

Appendix 4D

Half Year Report

For the period ended 31 December 2016

Name of entity

Royal Wolf Holdings Limited

ABN or equivalent company reference

ABN 91 121 226 793

This report is to be read in conjunction with our annual financial report as at 30 June 2015.

Results for announcement to the market

1. Details of reporting period	
Current	Half year ended 31 December 2016
Previous	Half year ended 31 December 2015
2. Key Items	
2.1. Revenue from ordinary activities	Down 16.0% to \$72.0 million
2.2. Profit from ordinary activities after tax attributable to members	Down 11.1% to \$4.2 million
2.3. Profit for the period after tax attributable to members	Down 11.1% to \$4.2 million
2.4. Interim dividend amount per security	2.5 cents
Franked amount per security	2.5 cents
2.5. Record date for determining dividend entitlements	16 March 2017
2.6. Review of operations	A review of the operations of the consolidated entity is included in the directors' report contained in the interim financial report lodged with the Australian Securities Exchange
3. Net tangible assets per security	\$1.03 per share (prior year: \$0.99 per share)
4. Details of entities over which control has been gained or lost	Nil
5. Total dividend distribution	\$2,509,677
Dividend distribution date	4 April 2017
Conduit Foreign Income	\$Nil

6. Audit/review status

The financial statements have been reviewed 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

Director

Sydney

Date: 6 February 2017



**Royal Wolf Holdings Limited ACN 121 226 793
and its Controlled Entities**

Interim Financial Report

For the half-year ended 31 December 2016

Royal Wolf Holdings Limited and its Controlled Entities
Financial Statements for the half-year ended 31 December 2016

Table of Contents

	Page
Director's Report	3
Auditor's Independence Declaration	6
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Director's Declaration	21
Independent Auditor's Review Report	22

Royal Wolf Holdings Limited and its Controlled Entities
Directors' Report
31 December 2016

The Directors of Royal Wolf Holdings Limited ("Royal Wolf" or "the Company") present their report, together with the consolidated financial report for the half-year ended 31 December 2016.

Directors

The following directors have been in office during the half-year and up to the date of this report unless otherwise stated.

P Housden
D W Corsie
P A Dexter
R F Valenta
M Marrero
R G Allan (retired 1 July 2016)
N Littlewood (appointed 1 July 2016)
J Miller (appointed 1 July 2016)

G B Baker has been the company secretary during the half-year and up to the date of this report.

Dividends

The Company declared a fully franked ordinary dividend in February 2017 of 2.5 cents per ordinary share for the interim period to 31 December 2016 (31 December 2015: 3.0 cents fully franked) to be paid on 4 April 2017.

Review of operations

Information on 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 half -year ended 31 December 2016("1H17") amounted to \$4,170,000 (31 December 2015 ("1H16"): \$4,692,000).

	1H17	1H16	% Growth
(\$ in thousands)			
Selected income statement items			
Container lease revenue	40,638	38,564	5.4%
Container sales revenue	31,312	47,119	(33.5%)
Total revenue	71,950	85,683	(16.0%)
EBITDA	19,569	19,187	2.0%
EBITA	10,708	11,154	(4.0%)
EBIT	8,918	9,624	(7.3%)
NPAT	4,170	4,692	(11.1%)
NPATA	5,113	5,661	(9.7%)
EPS	4.2 c	4.7 c	(11.1%)

Royal Wolf Holdings Limited and its Controlled Entities
Directors' Report
31 December 2016

Review of operations (continued)

Following is a summary of the main factors that affected Royal Wolf's operating and financial performance in 1H2017 and an outlook for the future.

Total revenues for 1H2017 were \$72.0 million, a decrease of 16.0% from 1H2016. Container sales revenue fell by \$15.8 million. The approximate \$11.0 million in large one-off sales to the freight sector in last period were not repeated this period.

Container lease revenue increased by \$2.0 million, or 5.4%. Our strategy to prioritise leasing revenue to deliver improved margins is working. Our tactic to deliver an increase in 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 our portable building lease revenue growing 16.0% in 1H2017 compared to 1H2016.

Container leasing revenues as a percentage of total revenue has increased from 45.0% for 1H2016 to 56.5% for 1H2017 as a direct result of the deliberate trend to increase our leasing revenue and also the lower container sales in the freight sector. As we do not have any material confirmed orders in this sector we do not expect any new freight sales to be delivered this financial year. In 2H2016 we delivered \$8 million in freight sales.

Included in our leasing revenue is \$2.8 million received this period as full and final payment of our claim as the secured creditor for Titan Energy Services, which compares to \$2.0 million of camp accommodation related leasing revenue in the prior period.

Utilisation of 85.0% at 31 December 2016 compares to and 76.5% at 30 June 2016 and 85.5% at 31 December 2015.

The 31 December 2016 units on hire of 36,437 is 246 units up on last year and represents a unit on lease record for the company.

Gross margin for 1H2017 of 49.2% compares to 41.0% same period last year. The gross margin improvement is a function of revenue mix and cost controls.

Depreciation and amortisation combined was \$10.7 million up 11.4% from \$9.6 million due to the compound effect of current and previous year's asset purchases. Royal Wolf will continue to identify and secure opportunities to redeploy or sell the \$20.3million in idle camp accommodation assets in Australia, New Zealand or internationally. We remain confident of our ability to do so over the medium term. We expect depreciation and amortisation for the second half to be in the range of \$11 to \$12 million.

Financing costs of \$2.8 million compares to \$3.4 million period on period a decrease of 18.7% and reflects the decrease in average borrowings this period. The slow reduction in camp redeployment is expected to continue to unfavourably impact our debt and interest costs in the second half.

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 due to one off revenue projects delivered in the December month and general economic factors. However, we do expect this situation to improve in the second half.

Container fleet capital expenditure has increased to \$9.7 million (\$9.3 million in 1H2016) to support increased demand from the building and construction and infrastructure industries in our CSC network in Australia and New Zealand.

**Royal Wolf Holdings Limited and its Controlled Entities
Directors' Report
31 December 2016**

Review of operations (continued)

Outlook

Despite the challenging operating environment, Royal Wolf anticipates that value enhancing, market share growth opportunities exist within our highly fragmented industry. In H1FY2017 Royal Wolf has leveraged our market leadership in customer size, geographic reach and product solutions by:

- improved customer engagement measured through the Net Promoter Score;
- completed our largest acquisition in three years;
- opened three new regional locations (Wollongong (NSW), Nelson (NZ) and Whangarei (NZ));
- enhanced our online capabilities and reach.

Significant changes in the state of affairs

On 1 December 2016 Royal Wolf acquired the assets and businesses of All Direct Container Sales Pty Limited and ADC Storage Pty Limited as Trustee for the ADC Storage Unit Trust operating in the Brisbane, Gold Coast and Toowoomba regions for consideration of A\$4,170,000. All Direct commenced operations in 1995 and the business has built a strong reputation for service, asset quality and customer retention. The business offers containers for hire and sale and operates a fixed container self-storage operation. All Direct have approximately 950 containers on hire.

On 16 December 2016 Royal Wolf completed the refinancing of Facility A of its current bank debt facilities which were due to mature in July 2017. The new facility A is structured within the existing Common Terms Deed and related bilateral bank debt facilities provided by ANZ and CBA. The key changes to the facility are:

- the refinanced facility is for \$100 million;
- the total senior, secured, multi option debt facility including Facility B being \$150 million;
- maturity date of 31 January 2022; and
- pricing on the new five-year tranche from ANZ is at the bank bill swap interest rate in Australia (BBSY) or New Zealand (BKBM), plus a margin of 1.40%-2.40% per annum, depending on the net debt leverage ratio, as defined. The CBA proportionate share has a margin of 1.75% to 2.65%.

Auditor's Independence Declaration

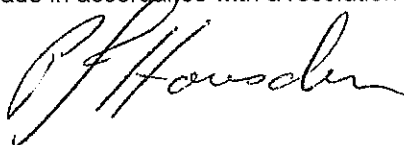
The auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on the following page and forms part of the directors' report for the half year ended 31 December 2016.

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.

These consolidated interim financial statements were approved by the Board of Directors on 6 February 2017.

This report is made in accordance with a resolution of directors.



P Housden
Director
Sydney
6 February 2017

06 February 2016

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 half-year financial statements of Royal Wolf Holdings Limited for the half-year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



Crowe Horwath Sydney



Leah Russell
Senior Partner

Royal Wolf Holdings Limited and its Controlled Entities
Consolidated Income Statement
For the half-year ended 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 \$'000
Revenue from continuing operations			
Container lease revenue		40,638	38,564
Container sales revenue		31,312	47,119
Total revenue	3	71,950	85,683
Direct cost of sales and leasing operations		(36,554)	(50,534)
Other income	3	155	256
Foreign exchange (losses)/gains		(303)	(29)
Employee benefits expense		(11,402)	(12,179)
Business promotion		(854)	(706)
Travel and accommodation		(503)	(377)
Professional expenses		(1,227)	(1,308)
IT and telecommunications		(632)	(600)
Other expenses		(1,061)	(1,019)
Profit before interest, tax, depreciation and amortisation (EBITDA)		19,569	19,187
Depreciation expense	3	(8,861)	(8,033)
Profit before interest, tax and amortisation (EBITA)		10,708	11,154
Amortisation expense	3	(1,790)	(1,530)
Profit before interest and tax (EBIT)		8,918	9,624
Financing costs		(2,754)	(3,388)
Profit/(loss) before tax		6,164	6,236
Income tax benefit/(expense)		(1,994)	(1,544)
Profit after tax (NPAT) from continuing operations & attributable to owners of Royal Wolf Holdings Limited:		4,170	4,692

Earnings per share for profit attributable to the ordinary equity holders of the Group

Basic earnings per share (cents)	4.2	4.7
Diluted earnings per share (cents)	4.2	4.7

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

Royal Wolf Holdings Limited and its Controlled Entities
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2016

	31 December 2016 \$'000	31 December 2015 \$'000
Profit for the period:	4,170	4,692
Other comprehensive income:		
Exchange differences on translation of foreign operations	209	(21)
Change in the fair value of cash flow hedge	803	1,038
Total comprehensive income for the period:		
attributable to owners of Royal Wolf Holdings Limited	5,182	5,709

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

Royal Wolf Holdings Limited and its Controlled Entities
Consolidated Balance Sheet
As at 31 December 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
Assets			
Cash and cash equivalents		3,605	5,300
Trade and other receivables		24,299	18,111
Inventories		18,823	17,843
Current tax asset		499	-
Derivative financial instruments		206	-
Total current assets		47,432	41,254
Non-current assets			
Trade and other receivables		34	72
Property, plant and equipment	4	4,723	5,301
Container for hire fleet	5	208,826	204,371
Intangible assets	6	56,303	55,533
Total non-current assets		269,886	265,277
Total assets		317,318	306,531
Liabilities			
Trade and other payables		18,910	23,787
Current tax liability		-	235
Derivative financial instruments		-	342
Employee benefits		2,787	2,872
Total current liabilities		21,697	27,236
Non-current liabilities			
Derivative financial instruments		607	1,170
Interest bearing loans and borrowings	7	115,465	101,643
Deferred tax liabilities		19,967	18,916
Employee benefits		562	541
Provisions		53	53
Total non-current liabilities		136,654	122,323
Total liabilities		158,351	149,559
Net assets		158,967	156,972
Equity			
Contributed equity	8	142,003	141,878
Retained earnings		9,386	7,726
Reserves	8	7,578	7,368
Total equity attributable to equity holders of the parent		158,967	156,972

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

Royal Wolf Holdings Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2016

	Note	Contributed Equity	Retained Earnings/ (Accumulated Losses)	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		141,082	7,890	4,977	153,949
Total comprehensive income for the period		-	4,692	1,017	5,709
Transactions with owners in their capacity as owners:					
Share repurchase and distribution	8(a)	796	-	-	796
Dividends provided for or paid		-	(5,019)	-	(5,019)
Employee share options adjustment	8(b)	-	-	(272)	(272)
Balance at 31 December 2015		<u>141,878</u>	<u>7,563</u>	<u>5,722</u>	<u>155,163</u>
Balance at 1 July 2016		141,878	7,726	7,368	156,972
Total comprehensive income for the period		-	4,170	1,012	5,182
Transactions with owners in their capacity as owners:					
Share repurchase and distribution	8(a)	125	-	-	125
Dividends provided for or paid		-	(2,510)	-	(2,510)
Employee share options adjustment	8(b)	-	-	(802)	(802)
Balance at 31 December 2016		<u>142,003</u>	<u>9,386</u>	<u>7,578</u>	<u>158,967</u>

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

Royal Wolf Holdings Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2016

	31 December 2016 \$'000	31 December 2015 \$'000
Cash flows from operating activities		
Receipts from customers	72,625	87,329
Payments to suppliers and employees	(66,116)	(64,604)
Interest paid	(2,684)	(3,336)
Income taxes paid	(2,294)	(4,114)
Net cash provided by operating activities	1,531	15,275
Cash flows from investing activities		
Payment for purchase of intangible assets	(395)	(348)
Proceeds from sale of property, plant and equipment	151	14,173
Interest received	35	52
Payment for business acquisition	(3,901)	(561)
Acquisition of property, plant and equipment	(320)	(668)
Purchase of container hire fleet	(9,772)	(9,343)
Net cash (used in) investing activities	(14,202)	3,305
Cash flows from financing activities		
(Repayment)/proceeds from borrowings (ANZ/CBA)	13,716	(12,284)
Dividends paid	(2,491)	(5,019)
Net cash provided by financing activities	11,225	(17,303)
Net (decrease)/increase in cash and cash equivalents	(1,466)	1,277
Cash and cash equivalents at beginning of the period	5,300	3,531
Effect of exchange rate on cash and cash equivalents	(249)	(2,286)
Cash and cash equivalents at the end of the period	3,605	2,522

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 half-year ended 31 December 2016

Note 1: Summary of Significant Accounting Policies

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Royal Wolf Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New and amended standards adopted by the group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory, except for AASB 1, have not been early adopted.

Note 2: Segment information

(a) 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, Customer Service Centre (CSC) Operations for Australia and New Zealand and Head Office.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

Note 2: Segment information (continued)

(b) Segment information provided to the board

The segment information provided to the board for the reportable segments for the half-year ended 31 December 2016 is as follows:

	National Accounts	Customer Service Centres		Head Office	Total
		Australia	New Zealand		
	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year 2017					
Total segment revenue	14,701	43,974	13,199	76	71,950
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	14,701	43,974	13,199	76	71,950
EBITDA	6,753	9,810	5,023	(2,017)	19,569
Total segment assets	77,145	171,839	62,887	5,447	317,318
Total segment liabilities	4,256	18,979	31,736	103,996	158,967
Half-year 2016					
Total segment revenue	24,970	47,327	13,379	6	85,683
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	24,970	47,327	13,379	6	85,683
EBITDA	6,235	10,238	5,750	(3,036)	19,187
Total segment assets	86,192	169,111	58,710	2,701	316,714
Total segment liabilities	2,870	21,387	27,842	109,454	161,553

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 and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

Note 2. Segment Information (continued)

Consolidated Group	
31 December 2016 \$'000	31 December 2015 \$'000

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

Half-year	19,569	19,187
EBITDA	35	52
Interest revenue	(2,789)	(3,440)
Finance costs	(10,651)	(9,563)
Depreciation and amortisation		
Profit before income tax from continuing operations	6,164	6,236

3. Revenue and expenses

Profit before tax includes the following specific items:

a. Revenue

Container lease
Container sales
Total revenue

40,638	38,564
31,312	47,119
71,950	85,683

b. Other income

Sundry income
Total other income

155	256
155	256

c. Expenses

Depreciation of hire fleet containers
Depreciation of other property, plant and equipment
Amortisation of intangibles
Total depreciation and amortisation expense

7,953	7,027
908	1,006
1,790	1,530
10,651	9,563

Net financing costs
Interest (received)
Interest expense - bank

(35)	(52)
2,789	3,440
2,754	3,388

Net gain on disposal of property, plant and equipment

147	152
-----	-----

Rental expense relating to operating leases
Minimum lease payments

3,783	3,593
-------	-------

Foreign exchange (losses)/gains (including realised)

(303)	(29)
-------	------

Doubtful debt expense

331	301
-----	-----

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

4. Property, plant and equipment

Consolidated Group

	Plant and equipment, furniture and fittings and motor vehicles \$'000
31 December 2016	
<i>Cost</i>	
Balance at 1 July 2016	19,887
Acquisitions	312
Business acquisitions	60
Exchange adjustments	(29)
Disposals	(649)
Cost at 31 December 2016	<u>19,581</u>
 <i>Depreciation and impairment losses</i>	
Balance at 1 July 2016	(14,586)
Depreciation charge for the half-year	(908)
Disposals and other adjustments	636
Accumulated depreciation at 31 December 2016	<u>(14,858)</u>
<i>Carrying amounts</i>	
At 31 December 2016	<u>4,723</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

5. Containers for hire fleet

31 December 2016	Total \$'000
<i>Cost</i>	
Balance at 1 July 2016	256,329
Acquisitions and transfers from inventory	15,417
Business acquisitions	2,225
Disposals	(7,071)
Exchange adjustments	483
Cost at 31 December 2016	<u>267,383</u>
<i>Depreciation and impairment losses</i>	
Balance at 1 July 2016	(51,958)
Depreciation charge for the period	(7,953)
Disposals during the period	1,431
Exchange adjustments	(76)
Accumulated depreciation at 31 December 2016	<u>(58,556)</u>
<i>Carrying amounts</i>	
At 31 December 2016	<u>208,826</u>
 30 June 2016	
 <i>Cost</i>	 256,329
Accumulated depreciation	(51,958)
Net carrying amount	<u>204,371</u>

Transfers to inventory represent hire fleet containers that are sold and which are recorded as inventory prior to sale. The sale of these containers is accounted for similar to the sale of new containers.

Fair Value

The group's hire container fleet was independently valued at 31 December 2016 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 12 January 2017 was \$239,569,294. The fair market value exceeds the carrying value at 31 December 2016.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

6. Intangible assets

	Software \$'000	Goodwill \$'000	Non complete agreement \$'000	Customer list \$'000	Establis- hment costs \$'000	Develop- ment costs \$'000	Trademark \$000	Total \$'000
31 December 2016								
Cost								95,526
Balance at 1 July 2016	4,340	46,336	8,633	32,860	6	51	3,300	366
Acquisitions	366	-	-	-	-	-	-	2,156
Business acquisitions	-	1,231	473	452	(6)	(51)	-	(12,840)
Disposal during period	-	-	(6,791)	(5,992)	-	-	-	65
Exchange adjustments	-	7	4	54	-	-	-	-
Cost at 31 December 2016	4,706	47,574	2,319	27,374	-	-	3,300	85,273
Amortisation and impairment losses								(39,994)
Balance at 1 July 2016	(1,944)	-	(7,942)	(30,051)	(6)	(51)	-	(1,791)
Amortisation for the half-year	(444)	-	(102)	(1,245)	-	-	-	12,840
Disposal during period	-	-	6,791	5,992	6	51	-	(25)
Exchange/other adjustments	29	-	(93)	39	-	-	-	-
Accumulated amortisation at 31 December 2016	(2,359)	-	(1,346)	(25,265)	-	-	-	(28,970)
Carrying amounts At 31 December 2016	2,347	47,574	973	2,107	-	-	3,300	56,303
30 June 2016								
Cost	4,340	46,336	8,633	32,860	6	51	3,300	95,526
Accumulated amortisation	(1,944)	-	(7,942)	(30,051)	(6)	(51)	-	(39,994)
Net carrying amount	2,396	46,336	691	2,809	-	-	3,300	55,532

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
--	------	-------------------------------	---------------------------

7. Interest bearing loans and borrowings

Non-current

Bank loan		115,465	101,643
		<u>115,465</u>	<u>101,643</u>

In December 2016, Royal Wolf extended interest bearing loans with ANZ AUD \$60 million and CBA AUD \$40 million to 31 July 2022.

8. Capital and reserves

(a) Share capital

On issue at 1 July, 100,387,052 fully paid shares (30 June 2015: 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 half-year period	<u>142,003</u>	<u>141,878</u>

(b) Reserves

Share based payments reserve	3,015	3,817
Foreign currency translation reserve	3,606	3,397
Hedging reserve	957	154
	<u>7,578</u>	<u>7,368</u>

(c) Movements

(i) Share-based payments reserve

Balance 1 July	3,817	3,299
Option expense	548	518
Reversal of forfeited shares	(1,350)	-
Balance at the end of period	<u>3,015</u>	<u>3,817</u>

(ii) Foreign currency translation reserve

Balance 1 July	3,397	1,902
Currency translation differences arising during the half-year	209	1,495
Balance at the end of period	<u>3,606</u>	<u>3,397</u>

(iii) Hedging reserve

Balance 1 July	154	(224)
Movement in the fair value of instruments, net of tax	803	378
Balance at the end of period	<u>957</u>	<u>154</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2016

9. Consolidated entities

The list of consolidated entities at the half-year period is as follows:

Subsidiaries	Country of incorporation	Ownership percentage
Royal Wolf Trading Australia Pty Limited	Australia	100%
Kookaburra Containers Pty Ltd	Australia	100%
Royalwolf NZ Acquisition Co Limited	New Zealand	100%
Royalwolf Trading New Zealand Limited	New Zealand	100%

10. Contingent liabilities

There were no contingent liabilities at 31 December 2016 or 30 June 2016.

11. Related party transactions

Arrangements with the related parties continue to be in place and include sales and purchases of goods and services between Royal Wolf Trading Australia Pty Limited and Royalwolf Trading New Zealand Limited.

For further details of these arrangements refer to the 30 June 2016 Annual Financial Report.

12. Business combination

(a) Summary of acquisitions

On 1 December 2016 Royal Wolf acquired the assets and businesses of All Direct Container Sales Pty Limited and ADC Storage Pty Limited as Trustee for the ADC Storage Unit Trust operating in the Brisbane, Gold Coast and Toowoomba regions for consideration of A\$4,170,000. They commenced operations in 1995 and the business has built a strong reputation for service, asset quality and customer retention. The business offers containers for hire and sales and operates a fixed container self-storage operation. All Direct have approximately 950 containers on hire.

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

	Fair Value \$'000
Purchase price	4,170
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	2,225
Property, plant and equipment	60
Intangible assets-customer lists	452
Intangible assets – non compete	473
Deferred tax liability	(271)
Net identifiable assets acquired	2,939
Goodwill	1,231

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the half-year ended 31 December 2015

13. Business combination (continued)

(i) Purchase price

The purchase price of \$4,170,000 includes cash paid of \$3,901,300 and contingent consideration of \$208,500 and purchase price adjustments of \$60,200.

(ii) Contingent consideration

Under the agreement of sale of business there is a holdback amount of \$208,500 in respect of any unanticipated shortages or other contingencies and the liability of the seller relating to breach of warranties. The holdback amount is payable when the requirements set out in the purchase agreement are satisfied.

(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

The acquired business contributed revenues of approximately \$294,000 and net profit of \$42,000 to the group for the period from 1 December 2016 to 31 December 2016. If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated profit for the half-year ended 31 December 2016 would have been approximately \$73,420,000 and \$6,374,000 respectively.

14. Fair value measurement of financial instruments

There were no changes to the basis, hierarchy and the valuation techniques used for determining the fair values of the financial instruments since 30 June 2016. The derivative financial assets of \$206,000 (derivative financial liabilities 30 June 2016: \$342,000) and liabilities of \$607,000 (30 June 2016: \$1,170,000) continue to be classified under level 2.

15. Subsequent events

On 6 February 2017 the directors have declared the payment of interim dividend of \$2,509,677 (2.5 cents per fully paid share) to be paid on 4 April 2017.

No other matters or circumstances have arisen since the end of the half-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 years.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date and
- (b) there are reasonable grounds to believe that Royal Wolf Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

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

P Housden
Director

Sydney
6 February 2017

Royal Wolf Holdings Limited

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Royal Wolf Holdings Limited (the Company), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Royal Wolf Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Royal Wolf Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Royal Wolf Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Crowe Horwath Sydney

Crowe Horwath Sydney

L Russell

Leah Russell
Senior Partner

Dated at Sydney this 06 day of February 2017