.

**(b) Subsidiaries**

The group's subsidiaries at 30 June 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group and the proportion of ownership interest held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 26: Related party transactions (continued)**

Subsidiaries	Principal activities	Country of incorporation	Ownership percentage
Royal Wolf Trading Australia Pty Limited	Sale and hire	Australia	100%
Kookaburra Containers Pty Ltd	Dormant	Australia	100%
Royalwolf NZ Acquisition Co Limited	New Zealand parent	New Zealand	100%
Royalwolf Trading New Zealand Limited	Sale and hire	New Zealand	100%

in note 26.

**(c) Transactions with related companies**

The following transactions occurred with related companies:

	<b>Consolidated Group</b>	
	30 June 2017	30 June 2016
	\$'000	\$'000
<i>(i) Management fees</i>		
Management fee expense – Royalwolf New Zealand Trading Limited	1,000	1,000
<i>(ii) Trademark licence fees</i>		
Trademark licence fee expense – Royalwolf New Zealand Trading Limited	1,364	1,372
<i>(iii) APA transfer pricing adjustment</i>		
APA transfer pricing adjustment – Royalwolf New Zealand Trading Limited	1,129	1,072
<i>(iv) Outstanding balances arising from sales/purchases of goods and services</i>		
Amounts (owing to) / by Royalwolf Trading New Zealand Limited (eliminated on consolidation)	1,022	(264)

**Note 27: Contingent liabilities**

The group has provided bank guarantees to certain property landlords and vendors amounting to \$1,170,000 for the year ended 30 June 2017 (2016: \$1,329,000). There were no other contingent liabilities for the financial year ended 30 June 2017 and 30 June 2016.

**Note 28: Commitments**

	30 June 2017	30 June 2016
	\$'000	\$'000
<b>a. Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable — minimum lease payments:		
— not later than 12 months	6,620	5,633
— between 12 months and 5 years	16,550	14,871
— greater than 5 years	12,044	11,685
	<u>35,214</u>	<u>32,189</u>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 28: Commitments (continued)**

**b. Capital Expenditure Commitments**

There are no significant commitments or contingencies of the Group or the parent entity for capital or otherwise not already disclosed in the financial statements.

**c. Operating leases as lessor**

The Group leases containers on a daily basis in the ordinary course of business. These leases can vary in length from a minimum hire period of 30 days to up to five years and longer. These non-cancellable operating leases have maturities of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge.

The Group has no other lessor relationships apart from those relating to the rental of containers.

The future minimum lease payments under non-cancellable leases are as follows:

	30 June 2017	30 June 2016
	\$'000	\$'000
Receivable:		
not later than 12 months	43	123
between 12 months and 5 years	29	72
	<u>72</u>	<u>195</u>

**Note 29: Subsequent events**

On 12 July 2017, the company announced that it had entered into a Bid Implementation Agreement with GFN Asia Pacific Holdings (GFN), a wholly owned subsidiary of our majority shareholder General Finance Corporation, to acquire the remaining 49% of shares that the GFN Group does not already own by way of an off-market takeover (Offer). The Offer opened 24 July 2017 and closes 25 August 2017 (unless extended or withdrawn). In addition to the off-market takeover bid the company also announced that it had declared the payment of a fully franked special dividend of 2.65 cents per fully paid share which was paid on 2 August 2017.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

**Note 30: Deed of cross guarantee**

Royal Wolf Holdings Limited and its Australian subsidiaries; Royal Wolf Trading Australia Pty Limited and Kookaburra Containers Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

**(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated earnings**

The above companies represent a "closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Royal Wolf Holdings Limited, they also represent the "extended closed Group".

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2017 of the closed Group consisting of Royal Wolf Trading Australia Pty Limited and Kookaburra Containers Pty Ltd.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
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**Note 30: Deed of cross guarantee (continued)**

	<b>Consolidated Group</b>	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Revenue from continuing operations</b>		
Container lease revenue	52,545	61,890
Container sales revenue	62,207	73,439
<b>Total revenue</b>	<b>114,752</b>	<b>135,329</b>
Dividend and other income	179	1,054
Foreign exchange gains/(Loss)	(154)	(90)
Changes in inventories of finished goods and WIP	674	(2,286)
Purchases of finished goods / raw materials and consumables used	(51,698)	(67,246)
Employee benefits expense	(20,608)	(22,139)
Branches operating expenses	(10,422)	(10,368)
Business promotion	(1,163)	(1,156)
Travel and accommodation	(769)	(719)
Professional expenses	(2,196)	(2,168)
Depreciation and amortisation expense	(19,066)	(17,229)
Other expenses	462	(1,013)
Finance costs	(3,361)	(4,871)
<b>Profit before tax</b>	<b>6,630</b>	<b>7,098</b>
Income tax expense	(2,813)	(2,091)
<b>Profit after tax</b>	<b>3,817</b>	<b>5,007</b>
<b>Profit from continuing operations</b>	<b>3,817</b>	<b>5,007</b>

**Profit attributable to:**

Owners of Royal Wolf Holdings Limited	3,817	5,007
	<b>3,817</b>	<b>5,007</b>

**Statement of comprehensive income**

<b>Profit for the year</b>	3,817	5,007
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of the cash flow hedges, net of tax	-	98
<b>Total other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>98</b>
<b>Total comprehensive income for the year</b>	<b>3,817</b>	<b>5,105</b>

**Summary of movements in consolidated retained earnings**

Accumulated gain/(losses) at the beginning of the financial year	(1,925)	1,001
Profit for the year	3,817	5,105
Dividends paid	(5,019)	(8,031)
<b>Retained earnings at the end of the financial year</b>	<b>(3,128)</b>	<b>(1,925)</b>

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 30: Deed of cross guarantee (continued)**

**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 30 June 2017 of the closed Group consisting of Royal Wolf Trading Australia Pty.

**Balance Sheet**

	<b>Consolidated Group</b>	
	30 June 2017	30 June 2016
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	3,484	4,422
Trade and other receivables	16,839	15,594
Inventories	13,047	12,374
<b>Total current assets</b>	<b>33,370</b>	<b>32,390</b>
Investments accounted for using the equity method	10,124	10,124
Trade and other receivables	1,052	72
Property, plant and equipment	3,360	4,253
Container for hire fleet	159,550	163,908
Intangible assets	53,603	54,193
<b>Total non-current assets</b>	<b>227,689</b>	<b>232,550</b>
<b>Total assets</b>	<b>261,059</b>	<b>264,940</b>
<b>Liabilities</b>		
Trade and other payables	16,435	20,607
Derivative financial instruments	226	-
Current tax liability	(1,029)	(650)
Employee benefits	2,622	2,690
<b>Total current liabilities</b>	<b>18,255</b>	<b>22,647</b>
<b>Non-current liabilities</b>		
Derivative financial instruments	125	1,171
Interest bearing loans and borrowings	81,439	79,867
Deferred tax liabilities	18,503	16,894
Employee benefits	477	541
Provisions	53	53
<b>Total non-current liabilities</b>	<b>100,597</b>	<b>98,526</b>
<b>Total liabilities</b>	<b>118,852</b>	<b>121,173</b>
<b>Net assets</b>	<b>142,207</b>	<b>143,767</b>
<b>Equity</b>		
Contributed equity	142,002	141,878
Current Earnings	(3,128)	(2,025)
Reserves	3,332	3,914
<b>Total equity attributable to equity holders of the parent</b>	<b>142,207</b>	<b>143,767</b>



**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 31: Reconciliation of cash flows from operating activities**

	<b>Consolidated Group</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash flow from operations with profit after income tax</b>		
Profit/(loss) for the year	6,194	7,867
Adjustments for:		
Employee share option expense	(83)	1,315
Loan establishment amortisation	250	207
Interest received disclosed as financing activity	(53)	(127)
(Gain)/loss on sale of property, plant and equipment	(168)	(90)
Unrealised variance - interest rate swap	(1420)	-
Exchange (gains)/losses	214	75
Depreciation and amortisation	22,148	19,696
Doubtful debts	765	620
Bad debts expense	2	7
Inventory obsolescence	28	14
Ineffective portion of interest rate swap	-	-
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in trade and other receivables	(3,674)	(29)
(Increase) / decrease in inventories	1,115	(680)
Increase / (decrease) in trade and other payables	(3,146)	9,162
Increase / (decrease) in deferred taxes	2,106	450
Increase / (decrease) in employee benefits	(124)	214
Increase / (decrease) in current tax liability	(1,447)	(1,451)
<b>Net cash from operating activities</b>	<b>22,707</b>	<b>37,250</b>

**Note 32: Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Royal Wolf Holdings Limited and its subsidiaries. The financial statements are presented in Australian dollars.

**a. Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*. Royal Wolf Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

*(i) Compliance with IFRS*

The consolidated financial statements of the Royal Wolf Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**b. Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Royal Wolf Holdings Limited ("Group" or "parent entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Royal Wolf and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**c. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is the chief executive officer. The operating segments from both a product and a geographic perspective are identified as being National Accounts Group, Customer Service Centre (CSC) Operations for Australia and New Zealand and Head Office.

**d. Income Tax**

The income tax expense(income) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## Note 32: Summary of Significant Accounting Policies

### d. Income Tax (continued)

Current and deferred income tax expense (income) is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

### Tax consolidation legislation

The Group and its wholly owned Australian resident entities have formed a tax-consolidated Group with effect from 15 September 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Royal Wolf Holdings Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'separate taxpayer within Group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated Group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated Group to the extent that it is probable that future taxable profits of the tax consolidated Group will be available against which the asset can be utilised.

Any subsequent year adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

**Note 32: Summary of Significant Accounting Policies**

**d. Income Tax (continued)**

**Nature of tax funding arrangements and tax sharing arrangements**

The head entity, in conjunction with other members of the tax-consolidated Group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

**e. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**f. Business Combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such re measurement are recognised in profit or loss.

**Note 32: Statement of Significant Accounting Policies (continued)**

**g. Property, Plant and Equipment**

Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The carrying amount of property, plant and equipment is reviewed annually to determine whether there is an indication of impairment. An impairment loss exists where the carrying amount exceeds the recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows for the cash-generating unit to which the asset belongs are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

**Container hire fleet**

Container hire fleet are measured on the cost basis.

Container hire fleet primarily consists of refurbished, modified, and manufactured shipping containers that are held long term and leased to customers under short-term operating lease agreements with varying terms. Depreciation is provided using the straight-line method over the units' estimated useful life, after the date the unit is put in service, and are depreciated down to their estimated residual values. Costs incurred on hire fleet containers subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years, otherwise, expensed as incurred. Cost of sales of the hire fleet container is recognised at the carrying amount at date of disposal.

**Depreciation**

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5%
Plant and equipment	10 – 33%
Motor vehicles	10 – 33%
Furniture and fittings	10 – 25%
Container hire fleet	5 – 10% (10-70% residual)

The consolidated entity continues to evaluate these depreciation policies as more information becomes available from other comparable sources and its own historical experience.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**Note 32: Statement of Significant Accounting Policies (continued)**

**h. Leases**

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. The respective lease assets are included in the statement of financial position based on their nature.

**i. Financial Instruments**

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income or other expenses in the income statement as applicable. Interest income from these financial assets is included in the net gains/ (losses). Dividend income is presented as other revenue.

**Note 32: Statement of Significant Accounting Policies (continued)**

**i. Financial Instruments (continued)**

The adoption of the revised AASB 9 did not affect the group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities

*Impairment of assets carried at amortised cost*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

*Cash flow hedges*

The group has early adopted the new hedge accounting rules issued December 2013. The new rules replaces the 80-125% range for the hedge effectiveness testing with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship. Also, in regards to risk component it is designated as the hedged item, not only for financial items, but also for non-financial items, provided the risk component is separately identifiable and reliably measured. The time value of an option, the forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument and accounted for as costs of hedging.

The financial instruments are recognised through assets and liabilities with mark to market movements in the instruments recognised through reserves for the effective portion of the hedge. The ineffective portion of the hedge is recognised through profit or loss.

**j. Impairment**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**k. Intangibles**

**Goodwill**

Goodwill is measured as described in note 32(f). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Note 32: Statement of Significant Accounting Policies (continued)**

**k. Intangibles (continued)**

**IT Development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future year financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over years generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

**Customer contracts**

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which varies from 3 to 10 years.

**Research and development**

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

**Non-compete agreements**

Non-compete agreements recognised as part of a business combination are recognised separately from goodwill. The non-compete agreement is carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based the period of restraint of trade as per business sale/purchase agreement, which currently is 5 years.

**Trademark**

Trademark acquired is recognised at cost. Trademark is tested annually for impairment and carried at cost less impairment losses.



**Note 32: Statement of Significant Accounting Policies (continued)**

**I. Employee Benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

*(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bond rates with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re measurement as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

*(iii) Share-based payments*

Prior to listing on the ASX, share-based compensation benefits were provided to certain employees by GFN, the majority shareholder. Royal Wolf has established the Royal Wolf Holdings Limited long term incentive plan (LTI plan) to assist with attracting, retaining and motivating employees and executive directors of the Group.

The fair value of options granted under these plans is measured at grant date and recognised as an employee benefit expense over the vesting period with a corresponding increase in equity.

The fair value at grant date is independently determined using the Monte Carlo and Binomial Tree method (2014-2016) that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

**Note32: Statement of Significant Accounting Policies (continued)**

**l. Employee Benefits (continued)**

*(iv) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(v) Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**m. Cash and Cash Equivalents**

For the purposes of presentation of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**n. Trade and other receivables**

Trade receivables are recognised initially at cost less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Note 32: Statement of Significant Accounting Policies (continued)**

**o. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**p. Provisions**

Provisions for legal claims, service warranties, and make good obligations are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

**q. Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

*Sale and modification of containers*

Revenue from the sale and modification of containers are based on fixed invoiced amounts. It is recognised on the income statement (net of returns, discounts and allowances) when the goods are delivered to or retrieved by the customer.

*Hire of containers*

Revenue from hire of containers is recognised in the year earned and is fixed based on the term prescribed in the lease hire agreement.

Unearned revenue arises when transport charges for the return retrieval of a hired container or containers is billed in advance, while the actual retrieval has not yet occurred as the container is still on hire. The Group also runs a 28-day billing cycle which results in recognition of unearned revenue.

*Interest and dividend income*

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

**Note 32: Statement of Significant Accounting Policies (continued)**

**r. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**s. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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.

All other borrowing costs are recognised as expense in the period in which they are incurred.

**t. Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Royal Wolf Holdings Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Royal Wolf Holdings Limited.

**u. Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**Note 32: Statement of Significant Accounting Policies (continued)**

**v. Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**w. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**x. Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each Group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

**Note 32: Statement of Significant Accounting Policies (continued)**

**Group Companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**y. Rounding of amounts**

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**z. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Key estimates**

*(i) Impairment*

The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. Refer to note 12 for the key assumptions used.

No impairment has been recognised in respect of goodwill at reporting date.

*(ii) Share based payments*

The Group engaged Ernst & Young to assist with the valuation of long term incentive plan performance rights issued to KMPs in 2017 financial year who have used the Monte-Carlo simulation and the Binomial Tree methods to assess and calculate the rights value. The Group recorded share based payment expense of \$(82) (2016: \$1,315,000).

**Key judgements**

*(i) Provision for impairment of receivables*

The Group assesses whether receivables are impaired monthly in accordance with the accounting policy. Based on analysis, specific debtors that may have impaired have been identified and a provision of \$1,475,000 (2016: \$1,188,000) is recognised accordingly.

*(ii) Provision for impairment of inventories*

The Group assesses whether inventories are impaired at least quarterly in accordance with the accounting policy. Based on analysis, the provision for stock obsolescence during the year ended 30 June 2017 was \$ 12,000 (2016: \$10,000).

**Note 32: Statement of Significant Accounting Policies (continued)**

**aa. Parent Entity Financial Information**

The financial information for the parent entity, Royal Wolf Holdings Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements.

*(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Royal Wolf Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

*(ii) Tax consolidation legislation*

Royal Wolf Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Royal Wolf Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Royal Wolf Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Royal Wolf Holdings Limited for any current tax payable assumed and are compensated by Royal Wolf Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Royal Wolf Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

*(iii) Financial guarantees*

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

*(iv) Share-based payments*

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group are treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 32: Statement of Significant Accounting Policies (continued)**

**ab. New Accounting Standards for Application in Future Periods**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

The group has already early adopted AASB 9 Financial Instruments.

Title of standard	Nature of change	Impact	Mandatory application date/date of adoption by group
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period.</p> <p>They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>Management has assessed the impact of the new rules and has identified that there will be no material impact on the group's financial statements following the adoption of this standard.</p>	<p>Mandatory for financial years commencing on or after 1 January 2017.</p> <p>Expected date of adoption by the group: 1 July 2017.</p>



**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Note 33: Changes in accounting policies**

There were no material changes to the accounting policies resulting from new or revised accounting standards issued during the financial year.

**Note 34: Authorisation**

The financial statement was authorised for issue by the directors on 8 August 2017. The directors have the power to amend and reissue the financial statements.

## Directors' Declaration

In the directors' opinion:

- a) the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- e) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30 to the financial statements.

The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer as required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) (a) of the Corporations Act 2001.

On behalf of the directors



P Housden

Director

Sydney

8 August 2017

# Royal Wolf Holdings Limited

## Independent Auditor's Report to the Members of Royal Wolf Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Royal Wolf Holdings Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended,
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and,
- (c) Complying with International Financial Reporting Standards

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, IFRS and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 14 to 25 of the directors' report for the year ended 30 June 2017.



# Royal Wolf Holdings Limited

## Independent Auditor's Report to the Members of Royal Wolf Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Royal Wolf Holdings Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended,
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and,
- (c) Complying with International Financial Reporting Standards

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
<b>Impairment assessment of goodwill – Note 12</b>	
<p>The Group has significant intangible assets that are assessed at least annually for impairment by the directors. As outlined in note 12, the impairment assessment involves significant judgement in respect of factors such as:</p> <ul style="list-style-type: none"> <li>▪ The determination of CGU's,</li> <li>▪ Budgeted revenue and costs,</li> <li>▪ Discount rates, and</li> <li>▪ Long-term growth rate.</li> </ul> <p>We focused on this area as a key audit matter due to the high degree of estimation and judgement required by the directors to assess whether impairment is required for the specified intangible assets and the sensitivity of the impairment assessment to changing variables as outlined in note 12.</p>	<p>We challenged the directors' assumptions that support its position on impairment as follows:</p> <ul style="list-style-type: none"> <li>▪ Assessed management's determination of the CGU's based on our understanding of the nature of the Group's business units and by comparing to the Group's internal reporting systems, in particular in relation to how earnings are monitored and reported,</li> <li>▪ Obtained the Group's value in use models and agreed amounts to the most recent budget approved by the Board and compared for consistency against the Group's future business plan,</li> <li>▪ Assessed the accuracy of the previous Group forecasting to inform our evaluation of the forecast amounts included in the value in use model,</li> <li>▪ Reviewed the key assumptions in the value in use model and challenged the source and determination of the values assigned to long term revenue growth and the discount rates,</li> <li>▪ Involved our valuation specialists for assessing the value in use model in regards to the treatment the discount rates and capital expenditure, and</li> <li>▪ Assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill, by comparing these disclosures to our understanding of the matter.</li> </ul>
<b>Business combination accounting – Note 25</b>	
<p>As outlined in note 25, the Group completed one business acquisition in the year. We focused on this area as a key audit matter because of the judgement required in determining the identifiable assets and liabilities to be recorded as part of the business combination accounting.</p>	<p>Amongst other things, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Reviewed the acquisition contract to verify that all assets were identified and included in the purchase price allocation of the business combination, and</li> <li>▪ Ensured that deferred tax had been appropriately accounted for in the business combination accounting.</li> </ul>



## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, IFRS and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 14 to 25 of the directors' report for the year ended 30 June 2017.



In our opinion, the Remuneration Report of Royal Wolf Holdings Limited., for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Crowe Horwath Sydney*

**Crowe Horwath Sydney**

*L Russell*

**Leah Russell**  
Senior Partner

Dated this 8<sup>th</sup> day of August 2017