



ROYAL WOLF HOLDINGS LIMITED

ACN 121 226 793

ANNUAL REPORT

2014

Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

Royal Wolf has again achieved excellent results in terms of revenue and profit, with growth being delivered in each of our three sectors: portable storage, portable buildings and freight containers. The results reinforce Royal Wolf's continuing ability to deliver on our stated strategy of increasing leasing revenue by leveraging product, geography and industry diversity. Further, the Royal Wolf business model is efficient in that it enables us to adjust our operating strategies to meet changes in demand.

Royal Wolf operates from 33 facilities including 28 dedicated Customer Service Centres and has a hire fleet of over 40,300 containers at 30 June 2014. We offer over 100 container based designs with applications in portable storage, portable buildings, mining camps and freight containers. Our passion for quality in customer service and our role in market leadership and product development provide a strong and long term connection with our customers.

We have grown our existing business segments through equipping and training our excellent team, innovation and meeting specific customer needs while also continuing our footprint expansion through new sites, agents and acquisitions.

Our team is focused on improving our safety performance and delivered a significant reduction in LTIFR during the year. The company is committed to providing a safe work environment. We actively invest in recognising and developing our team as the core of our success.

Royal Wolf is building its capacity and capability to meet significant growth objectives.

During the year we completed the refinancing of bank debt facilities with a new \$175 million senior, secured, multi-option debt facility with a Common Terms Deed and related bilateral bank debt facilities provided by ANZ Banking Corporation and Commonwealth Bank with \$125.0 million maturing 31 July 2017 and \$50.0 million maturing 31 July 2019. The new facility not only diversifies our funding risk but importantly provides sufficient headroom and flexibility to help enable the company's growth and strategic objectives. The improvement in terms and conditions was particularly pleasing and reflects our solid financial profile and confidence in our team.

Also during the year Mr Allan confirmed his ongoing commitment to the Royal Wolf Group by entering into a new 3 year employment contract, which took effect from 1 July 2013 and contains an incentive for compliance with significant restraint provisions.

Our prudent balance sheet and cash flow management puts us, we believe, in a good position to deliver our strategy, be a real competitor in container based solutions and grow our market.

Record financial performance

At Royal Wolf we have continued our focus on growing lease revenue, controlling costs, and leveraging our scale to grow our EBITDA, NPAT and EPS. We also continued a focus on building the capacity of our team through training and organisational development to ensure we achieve our growth potential. For some years we had been developing our product range, service offering, branch capacity and marketing techniques and continue to be confident we can deliver for our customers and for our shareholders.

Royal Wolf achieved revenues of \$175.7 million, 17.6% ahead of FY13. The increasing proportion of revenue from leasing activities after excluding the impact of the large low margin sales contract in the freight segment foreshadowed at the FY13 results announcement (49.3% in FY 14, up from 48.3% in FY13) contributed to the EBITDA result of \$46.1M, an increase of 8.8% over the previous year. Our lease fleet grew by 3.0% year-over-year, to just below 40,400 units, with an almost even split between organic and acquisitive growth. Our on lease fleet grew by 2,358 units, that is we improved our use of existing assets. The fleet was managed within our target utilisation range throughout the trading period.

Net profit after tax was \$15.9 million, or 15.9 cents per share, in the 2014 financial year, versus \$14.7 million, or 14.7 cents per share, in the 2013 financial year – an 8.3% increase.

Dividends

Royal Wolf has declared a final unfranked dividend of 5.5c per share to be paid on 3 October 2014 with a record date of 18 September 2014. This dividend lifts the full year dividend distribution to 10.5 cents and maintains our payout ratio of 50% of NPATA.

Corporate Governance

The Board of Royal Wolf is committed to achieving and demonstrating the highest standards of corporate governance. The Board is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its stakeholders.

Royal Wolf has elected to early-adopt and report against the 3rd Edition of the ASX Corporate Governance Council Principles and Recommendations.

The 2014 Corporate Governance Statement was adopted by the Board on 12 August 2014 and can be viewed at <http://investors.royalwolf.com.au/Investors/?page=Corporate-Governance>

Conclusion

Our strengthening reputation in delivering container based high quality portable buildings has contributed to our success with our range being applied to transportable camps, low and medium security prisons, pop up retail and the events industry.

Our team is focused on providing the highest levels of customer satisfaction from a safe work environment. We actively invest in recognising and developing our team as the core of our success.

To bring our product range and capacity closer to our customers and continue to grow, we will seek profit accretive acquisitions and intend to increase our CSC footprint and agents network.

We believe this has been a strong performance from the team at Royal Wolf in a challenging year for all rental companies if not most Australian businesses and the results reinforce Royal Wolf's ability to deliver growth from our customer focus, existing and new containerised product range, diverse geographies and diverse client base.

We are consistently delivering on our objective to drive growth.

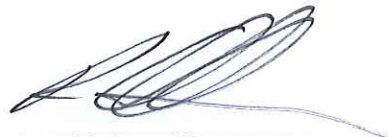
We are excited by the challenges and the opportunities ahead.

We thank our customers for their support and strive to continue to improve our product and service offering.

On behalf of the Board of Directors, we congratulate the people of Royal Wolf for their ongoing commitment to our customers and our business. We have an excellent team which brings dedication and passion to our brand.



Peter Housden
Chairman



Robert Allan
Chief Executive Officer

Hornsby,
19 September 2014

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Annual Report for the Year Ended 30 June 2014

Table of Contents

	Page
Corporate Directory	3
Director's Report	4
Annual Financial Report	31
Independent Auditor's Report	107
Shareholder Information	109

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities

Corporate Directory

Directors	<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>R G Allan MAICD <i>Executive Director</i></p>
Secretary	<p>G B Baker CPA, CSA (Cert), MAICD.</p>
Executives	<p>R G Allan <i>Chief Executive Officer</i></p> <p>G B Baker <i>Chief Financial Officer & Company Secretary</i></p> <p>B R Buddo <i>Executive General Manager Operations</i></p> <p>A I McLaughlin <i>Executive General Manager, Sales and Marketing</i></p> <p>G K Horley <i>Executive General Manager, West</i></p> <p>S Cavarra <i>Executive General Manager, South/Central</i></p> <p>D P Creighton <i>Executive General Manager, New Zealand</i></p> <p>N R Littlewood <i>Executive General Manager, North/East</i></p> <p>P J Breen <i>Executive General Manager, Buildings</i></p>
Principal registered office in Australia	<p>Suite 202, Level 2, 22-28 Edgeworth David Avenue Hornsby NSW 2077 (02) 9482 3466</p>
Share register	<p>Link Market Services Level 12, 680 George Street Sydney NSW 2000</p>
Auditor	<p>Crowe Horwath Sydney Level 15, 1 O'Connell Street Sydney NSW 2000</p>
Solicitor	<p>Herbert Smith Freehills MLC Centre 19-29 Martin Place Sydney NSW 2000</p>
Bankers	<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>
Stock exchange listings	<p>Royal Wolf Holdings Limited shares are listed on the Australian Securities Exchange.</p>
Website address	<p>www.royalwolf.com.au</p>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Directors' Report
30 June 2014

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 2014.

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
R G Allan

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:

	2014	2013
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2013 of 5.0 cents (2012 – 4.5cents) per fully paid unfranked paid on 3 October 2013	5,019	4,517
Interim ordinary dividend for the year ended 30 June 2014 of 5.0 cents (2013 – 4.5cents) per fully paid unfranked paid on 3 April 2014	5,019	4,517

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final unfranked ordinary dividend of \$5,521,288 (5.5 cents per fully paid share) to be paid on 3 October 2014.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Directors' Report (continued)
30 June 2014

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 \$15,943,000 (2013: \$14,717,000).

(\$ in thousands, FYE 30 June)	Actual FY2014	Actual FY2013
Container lease revenue	80,614	72,186
Container sales revenue	95,081	77,199
Total revenue	175,695	149,385
Trading EBITDA*	46,700	41,801
EBITDA	46,098	42,362
EBITA	32,670	31,666
EBIT	28,876	27,313
Underlying NPAT**	18,967	17,122
NPAT	15,943	14,717
EPS	15.9c	14.7c

* Trading EBITDA is calculated to eliminate the impact of unrealised exchange gains and losses and mark to market revaluation of FX hedge instruments which we do not consider to be indicative of the performance of our ongoing operations.

** Underlying NPAT is presented as follows:

	Actual FY2014	Actual FY2013
NPAT	15,943	14,717
<i>Items not forming part of the normal ongoing operating activity</i>		
Mark to market valuation loss/(gain) for interest rate swaps	225	(166)
Unrealised exchange loss/(gain) on forward contracts	608	(562)
Amortisation of intangible assets related to business acquisitions	3,487	4,164
<i>Subtotal</i>	4,320	3,436
Tax effect	(1,296)	(1,031)
<i>Subtotal</i>	3,024	2,405
Underlying NPAT	18,967	17,122

Key points on the results

- Revenues of \$175.7 million were at record levels, 17.6% ahead of FY2013.
- Leasing revenues were \$80.6 million, an increase of \$8.4 million or 11.7% over last year.
- Trading EBITDA of \$46.7 million (margin of 26.6%) is \$4.9 million ahead of FY2013 representing an increase of 11.7%.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Directors' Report (continued)
30 June 2014

Review of operations (continued)

- Underlying NPAT increased by 10.8% to \$19.0 million compared to FY2013.
- The lease demand is from all industry sectors and leasing revenue growth was delivered through run rate from both acquisitive and organic growth, including the delivery of 8 transportable camps during the year.
- Leasing revenue comprised 45.9% of total revenue versus 48.3% last year. Excluding the impact of the large low margin sales contract in the freight segment foreshadowed at the FY2013 results announcement, the leasing revenue would have been 49.3% of total revenue.
- The total units on lease increased to 33,220 from 30,862 at 30 June 2013, an increase of 7.6%. The increase in lease fleet to 40,378 from 39,183 at 30 June 2013 demonstrates this growth was significantly achieved through utilisation.
- 30th June 2014 utilisation was 82.3% compared to 78.8% at 30 June 2013. Average utilisation of 82.4% compares to prior year of 81.6%.
- Increased rental revenues in the CSC business, which are higher margin revenues offset the \$2.6m decline in CSC Australian sales. Sales and lease revenues increased in New Zealand portable storage, combining to deliver a 10.1% growth in the New Zealand (NZD) EBITDA.
- Sales revenue increased to \$95.1 million from \$77.2 million, an increase of 23.2%. The delivery of the single low margin sales contract contributed in excess of \$12.0 million.
- Net Profit after Tax (NPAT) attributable to ordinary shareholders was \$15.9 million or 15.9c per share compared to 14.7c per share for FY 2013, an increase NPAT of 8.3%.
- Royal Wolf paid an interim dividend of 5.0c per share (unfranked) in April 2014 and a final dividend of 5.5c per share (unfranked) will be paid on 3 October 2014.

Following is a brief discussion of the main factors which affected Royal Wolf's operating and financial performance in FY2014 and which it expects may continue to affect operating and financial performance in future periods.

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 sales revenue and leasing revenue. Sales revenue includes revenue from the sale of containers, container modifications and accessories, as well as delivery revenue to customers. Lease revenue consists predominantly of revenue from containers leased and also includes delivery revenue earned as part of container leasing.

As part of its growth strategy, Royal Wolf has focused on expanding its recurring revenue base, particularly in developing its leasing revenue stream. Royal Wolf believes that promoting a leasing revenue based model will underpin a high margin revenue base as historically lease revenue has experienced less volatility than sales revenue and is generally at a higher margin.

As well as the strategy of focusing on increasing leasing revenue, Royal Wolf will continue to pursue general sales through its CSC network and significant sales opportunities through its National Accounts management team although the timing and value of those significant opportunities can be unpredictable.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Directors' Report (continued)
30 June 2014

Review of operations (continued)

Total revenues for the year were \$175.7 million, an increase of 17.6% from last year.

The increase in the total revenue was largely due to a single low margin sales contract (Aurizon Operations, a rail based logistics company that operates nationally within Australia) valued in excess of \$12.0 million and the continued growth in leasing revenues.

The company has a platform based on diversified clients and diverse geographies and enjoyed particular growth in the Freight, Consumer, Government and Resources (including Oil and Gas) industries.

Lease revenue increased 11.7% with a 6.0% increase in the units leased during the year to 33,220. This increase is a combination of the run rate of FY2013 fleet investment and FY2014 traction with investment in products, acquisitions, organic growth and pricing increases.

Lease revenue as a percentage of total revenue has decreased from 48.3% to 45.9% due to the impact of the large sales contract delivered during the year. Excluding that sale leasing revenue would have been 49.3% of total revenue.

Management of our container fleet including accurate forecasting, stock positioning and purchasing contributed to an improved average utilisation of the fleet at 82.4% compared to 81.6% for the prior year. Utilisation at 30th June improved from 78.8% in 2013 to 82.3% in 2014

The increase in lease revenue through the national accounts group was \$3.8 million and the increase in CSC operations was \$4.6 million during FY2014. The increase in the national accounts group is driven by both the full year impact for rental camps delivered last year and the additional 8 camps deployed in FY2014.

Container sales revenue during FY2014 amounted to \$95.1 million compared to \$77.2 million during FY2013, representing an increase of \$17.9 million or 23.2%. The sales revenue change comprises an increase of \$18.1 million in the national accounts group and a decrease of \$0.2 million in CSC operations.

Portable storage higher margin leasing revenues increased by 8.0% almost offsetting the reduction in sales delivering a total revenue decrease for the year of 0.4% to \$105.0 million. Fleet size increased by 3.5% to 26,594 containers when compared to June 2013.

Portable buildings revenue for the year grew by 31.9% to \$39.2 million. This growth is attributed to both sales and leasing revenues with the combined effect of the camps hired in FY2013 and the additional camps delivered in FY2014 as well as the sale of 150 prisoner accommodation units to the Victorian Department of Justice. Fleet size increased by 12.5% to 4,388 containers when compared to June 2013.

Freight revenues increased 122.1% to \$31.1 million with this growth significantly attributed to the single low margin sale in FY2014 and the impact of a current year acquisition. Fleet size decreased by 1.9% to 9,396 containers when compared to June 2013 although product mix reduced the impact to a 0.7% decrease in leasing revenue.

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 and the single low margin sales contract resulted in the overall lower margin for the year of 45.7% compared to 48.0% last year. Excluding that single low margin sale the margin would have been 51.2%.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Directors' Report (continued)
30 June 2014

Review of operations (continued)

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 increased by \$4.8 million during FY2014 to \$34.2 million from \$29.4 million during FY2013.

There was an increase of \$2.3 million in employee benefits expense during FY2014. This included the annual wage increase in July 2013, the increase in the LTI expenses through new grants to key management personnel in November 2013 with the full year impact of the FY2013 grant, and the increase in headcount this year. Headcount increased from 263 at 30 June 2013 to 275 at 30 June 2014, of which 8 were from acquisitions and new branches.

Unrealised exchange loss / (gain) on forward contracts accounted for \$1.2 million of the increase as we moved from a gain in FY2013 of \$0.6 million to a loss of \$0.6 million in FY2014. Royal Wolf has adopted the revised hedging rules that were issued in December 2013 under IFRS9 and the fair value of forward contracts will in future be recognised through a hedging reserve rather than through the income statement.

In addition there was an increase in our doubtful debt expense of \$0.8 million in the year as the economic uncertainty resulted in more companies entering difficulty.

Earnings at the Trading EBITDA level for the year increased by 11.7% to \$46.7 million when compared to last year.

Depreciation and amortisation combined was \$17.2 million up 14.4% from \$15.1 million due to the compound effect of current and previous year's asset purchases particularly focused in the higher depreciating portable buildings sector.

Earnings Before Interest and Tax increased 5.7% from \$27.3 million to \$28.9 million year on year.

Financing costs of \$6.8 million include a \$0.2 million mark to market fair value loss on interest rate swaps which represented the ineffective portion of the hedge at 30 June 2014. \$6.6 million was the actual interest cash outflow.

Underlying NPAT of \$19.0 million is \$1.8 million ahead of FY 2013 representing an increase of 10.8%.

Net cash flow before financing activities for the period was a negative \$0.5 million (FY2013 positive \$6.5 million) comprising cash flow from operating activities of \$36.8 million (FY2013 \$42.9 million) and cash used in investing activities of \$37.3 million (FY2012 \$36.4 million).

Capital expenditure has increased slightly to \$37.1 million (\$36.4 million in FY2013) and inventories have decreased to \$12.1 million, down from \$16.2 million at June 2013.

Financial gearing at the end of the period was 42% (2013: 40%) on a net debt to net debt plus equity basis reflecting the capital expenditure on containers to facilitate future growth.

Review of operations (continued)

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 82.4% which was ahead of last year. Units on lease at year end increased from 30,862 to 33,220, versus lease fleet of 40,378 as at 30 June 2014. Closing utilisation at 82.3% was a 3.5% point improvement on 30 June 2013 utilisation of 78.8%.

As a key aspect of its overall growth strategy, Royal Wolf has focused on the expansion of its container fleet, both in terms of size and product range. The growth in scale and breadth of Royal Wolf's container fleet has enabled it to market a wider range of products to both new and existing customers, and gain access to new or target end markets, which has supported increased earnings and cash flows.

In conjunction with its lease fleet expansion, developing its product offering has also been a focus for Royal Wolf. Royal Wolf's product offering increased from 44 individual product types in 2005, 94 product types at IPO in May 2011 to 103 in FY2014 to capitalise on growth opportunities and market expansion.

Royal Wolf believes that the combination of expanding its lease fleet and increasing the breadth of product offering and accessories are complementary strategies which have enabled Royal Wolf to increase leasing revenue, expand its customer base and maintain its position as a market leader.

Network Expansion

Royal Wolf has grown from operating 23 Customer Service Centres as of 30 June 2005 to 28 at June 2014 across Australia and New Zealand. Our agent network has increased from 48 at June 2013 to 59 at 30 June 2014.

Royal Wolf believes it has the largest distribution network in Australia and New Zealand in its industry and intends to continue to further expand its Customer Service Centres into new markets across the region.

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

Within the year Royal Wolf opened new premises at its Melbourne Customer Service Centre, successfully implemented new branding and increased the emphasis upon diversification for growth by committing resources to the portable buildings area.

Acquisitions

Since 2005, Royal Wolf has undertaken 18 acquisitions (six since May 2012), which has expanded its lease fleet, geographic footprint, realised synergies and provided access to new customers.

Further, Royal Wolf believes its acquisition strategy has been fundamental in growing size and quality of fleet, expanding distribution channels and diversifying customer base.

Historically, Royal Wolf has focused on relatively small to medium size acquisitions, and believes it will continue to remain the logical consolidator in a highly fragmented industry.

Review of operations (continued)

End market exposure

A key aspect to Royal Wolf's resilient financial performance over the last three years has been the diverse end market exposure of its operations. In FY2014, Royal Wolf serviced approximately 21,000 large and small customers across 19 different industries and from 28 Customer Service Centres across diverse geographies.

Its largest customer, the single large transaction in the freight sector, accounted for 7% of total revenue and the top 50 customers accounted for around 50% of total revenue.

The diverse exposure has assisted Royal Wolf to mitigate the risk and volatility of its earnings profile. Royal Wolf believes it has demonstrated the ability to focus on expanding its product offering to high growth and attractive end markets depending on market conditions and outlook over time. Royal Wolf believes it is well positioned to maintain its diverse end market exposure, and also leverage high growth sectors.

Foreign exchange rates

Royal Wolf is exposed to exchange rate movements and, in particular, movements in the AUD/USD rate and the AUD/NZD rate. Royal Wolf is subject to AUD/USD exchange rate fluctuations as it sources a substantial portion of its container fleet from China. These purchases are US dollar denominated. Furthermore, many Australian and New Zealand container suppliers also require US dollar denominated payments. The company has early adopted AASB 9 *Financial Instruments* effective from 1 January 2014 which transfers the effective portion of the fair value of the hedges from being recorded through profit or loss to cash flow hedging reserve through equity in the balance sheet. The adoption of AASB 9 does not fully eliminate amounts recorded through profit or loss as the ineffective portion of the hedges will continue to be recognised there.

Outlook

Royal Wolf has grown its existing business segments through innovation and meeting specific customer needs while also developing into new business segments such as building solutions for the capital city building and construction industries and accommodation solutions for the infrastructure, resources, oil and gas and government sectors.

During the year Royal Wolf announced that it had agreed new employment arrangements with its Chief Executive Officer and Managing Director, Mr Robert Allan who confirmed his ongoing commitment to the Royal Wolf Group by entering into a new 3 year employment contract.

Royal Wolf also completed the refinancing of its bank debt facilities with a new \$175 million senior, secured, multi-option debt facility. The new facility is structured with a common terms deed and bilateral bank debt facilities provided by ANZ Banking Corporation and Commonwealth Bank.

To support the pop up retail industry and the events industry Royal Wolf has introduced a shop or kiosk style container design. At 30 June 2014, thirty of these units were on lease across Australia and New Zealand.

Our broad range of geographies, products and industry sectors, continuing product innovation and our long track record of customer relationships auger well for our growth plans and give us confidence that, subject to no unforeseen deterioration in market conditions, we will deliver year on year growth.

Significant changes in the state of affairs

Business acquisitions

On 10 September 2013 Royal Wolf acquired the assets and business of Intermodal Solutions Pty Ltd, Kookaburra Containers Pty Ltd, Kookaburra Containers WA Pty Ltd, Kookaburra Containers Victoria Pty Ltd, Pack and Secure Pty Ltd and Intermodal Solutions Holdings Pty Ltd operating throughout Australia for consideration of \$5.8 million. Intermodal Containers had a fleet of around 300 specifically intermodal freight containers and Kookaburra Containers had a fleet of around 580 portable storage hire containers.

On 31 October 2013 Royal Wolf acquired the assets and business of DBCS Containers Limited in the Auckland region of New Zealand for consideration of NZ\$0.4 million. DBCS Containers had a fleet of around 100 portable storage hire containers.

Financing arrangements

On 8 May 2014 Royal Wolf completed the refinancing of its bank debt facilities with a new \$175 million senior, secured, multi-option debt facility. The new facility is structured with a common terms deed and bilateral bank debt facilities provided by ANZ Banking Corporation and Commonwealth Bank. The main features of the new facilities are:

- Introduction of the five year tranche in addition to the new three year tranche;
- Change in the calculation of the leverage and interest cover covenants from a gross debt/interest basis to a net debt/interest basis;
- Greater flexibility with a leverage covenant relaxing from 2.75 times to 3 times; and
- Pricing on the new three year tranche is 0.45% p.a. lower than the existing facility.

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

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (Continued)**

Matters subsequent to the end of the financial year

On 12 August 2014 the directors have declared the payment of a final unfranked ordinary dividend of \$5,521,288 (5.5 cents per fully paid share) to be paid on 3 October 2014.

No other matters or circumstances have arisen since 30 June 2014 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.

Information on directors

P Housden BCom (Hons), FCPA, FAICD *Chair Independent Non Executive. Age 67*

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, Calibre Group Limited, and Alliance Aviation Services Ltd and Chairman of the Audit & Risk Committee for Sydney Trains (NSW Government). He has been an independent member of the Audit & Risk Committee for Housing NSW. He has previously served as a director of ASX listed companies Clean Seas Tuna, iSoft Group, Sino Gold Mining, DataDot Technology and Kaz Group. 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

30,000 ordinary shares held through Pepadaan Superannuation Fund.

Special responsibilities

Chair of the Board

Member of audit, risk and compliance committee

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)

Information on directors (continued)

D W Corsie MBA IMD, BEng (Civil) Independent Non Executive Director. Age 67

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

21,858 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 70

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. He is Chairman of Wallenius Wilhelmsen Logistics Oceania, Chairman of Wilh Wilhelmsen Investments, Chairman of Wilh Wilhelmsen Oceania, Chairman of the Australian National Maritime Museum, and a non-executive director of Qube Logistics Holdings Limited. He is a Fellow of the Australian Institute of Company Directors.

Interests in shares and options in Royal Wolf

46,858 ordinary shares through Tarn Nominees Pty Limited.

Special responsibilities

Chair of nomination and remuneration committee

Member of audit, risk and compliance committee

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)**

Information on directors (continued)

R F Valenta *Non-Executive Director. Age 55*

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 2014 he was appointed Executive Chairman of the board of General Finance Corporation. He has over 25 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 50% of Royal Wolf's ordinary shares.

Special responsibilities

Member of nomination and remuneration committee

R G Allan *Executive Director. Age 58*

Experience, expertise and directorships

R G Allan has been CEO of Royal Wolf since February 2006. He has over 33 years' experience in the container leasing and logistics industry in Australia. Prior to joining Royal Wolf in 2004, he was the Group General Manager of IPS Logistics Pty Ltd from 2000 to 2004 and a Regional Director of Triton International from 1997 to 2000. In his capacity as CEO of Royal Wolf, he has overseen the implementation of the portable buildings product line, introduced 50 new products and doubled the size of the distribution network. He holds a Transport Administration Certificate and is a Member of the Australian Institute of Company Directors.

Interests in shares and options in Royal Wolf

5,000 ordinary shares

130,000 ordinary shares through MNR Superannuation Fund

2,366 ordinary shares held by spouse

9,278 ordinary shares held by spouse's relatives

Special responsibilities

Chief Executive Officer

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 2014
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 2014, 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	8	8	-	-	4	4	-	-
D W Corsie	7	8	-	-	4	4	6	7
P A Dexter	7	8	-	-	4	4	7	7
R F Valenta	7	8	-	-	-	-	7	7
R G Allan	8	8	*	*	-	-	-	-

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 2014
Directors' Report (continued)
Remuneration report

This remuneration report for the year ended 30 June 2014 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 2013 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

Name	Position
<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
R G Allan	Executive director & Chief Executive Officer
<i>Other key management personnel (KMP)</i>	
G B Baker	Chief Financial Officer & Company Secretary
A I McLaughlin	Executive General Manager, Sales & Marketing
B R Buddo	Executive General Manager, Operations
G K Horley	Executive General Manager, West
S Cavarra	Executive General Manager, South/Central
D P Creighton	Executive General Manager, New Zealand
N R Littlewood	Executive General Manager, North/East
P J Breen	Executive General Manager, Buildings

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

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 \$11,440 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	133,900
Other-non executive directors	75,423
b. Additional fees for Committee Chairs	
Audit, risk and compliance	8,000
Human resource and remuneration	8,000

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

c. Long-term incentives (LTI)

The Board has adopted the following broad LTI plan design:

Design Component	Description
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
Tranches	<ul style="list-style-type: none"> • 50% relative Total Shareholder Return (TSR) • 50% EBITDA subject to a threshold ratio EBITDA/Average Total Tangible Assets.
Total Shareholder Return	Company TSR is compared against a comparator group of Industrial companies who at 30th June prior to the date of Offer were in the ASX 200-300 companies' bracket. This is seen as an appropriate grouping of listed companies with similar market capitalisation. TSR measures the growth in the price of Royal Wolf shares plus the dividends notionally reinvested. The relative hurdle used is calculated over a 10 day consecutive trading period up to 30 June in the year before and last year of the Measurement Period. This measure rewards above median relative performance up to 75%. TSR was chosen as it is a well-respected and understood measure of shareholder value.
EBITDA/Average Total Tangible Assets (ATTA)	The first aspect of the measure is whether the Company achieved an EBITDA in the third financial year of the Measurement Period (from the statutory accounts) over a threshold agreed by the Board, which then increases rewards pro rata on a straight line basis up to a stretch EBITDA. The threshold and stretch EBITDA's will be calculated using the audited results for the year immediately prior to the year of offer as the base and applying compound annual growth rates respectively for the Measurement Period. The rates applicable to the growth of EBITDA are: for the achievement of the threshold, 5% p.a. compound and for achievement of 100% of the award, 10% p.a. compound. Even if the EBITDA targets are met, the Company must also have achieved a minimum EBITDA/ATTA ratio (the Gate) of 15% in each of the three financial years of the Measurement Period. The EBITDA aspect of the measure was chosen because of its usage within the global industry. It is a mix of economic value added concepts and return on capital. The Gate ensures that there is an acceptable return on capital employed in each year of the Measurement Period. In the event that circumstances that prevailed during the Measurement Period were different to those anticipated when the grant was made, the Board has discretion to alter the level of vesting that would have otherwise occurred.
Performance Hurdles	The TSR and EBITDA/ATTA measures adopt the following targets as performance hurdles and applies percentage vesting as follows: <ul style="list-style-type: none"> • threshold – 50%; • stretch – 100%; • pro-rata vesting on a straight line basis between 50% and 100%.
Eligibility	The LTI Plan will only be offered to employed key management personnel, but the Board reserves the right to extend the Plan to other strategic executive roles in the future.
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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

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

Design Component	Description
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).
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 2012.

	2014	2013	2012
Profit for the year attributable to owners of Royal Wolf Holdings Limited (\$'000)	15,943	14,717	11,626
Basic earnings per share (cents)	15.9	14.7	11.6
Dividend payments (\$'000)	10,039	9,035	3,514
Dividend payout ratio (%)	63.0	61.4	30.2
Increase/ (Decrease) in share price (%)	27.6%	29.7%	2.9%
Total KMP incentives as a percentage of EBITDA for the year	3.2	2.0	1.2

The dividend payout ratio is calculated based on dividend payment divided by profit for the year.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

7. Voting and comments made at the company's 2013 Annual General Meeting

Royal Wolf Holdings Limited received more than 90% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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

2014	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	133,900	-	-	-	-	-	-	133,900
D W Corsie	75,423	-	-	6,977	-	-	-	82,400
P A Dexter	75,423	-	-	6,977	-	-	-	82,400
R F Valenta	-	-	-	-	-	-	-	-
Sub-total non-executive directors	284,746	-	-	13,954	-	-	-	298,700
Executive directors								
R G Allan	510,040	180,000	-	24,960	19,896	-	401,096	1,135,992
Other key management personnel								
G B Baker	280,020	80,000	-	24,980	34,535	-	156,989	576,524
A I McLaughlin	233,894	70,000	-	22,943	3,150	-	72,477	402,464
G K Horley	202,840	35,000	-	17,766	5,160	-	72,477	333,243
B R Buddo	193,660	35,000	-	20,874	6,948	-	72,477	328,959
S Cavarra	210,819	35,000	-	19,282	14,316	-	47,817	327,234
D P Creighton*	196,809	32,645	-	-	-	-	47,817	277,271
N R Littlewood	205,950	35,000	-	19,050	1,505	-	19,467	280,972
P J Breen	228,833	70,000	-	21,167	-	-	19,467	339,467
Total key management personnel compensation (Group)	2,547,611	572,645	-	184,976	85,510	-	910,084	4,300,826

*D P Creighton's remuneration information has been converted from New Zealand dollars to Australian dollars using an exchange rate of \$0.9327

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

Key management personnel & other executives of the Group

2013	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	130,000	-	-	-	-	-	-	130,000
D W Corsie	73,395	-	-	6,605	-	-	-	80,000
P A Dexter	73,395	-	-	6,605	-	-	-	80,000
R F Valenta	-	-	-	-	-	-	-	-
Sub-total non-executive directors	276,790	-	-	13,210	-	-	-	290,000
Executive directors								
R G Allan	476,500	160,000	-	24,960	22,179	-	201,198	884,837
Other key management personnel								
G B Baker	263,016	76,000	-	23,671	16,670	-	93,039	472,396
A I McLaughlin	211,224	35,000	-	20,179	-	-	43,560	309,963
G K Horley	213,194	35,000	-	18,908	2,522	-	43,560	313,184
B R Buddo	187,892	35,000	-	18,274	3,422	-	43,560	288,148
S Cavarra	167,185	35,000	-	16,545	7,194	-	18,900	244,824
D P Creighton	141,411	29,656	-	-	-	-	18,900	189,967
N R Littlewood	67,193	-	-	6,047	-	-	-	73,240
P J Breen	19,113	-	-	1,720	-	-	-	20,833
Total key management personnel compensation (Group)	2,023,518	405,656	-	143,514	51,987	-	462,717	3,087,392

*D P Creighton's remuneration information has been converted from New Zealand dollars to Australian dollars using an exchange rate of 0.8473.

**N R Littlewood was appointed on 3 March 2013 and his remuneration as disclosed above is from that date to 30 June 2013 and P J Breen was appointed 28 May 2013 and his remuneration as disclosed is from that date to 30 June 2013.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

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

	2014			2013		
	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
Executive directors						
R G Allan	49%	16%	35%	59%	18%	23%
Other key management personnel						
G B Baker	59%	14%	27%	64%	16%	20%
A I McLaughlin	65%	17%	18%	75%	11%	14%
G K Horley	68%	11%	21%	75%	11%	14%
B R Buddo	67%	11%	22%	73%	12%	15%
S Cavarra	75%	11%	14%	78%	14%	8%
D P Creighton	71%	12%	17%	74%	16%	10%
N R Littlewood	81%	12%	7%	100%	-	-
P J Breen	74%	21%	5%	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

R G Allan has agreed to a new contract effective from 1 July 2013 (subject to either party's right to terminate on 6 months' notice), which will expire on 30 June 2016. A summary of the arrangements are as follows:

Fixed Remuneration

The new arrangements provide for fixed remuneration of \$535,000 which includes superannuation and any salary sacrifice items. This will increase by 5% for each year from 1 July 2014.

Short Term Incentive

Mr Allan is eligible for a discretionary short term incentive (STI) allocation each year. The target STI opportunity for each year is 25% of Mr Allan's fixed remuneration. The actual STI outcome will depend upon Royal Wolf and Mr Allan's performance during the year.

Long Term Incentive

Mr Allan is eligible for a discretionary long term incentive (LTI) award in accordance with the terms of the Royal Wolf Long Term Incentive Plan Rules.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

Special Incentive

Mr Allan will be entitled to an incentive of \$300,000, which will vest in three equal tranches on 1 July 2016, 2017 and 2018, respectively, subject to Mr Allan not having resigned, been summarily dismissed and complying with any post termination restraint provisions (which apply for 2 years post the cessation of his employment). Subject to the approval of Royal Wolf's shareholders at the 2014 AGM, Mr Allan's special incentive will be converted into the form of 106,112 performance rights.

Termination

Mr Allan will forfeit any unvested incentives if his employment is terminated summarily. In all other circumstances, on cessation of Mr Allan's employment, he will continue to remain entitled to any unvested incentives subject to their terms of grant; however, any STI or LTI for an incomplete employment period will be pro-rated. If Royal Wolf terminates Mr Allan's employment, other than summarily, Mr Allan retires or on the expiry of the 3 year term, Mr Allan is entitled to a further payment of 12 months' average base salary.

Restraint provisions

Mr Allan will be subject to provisions which prevent him from competing with 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.

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 \$305,000 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 executives' base package which includes superannuation and other salary packaged benefits are summarised in the table below:

Name	\$
A I McLaughlin	250,000
G K Horley	225,000
B R Buddo	210,000
S Cavarra	225,000
D P Creighton	193,200
N R Littlewood	225,000
P J Breen	250,000

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
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 \$	Performance achieved	% Vested
November 2011				
TSR	1 July 2011 – 30 June 2014	1.88	86.1 percentile	100%
EBITDA		1.88	\$46.1m vs stretch target of \$44.1m	100%

The Board has determined subsequent to the end of the financial year that all of the November 2011 performance rights granted in the 2012 financial year have vested.

Grant date	Measurement Period	Right value per unit \$ TSR	Right value per unit \$ EBITDA	Performance achieved	% Vested
November 2012	1 July 2012 – 30 June 2015	1.62	2.16	To be determined	n/a
November 2013	1 July 2013 – 30 June 2016	2.26	3.11	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.

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

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

Name	FY of grant	Year of vesting	Number granted	Value at grant date	Number vested during the year	Vested %	Number forfeited during the year	Value at date of forfeiture	Forfeited %
R G Allan	2014	2016	226,000	606,810	-	-	-	-	-
	2013	2015	204,000	385,560	-	-	-	-	-
	2012	2014	170,000	279,106	-	-	-	-	-
G B Baker	2014	2016	65,000	174,525	-	-	-	-	-
	2013	2015	86,000	162,540	-	-	-	-	-
	2012	2014	85,000	139,554	-	-	-	-	-
G K Horley	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
	2012	2014	40,000	65,672	-	-	-	-	-
A I McLaughlin	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
	2012	2014	40,000	65,672	-	-	-	-	-
B R Buddo	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
	2012	2014	40,000	65,672	-	-	-	-	-
S Cavarra	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
D P Creighton	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
N R Littlewood	2014	2016	29,000	77,865	-	-	-	-	-
P J Breen	2014	2016	29,000	77,865	-	-	-	-	-
Total			1,359,000						

(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 and 2014 financial years.

(c) GFN Stock Incentive Plan

Prior to listing on the ASX on 31 May 2011, certain Royal Wolf employees including R G Allan, G B Baker, A I McLaughlin, G K Horley, B R Buddo, S Cavarra and D P Creighton had been issued options in GFN as a result of the historical ownership structure. As a result of this, currently there are 294,900 options granted to Royal Wolf employees under GFN's Stock Incentive Plan of which 144,000 are time based and 150,900 are performance based, including 123,000 options granted to R G Allan; 30,200 options granted to G B Baker; 11,400 options granted to A I McLaughlin; 17,400 options granted to G K Horley and B R Buddo; 6,000 options granted to S Cavarra and 3,000 options granted to D P Creighton. The contractual term of the options is 10 years from the date of grant. Of the outstanding options at June 30, 2014, 180,500 were granted on January 22, 2008, 19,000 were granted on July 23, 2008, 2,000 granted on January 27, 2009 and 87,400 granted on 15 September 2010. Royal Wolf has utilised the Black-Scholes model to calculate the effect of these share options.

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

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

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

2014 Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
R G Allan							
- Rights	374,000	226,000	-	-	600,000	-	600,000
- GFN options	123,000	-	-	-	123,000	85,000	38,000
G B Baker							
- Rights	171,000	65,000	-	-	236,000	-	236,000
- GFN options	30,200	-	-	-	30,200	15,000	15,200
G K Horley							
- Rights	80,000	29,000	-	-	109,000	-	109,000
- GFN options	17,400	-	-	-	17,400	6,000	11,400
A I McLaughlin							
- Rights	80,000	29,000	-	-	109,000	-	109,000
- GFN options	11,400	-	-	-	11,400	-	11,400
B R Buddo							
- Rights	80,000	29,000	-	-	109,000	-	109,000
- GFN options	17,400	-	-	-	17,400	6,000	11,400
S Cavarra							
- Rights	40,000	29,000	-	-	69,000	-	69,000
- GFN options	6,000	-	-	-	6,000	6,000	-
D P Creighton							
- Rights	40,000	29,000	-	-	69,000	-	69,000
- GFN options	3,000	-	-	-	3,000	3,000	-
N R Littlewood							
- Rights	-	29,000	-	-	29,000	-	29,000
P J Breen							
- Rights	-	29,000	-	-	29,000	-	29,000

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)
Remuneration report (continued)

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

(b) Shareholdings including granted under employee share scheme plan

2014 Name	Balance at the start of the year	Granted as compensation	Exercised/Disposed	Acquired/Other changes	Balance at the end of the year
R G Allan	128,918	277	-	16,729	146,644
G B Baker	44,416	277	-	-	44,693
G K Horley	-	277	-	-	277
A I McLaughlin	24,497	277	(3,700)	-	21,074
B R Buddo	20,432	277	(5,000)	-	15,709
S Cavarra	22,739	277	-	-	23,016
D P Creighton	432	277	-	-	709
N R Littlewood	-	-	-	-	-
P J Breen	-	-	-	-	-

12. Loans to key management personnel

There were no loans provided to the key management personnel during the financial year ended 30 June 2014 and no amounts are due for the year then ended.

13. Other transactions with key management personnel

Royal Wolf paid \$30,000 as sponsorship of Parramatta Rugby Union Football Club of which G B Baker is a director.

R G Allan hired a container asset under normal hire terms and conditions at arms-length for a monthly hire amount of \$180 including GST.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (continued)

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:

	Consolidated	
	2014	2013
	\$000	\$000
Auditor's remuneration		
Crowe Horwath, Sydney		
Audit or review	238	236
Total remuneration for audit or review services	238	236
Non- audit services		
Taxation services		
Crowe Horwath, Sydney		
Tax return and tax compliance, tax governance	-	16
WHK Auckland		
Tax return and compliance	-	6
Total remuneration for non-audit services	-	22

**Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Financial Statements for the Year Ended 30 June 2014
Directors' Report (Continued)**

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 30.

Rounding of amounts

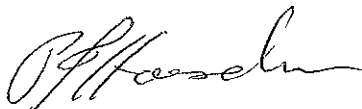
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

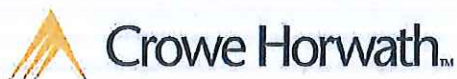
Crowe Horwath Sydney continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors

P Housden Director



Dated this 12 day of August 2014



Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International
Level 15 1 O'Connell Street
Sydney NSW 2000 Australia
Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

12 August 2014

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 2014, 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

CROWE HORWATH SYDNEY

John Haydon

JOHN HAYDON
Partner

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Annual Financial Report
30 June 2014

Contents

	Page
Financial Statements	
Consolidated Income Statement	32
Consolidated Statement of Comprehensive Income	33
Consolidated Balance Sheet	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cash Flows	37
Notes to Consolidated Financial Statements	40
Director's Declaration	106
Independent Auditor's Report	107

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 202, 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 10 of the directors' report.

The financial statements were authorised for issue by the directors on 12 August 2014. 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Income Statement
For the year ended 30 June 2014

		Consolidated Group	
	Note	30 June 2014	30 June 2013
		\$'000	\$'000
Revenue from continuing operations			
Container lease revenue	5	80,614	72,186
Container sales revenue	5	95,081	77,199
Total revenue		175,695	149,385
Cost of sales		(95,437)	(77,643)
Other income	5	43	139
Foreign exchange (losses)/gains	5	(1,053)	784
Employee benefits expense	5	(24,029)	(21,772)
Business promotion		(1,697)	(2,073)
Travel and accommodation		(967)	(876)
Professional expenses		(2,522)	(2,556)
IT and telecommunications		(1,125)	(949)
Other expenses		(2,810)	(2,077)
Profit before interest, tax, depreciation and amortisation		46,098	42,362
Depreciation expense	5	(13,428)	(10,696)
Profit before interest, tax and amortisation		32,670	31,666
Amortisation expense	5	(3,794)	(4,353)
Profit before interest and tax (EBIT)		28,876	27,313
Financing costs	5	(6,805)	(6,023)
Profit before tax		22,071	21,290
Income tax benefit/(expense)	6	(6,128)	(6,573)
Profit after tax (NPAT)		15,943	14,717
Profit from continuing operations		15,943	14,717
Profit attributable to:			
Owners of Royal Wolf Holdings Limited		15,943	14,717
		15,943	14,717
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Group			
Basic earnings per share (cents)	31	15.9	14.7
Diluted earnings per share (cents)	31	15.9	14.7

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 2014

	Consolidated Group	
Note	30 June 2014 \$'000	30 June 2013 \$'000
Profit for the year	15,943	14,717
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Changes in fair value of cash flow hedges, net of tax	(203)	34
Exchange differences on translation of foreign operations	1,884	1,133
Total comprehensive income for the period, net of tax	<u>1,681</u>	<u>1,167</u>
Total comprehensive income for the year	<u>17,624</u>	<u>15,884</u>
Total comprehensive income for the year is attributable to:		
Owners of Royal Wolf Holdings Limited	<u>17,624</u>	<u>15,884</u>
	<u>17,624</u>	<u>15,884</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 2014

		Consolidated Group	
	Note	30 June 2014 \$'000	30 June 2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	6,071	2,247
Trade and other receivables	9	25,699	22,060
Inventories	10	12,071	16,237
Derivative financial instruments	15	-	780
Total current assets		43,841	41,324
Non-current assets			
Trade and other receivables	9	306	244
Property, plant and equipment	11	10,467	9,567
Container for hire fleet	12	198,305	173,353
Intangible assets	13	57,663	59,575
Total non-current assets		266,741	242,739
Total assets		310,582	284,063
Liabilities			
Current liabilities			
Trade and other payables	14	19,611	23,412
Derivative financial instruments	15	244	-
Current tax liability	17	1,036	543
Borrowings	16	43	1,602
Employee benefits	18	2,579	2,128
Total current liabilities		23,513	27,685
Non-current liabilities			
Derivative financial instruments	15	1,626	1,323
Borrowings	16	117,163	98,456
Deferred tax liabilities	17	16,264	12,059
Employee benefits	18	537	521
Provisions	19	53	53
Total non-current liabilities		135,643	112,412
Total liabilities		159,156	140,097
Net assets		151,426	143,966
Equity			
Contributed equity	20	141,383	142,440
Retained earnings	20	4,398	(1,506)
Reserves	20	5,645	3,032
Total equity		151,426	143,966

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 2014

	Note	Contributed Equity	Retained Earnings/ (Accumulated Losses)	Reserves	Total Equity
		\$'000	\$'000	\$'000	\$'000
Consolidated Group					
Balance at 1 July 2012		142,848	(7,188)	1,297	136,957
Profit for the year		-	14,717	-	14,717
Other comprehensive income		-	-	1,167	1,167
Total comprehensive income for the year		-	14,717	1,167	15,884
Transactions with owners in their capacity as owners					
Dividends paid		-	(9,035)	-	(9,035)
Treasury shares		(408)	-	-	(408)
Employee share options – value of employee services		-	-	568	568
Balance at 30 June 2013		142,440	(1,506)	3,032	143,966
Profit for the year		-	15,943	-	15,943
Other comprehensive income		-	-	1,681	1,681
Total comprehensive income for the year		-	15,943	1,681	17,624
Transactions with owners in their capacity as owners					
Dividends paid		-	(10,039)	-	(10,039)
Treasury shares		(1,057)	-	-	(1,057)
Employee share options – value of employee services		-	-	932	932
Balance at 30 June 2014		141,383	4,398	5,645	151,426

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 2014

	Note	Consolidated Group	
		30 June 2014 \$'000	30 June 2013 \$'000
Cash flows from operating activities			
Receipts from customers		188,067	173,203
Payments to suppliers and employees		(142,915)	(123,108)
Interest paid		(6,731)	(6,129)
Income taxes paid		(1,579)	(1,039)
Net cash provided by operating activities	28	<u>36,842</u>	<u>42,927</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		96	176
Interest received		55	53
Purchase of intangible assets		(234)	(214)
Purchase of property, plant and equipment		(2,635)	(3,453)
Purchase of container hire fleet		(28,941)	(26,400)
Purchase of business, net of cash acquired		(5,595)	(6,518)
Net cash (used in) investing activities		<u>(37,254)</u>	<u>(36,356)</u>
Cash flows from financing activities			
Payment of finance lease and other liabilities		(78)	(283)
Proceeds from borrowings		147,007	10,770
Payment of borrowings		(129,912)	(4,965)
Dividends paid		(10,039)	(9,035)
Purchase of treasury shares		(1,057)	(408)
Net cash provided by/(used) in financing activities		<u>5,921</u>	<u>(3,921)</u>
Net increase in cash and cash equivalents		5,509	2,650
Cash and cash equivalents at beginning of the financial year		2,247	637
Effect of exchange rate on cash and cash equivalents		(1,685)	(1,040)
Cash and cash equivalents at the end of the year	8	<u>6,071</u>	<u>2,247</u>

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 2014

Note 1: 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).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivative instruments) measured at fair value.

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 2014 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Note 1: Summary of Significant Accounting Policies

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 or revenue 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 income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Note 1: Summary of Significant Accounting Policies (continued)

d. Income Tax (continued)

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. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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.

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.

Note 1: Statement of Significant Accounting Policies (continued)

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 remeasurement are recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine the fair value.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Note 1: 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. For depreciation rates, estimated useful lives and residual values see below. In the opinion of management, estimated residual values do not cause carrying values to exceed net realisable value.

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

Class of Fixed Asset	Depreciation Rate
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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 1: 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

(a) Prior to 1 July 2013

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at fair value through profit or loss in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at the fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification depends on the purpose for which the investment was required. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting date.

Note 1: Statement of Significant Accounting Policies (continued)

i. Financial Instruments (continued)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(iii) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(iv) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 15. Movements in the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Note 1: Statement of Significant Accounting Policies (continued)

i. Financial Instruments (continued)

(v) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. A gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other comprehensive income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(vi) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(vii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets 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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(viii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

i. Financial Instruments (continued)

(b) Measurement, classification, reclassification and impairment – from 1 July 2013

Early adoption of standards

The group has elected to apply AASB 9 *Financial Instruments* as issued in December 2010 and amended by AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* from 1 July 2013, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions in AASB 2012-6, comparative figures have not been restated. See note 32 below for further details on the impact of the change in accounting policy.

The group has also adopted the revised hedging rules that were issued in December 2013 (AASB 2013- 9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*) from 1 January 2014.

As from 1 July 2013 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 1: 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 1(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 1: 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 6 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 vary from 1 to 5 years.

Trademark

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

Note 1: Statement of Significant Accounting Policies (continued)

I. Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave 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. The liability for accumulating sick leave is recognised in the provision for employee benefits. 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 expected 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 government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurement 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 a Black-Scholes option pricing model (2012) and the Monte Carlo and Binomial Tree method (2013-2014) 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.

Note 1: 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.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

Note 1: 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 fixed based on invoiced amounts and is recognised on the income statement (net of returns, discounts and allowances) when the significant risks and rewards of ownership have been transferred to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time the goods are delivered to or retrieved by the customer. This is also at which point the invoice is raised and the customer has accepted the goods. No revenue is recognised if there is significant uncertainties regarding recovery of the consideration due, the cost incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Note 1: Statement of Significant Accounting Policies (continued)

q. Revenue and Other Income (continued)

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. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the cost incurred or to be incurred cannot be measured reliably, or there is continuing management involvement with the goods.

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).

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

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.

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. Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy.

Note 1: Statement of Significant Accounting Policies (continued)

y. 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.

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.

z. Rounding of amounts

The Group is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts on the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, dollar.

Note 1: Statement of Significant Accounting Policies (continued)

aa. 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 13 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 2014 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 \$932,000 (2013: \$568,000).

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 \$1,688,000 (2013: \$1,152,000) 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 2014 was \$6,000 (2013: \$nil).

ab. Parent Entity Financial Information

The financial information for the parent entity, Royal Wolf Holdings Limited, disclosed in note 4 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.

Note 1: Statement of Significant Accounting Policies (continued)

ab. Parent Entity Financial Information (continued)

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 compensated by 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 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 2014

Note 1: Statement of Significant Accounting Policies (continued)

ac. New Accounting Standards for Application in Future Periods

The group has applied the following standards and amendments relating to recognition and measurement for first time for their annual reporting period commencing 1 July 2013, disclosure standards are not listed.

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*, and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 9 *Financial Instruments* from 1 July 2013 and the new hedging rules released in December 2013 the group applied those from 1 January 2014.

The adoption of AASB 11, AASB 13, AASB 119 and AASB 9 resulted in changes in accounting policies with no adjustments required to be made to the financial statements as they were immaterial.

The hedging instruments (forward contracts) entered prior to 1 January 2014 continue to be recognised under the old rules at 30 June 2014 with mark to market values recognised entirely through profit or loss. For the hedging instruments entered after 1 January 2014 the effective portion of the hedges are recognised through reserves and the ineffective portion through profit or loss after the following assessments are made:

- an economic relationship continues to exist between the hedged item and hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

These are explained and summarised in note 32 below.

Note 1: Statement of Significant Accounting Policies (continued)

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 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 and beta analysis in respect of investment portfolios to determine market 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 2014

2. Financial risk management (continued)

Since GFN became the ultimate parent company in 2007, the company has engaged independent risk consultants to assist in ensuring compliance with Sarbanes-Oxley requirements. This involves quarterly systematic monitoring of procedures, internal control activities and reporting.

Effective from 1 January 2014, the company started to apply the hedge accounting rules under AASB 9 in respect of its foreign exchange financial instruments.

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	
		2014	2013
Financial assets		\$'000	\$'000
Cash and cash equivalents	8	6,071	2,247
Trade receivables	9	23,053	19,491
Lease receivables	9	486	357
Derivative financial instruments	15	-	780
		<hr/> 29,610	<hr/> 22,875
Financial liabilities			
Trade payables	14	7,413	7,806
Derivative financial instruments	15	1,870	1,323
Overdraft facility	16	-	686
Other loans	16	43	121
Borrowings	16	117,163	99,251
		<hr/> 126,489	<hr/> 109,187

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

2. Financial risk management (continued)

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 2014 and 2013 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 2014 approximately 42 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 will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Weighted average interest		Consolidated Group	
	2014	2013	2014	2013
			\$'000	\$'000
Floating rate instruments				
Overdraft facility	n/a	4.37%	-	686
Bank loans (unhedged)	4.26%	4.37%	67,163	49,251
Other loans	Nil	Nil	43	121
			<u>67,206</u>	<u>50,058</u>

Interest rate swaps and options

The details of loans interest rate swaps and options at 30 June 2014 are as follows:

	2014		2013	
	Notional Amount \$'000	Fixed rate/ Strike Rate %	Notional Amount \$'000	Fixed rate/ Strike Rate %
Swap no.5376392	<u>50,000</u>	3.98	<u>50,000</u>	3.98
Total	<u>50,000</u>		<u>50,000</u>	

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

2. Financial risk management (continued)

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.

Financing arrangements

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

	2014	2013
	\$'000	\$'000
Floating rate		
Expiring within one year (bank overdraft)	-	314
Expiring beyond one year (bank loans)	57,837	21,789
	<u>57,837</u>	<u>22,103</u>

Maturities of financial liabilities

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

- (a) all non-derivative financial liabilities, and
- (b) 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 2014

2. Financial risk management (continued)

	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
Contractual maturities of financial liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2014							
Non-derivatives							
Trade payables	7,413	-	-	-	-	-	7,413
Bank overdraft	-	-	-	-	-	-	-
Borrowings	43	-	-	117,163	-	-	117,206
Total non-derivatives	7,456	-	-	117,163	-	-	124,619
Derivatives							
Net settled (interest rate swaps)	-	-	-	1,626	-	-	1,626
Gross settled (forward exchange contracts – cash flow hedges)							
-(inflow)	(15,654)	-	-	-	-	(15,654)	-
-outflow	15,654	-	-	-	-	15,654	(1,626)
	-	-	-	-	-	-	(1,626)
At 30 June 2013							
Non-derivatives							
Trade payables	7,806	-	-	-	-	7,806	7,806
Bank overdraft	686	-	-	-	-	686	686
Borrowings	-	916	39	98,417	-	99,372	99,372
Total non-derivatives	8,492	916	39	98,417	-	107,864	107,864
Derivatives							
Net settled (interest rate swaps)	-	-	-	1,323	-	1,323	1,323
Gross settled (forward exchange contracts – cash flow hedges)							
-(inflow)	(17,718)	-	-	-	-	(17,718)	-
-outflow	17,718	-	-	-	-	17,718	780
	-	-	-	-	-	-	780

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

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 2014 was \$310,582,000.

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 2014, the consolidated entity had hedged 100% of its foreign currency purchases for which firm commitments existed at the reporting date extending to November 2014.

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

	30 June 2014	30 June 2013
	US\$'000	US\$'000
Trade payables	2,609	2,252
Forward exchange contracts	14,405	17,001

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

d. Credit risk

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 2014 are with ANZ 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 2014

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.

	2014		2013	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,071	6,071	2,247	2,247
Trade receivables	23,053	23,053	19,491	19,491
Lease receivables	486	486	357	357
Derivative financial instruments	-	-	780	780
Total financial assets	29,610	29,610	22,875	22,875
Financial liabilities				
Trade payables	7,413	7,413	7,806	7,806
Derivative financial instruments	1,870	1,870	1,323	1,323
Overdraft facility	-	-	686	686
Other loans	43	43	121	121
Borrowings	117,163	117,163	99,251	99,251
Total financial liabilities	126,489	126,489	109,187	109,187

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

2. Financial risk management (continued)

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 2014 carrying value is equivalent to fair value.

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
2014				
Financial assets				
Derivative financial instruments	-	-	-	-
Financial liabilities				
Derivative financial instruments	-	(1,870)	-	(1,870)
2013				
Financial assets				
Derivative financial instruments	-	780	-	780
Financial liabilities				
Derivative financial instruments	-	1,323	-	1,323

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

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.

	Consolidated Group	
	Profit	Equity
	\$'000	\$'000
Year ended 30 June 2014		
+/- 1% in interest rates	540	540
Year ended 30 June 2013		
+/- 1% in interest rates	527	527

The impact to profit and equity as a result of increase or decrease in foreign currency rates by 10 basis points from the year end rate of 0.9439 at 30 June 2014 was calculated to be immaterial.

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

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

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.

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

(a) Segment information provided to the board

The segment information provided to the board for the reportable segments for the year ended 30 June 2014 is as follows:

	National Accounts	Customer Service Centres		Head Office	Total
		Australia	New Zealand		
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	58,057	93,551	24,094	(7)	175,695
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	58,057	93,551	24,094	(7)	175,695
EBITDA	21,295	22,338	10,869	(8,404)	46,098
Depreciation and amortisation	4,750	9,007	2,913	552	17,222
Income tax expense	-	-	1,024	5,104	6,128
Total segment assets	89,713	121,643	39,177	60,049	310,582
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	22,762	16,625	8,642	-	48,029
Total segment liabilities	4,163	17,125	1,438	53	22,780

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

3. Segment Information (continued)

	National Accounts	Customer Service Centres		Head Office	Total
		Australia	New Zealand		
	\$'000	\$'000	\$'000	\$'000	\$'000
2013					
Total segment revenue	36,137	94,400	18,840	8	149,385
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	36,137	94,400	18,840	8	149,385
EBITDA	16,538	23,141	8,126	(5,443)	42,362
Depreciation and amortisation	3,152	8,940	2,508	449	15,049
Income tax benefit (expense)	-	-	1,103	5,470	6,573
Total segment assets	70,297	117,048	34,786	61,932	284,063
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	15,178	27,032	10,521	280	53,011
Total segment liabilities	8,324	14,484	2,679	627	26,114

(b) Other segment information

(i) Segment revenue

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 above.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2014 \$'000	2013 \$'000
Total segment revenue	175,695	149,385
Total revenue from continuing operations	175,695	149,385

Interest revenue is netted off against financing costs.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

3. Segment Information (continued)

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 \$151,601,000 (2013 – \$130,545,000), and the total revenue from external customers in other countries is \$24,094,000 (2013 – \$18,840,000). Segment revenues are allocated based on the country in which the customer is located.

(ii) 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:

	2014	2013
	\$'000	\$'000
EBITDA	46,098	42,362
Intersegment eliminations	-	-
Interest revenue	56	54
Finance costs	(6,861)	(6,077)
Depreciation and amortisation	(17,222)	(15,049)
Profit before income tax from continuing operations	22,071	21,290

(iii) 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

3. Segment Information (continued)

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 \$232,801,000 (2013 – \$213,044,000), and the total of these non-current assets located in other countries is \$33,940,000 (2013 – \$29,695,000). Segment assets are allocated to countries based on where the assets are located.

(iv) 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:

	2014	2013
	\$'000	\$'000
Segment liabilities	22,780	26,114
Intersegment eliminations		
Unallocated:		
Deferred tax liabilities	16,264	12,059
Current tax liabilities	1,036	543
Current borrowings	43	1,602
Non-current borrowings	117,163	98,456
Derivative financial instruments	1,870	1,323
Total liabilities as per the statement of financial position	159,156	140,097

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

4. 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.

Balance Sheet	2014	2013
	\$'000	\$'000
Assets		
Current Assets	94,827	98,831
Total Assets	<u>126,791</u>	<u>126,797</u>
Liabilities		
Current Liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Equity		
Share Capital	141,383	142,440
Retained earnings	(17,056)	(17,194)
Reserves	2,464	1,551
	<u>126,791</u>	<u>126,797</u>
Statement of comprehensive income		
Profit/(loss) for the year	10,176	7,978
Total comprehensive income	<u>10,176</u>	<u>7,978</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 16.

Contingent Liabilities

At 30 June 2014 there were no contingent liabilities (2013: nil)

Contractual Commitments

At 30 June 2014 Royal Wolf Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: nil)

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in note 1.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Consolidated Group
30 June 30 June
2014 2013
\$'000 \$'000

5. Profit before income tax

a. Revenue		
Container lease revenue	80,614	72,186
Container sales revenue	95,081	77,199
Total revenue	<u>175,695</u>	<u>149,385</u>
b. Other income		
Sundry income	43	139
Total other income	<u>43</u>	<u>139</u>
c. Expenses		
Employee benefits expenses	<u>24,029</u>	<u>21,772</u>
Depreciation of hire fleet containers	11,199	8,617
Depreciation of property, plant and equipment	2,229	2,079
Total depreciation expense	<u>13,428</u>	<u>10,696</u>
Amortisation of intangibles	<u>3,794</u>	<u>4,353</u>
Net financing costs		
Interest (received)	(56)	(54)
Interest expense		
- bank	6,861	6,069
- other institutions	-	8
	<u>6,805</u>	<u>6,023</u>
Net gain/(loss) on disposal of property, plant and equipment	<u>38</u>	<u>126</u>
Rental expense relating to operating leases		
Minimum lease payments	<u>6,817</u>	<u>5,666</u>
Foreign exchange (losses)	(230)	(68)
Foreign exchange gains	(823)	852
	<u>(1,053)</u>	<u>784</u>
Doubtful debt expense	<u>1,372</u>	<u>523</u>
Inventory expense	<u>56</u>	<u>23</u>
Fair value gain/(loss) on interest rate swaps/options and forward exchange contracts cash flow hedges	<u>(1,048)</u>	<u>1,018</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Consolidated Group	
30 June	30 June
2014	2013
\$'000	\$'000

6. Income tax expense

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

Current tax	1,968	1,051
Deferred tax	4,159	5,522
	<u>6,128</u>	<u>6,573</u>

Deferred income tax expense included in income tax expense comprises:

Decrease/(increase) in deferred tax liabilities (Note 17)	2,147	2,256
(Decrease)/increase in deferred tax assets (Note 17)	2,058	3,359
Deferred tax on share issue costs recognised in equity	76	(10)
Effect of translation of New Zealand dollar tax balances	(122)	(83)
	<u>4,159</u>	<u>5,522</u>

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

Profit before tax	22,071	21,290
Income tax using the domestic corporation tax rate of 30%	6,621	6,387
Increase in income tax expense due to:		
Add/(less) non-deductible items:		
Performance rights expense	278	-
Contribution to the Trust	(330)	-
Entertainment, legal & other expenses	40	82
Foreign currency adjustment	(307)	(105)
Prior year adjustments	(174)	209
Income tax expense/(benefit) on pre-tax net profit	<u>6,128</u>	<u>6,573</u>

The applicable weighted average effective tax rates as follows: 28% 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% (2013 – 30%)

-	-
<u>-</u>	<u>-</u>

Franking credits will be available in the 2015 financial year as the company is now in a tax payable position and will be making payments to the Australia Taxation Office for the amount of tax liability from 2015 financial year.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Note	Consolidated Group	
	30 June 2014 \$'000	30 June 2013 \$'000

7. Auditor's remuneration

Remuneration of auditor:

Crowe Horwath Sydney

- audit or review

238 236

- taxation services – corporate governance, risk review
and lodgement of tax returns

- 22

238 258

8. Cash and cash equivalents

Cash at bank and on hand

6,071 2,247

The effective interest rate on cash balances at bank was 4.26% (2013: 4.18%).

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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

		Consolidated Group	
		30 June	30 June
		2014	2013
		\$'000	\$'000
9. Trade and other receivables			
Current			
Trade receivables		24,741	20,643
Provision for impairment	(a)	(1,688)	(1,152)
		<u>23,053</u>	<u>19,491</u>
Lease receivable	(b)	180	113
Other receivables and prepayments		2,466	2,456
		<u>25,699</u>	<u>22,060</u>
Non-current			
Lease and other receivable		306	244
		<u>306</u>	<u>244</u>

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	1,152	1,262
Charge for year	1,372	523
Written off	(836)	(633)
Provision for impairment at the end of the year	<u>1,688</u>	<u>1,152</u>

b. Lease receivables

These amounts generally arise from outside the usual operating activities and mainly include long term leases that are classified as finance leases. Interest is charged at commercial rates where the terms of repayment exceed 12 months. Collateral is not normally obtained except that title does not pass until debts are paid in full per lease agreement.

c. 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.

d. Fair value and 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'.

e. 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 are therefore all are 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

9. Trade and other receivables (continued)

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.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)			Within initial trade terms
	\$'000	\$'000	31-60	61-90	> 90	\$'000
			\$'000	\$'000	\$'000	
Consolidated Group						
2014						
Trade and term receivables	24,741	1,688	6,097	1,920	2,197	12,839
Other receivables	486	-	-	-	-	486
Total	25,227	1,688	6,097	1,920	2,197	13,325
2013						
Trade and term receivables	20,643	1,152	6,534	1,672	1,427	9,858
Other receivables	357	-	-	-	-	357
Total	21,000	1,152	6,534	1,672	1,427	10,215

Consolidated Group
30 June 2014 30 June 2013
\$'000 \$'000

f. Reconciliation to Note 2. Financial Risk Management

i. Lease receivable

Lease receivable - current	180	113
Lease receivable - non current	306	244
	486	357

10. Inventories

Finished goods	9,137	13,238
Materials	1,685	1,809
Work in progress	1,255	1,198
Less: impairment allowance	(6)	(8)
	12,071	16,237

Inventory provision recognised as expense during the year ended 30 June 2014 amounted to \$56,000 (2013: \$23,000). The expense has been included in cost of goods sold in the consolidated income statement.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

11. Property, plant and equipment

	Land	Buildings	Plant and equipment, furniture and fittings and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
2014				
<i>Cost</i>				
Balance at 1 July 2013	1,944	300	17,105	19,349
Acquisitions during the year	-	-	2,689	2,689
Disposals during the year	-	-	(376)	(376)
Exchange adjustments	196	30	361	587
Cost at 30 June 2014	2,140	330	19,779	22,249
<i>Depreciation and impairment losses</i>				
Balance at 1 July 2013	-	(38)	(9,744)	(9,782)
Depreciation charge for the year	-	(8)	(2,221)	(2,229)
Disposals and other adjustments	-	(4)	233	229
Accumulated depreciation at 30 June 2014	-	(50)	(11,732)	(11,782)
<i>Carrying amounts</i>				
At 30 June 2014	2,140	280	8,047	10,467
	Land	Buildings	Plant and equipment, furniture and fittings and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
2013				
<i>Cost</i>				
Balance at 1 July 2012	1,799	278	14,208	16,285
Acquisitions during the year	-	-	3,453	3,453
Acquisition of businesses	-	-	152	152
Disposals during the year	-	-	(885)	(885)
Exchange adjustments	145	22	177	344
Cost at 30 June 2013	1,944	300	17,105	19,349
<i>Depreciation and impairment losses</i>				
Balance at 1 July 2012	-	(28)	(8,212)	(8,240)
Depreciation charge for the year	-	(10)	(2,069)	(2,079)
Disposals and other adjustments	-	-	537	537
Accumulated depreciation at 30 June 2013	-	(38)	(9,744)	(9,782)
<i>Carrying amounts</i>				
At 30 June 2013	1,944	262	7,361	9,567

Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the Group.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

12. Container for hire fleet

	Consolidated Group	
	30 June 2014 \$'000	30 June 2013 \$'000
<i>Cost</i>		
Balance at beginning of the year	199,705	169,202
Acquisitions and transfers from inventory	45,340	41,830
Acquisition of businesses	4,045	4,626
Disposals	(20,548)	(18,216)
Exchange adjustments	3,589	2,263
Cost at the end of the year	232,131	199,705
<i>Depreciation and impairment losses</i>		
Balance at the beginning of the year	(26,352)	(20,352)
Depreciation charge for the year	(11,199)	(8,617)
Disposals during the year	4,148	2,785
Exchange adjustments	(423)	(168)
Accumulated depreciation at the end of the year	(33,826)	(26,352)
<i>Carrying amounts</i>		
At 30 June	198,305	173,353

(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 16 for information on non-current assets pledged as security by the Group.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

13. Intangible assets

2014	Software	Goodwill	Non compete	Customer list	Establishment costs	Development costs	Trade-mark	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
Balance at 1 July 2013	1,577	45,045	7,834	31,502	178	317	3,300	89,753
Acquisitions	219	-	-	-	15	-	-	234
Acquisition of businesses	-	934	455	124	-	-	-	1,513
Exchange/other adjustments	-	56	30	530	-	-	-	616
Cost at 30 June 2014	1,796	46,035	8,319	32,156	193	317	3,300	92,116
<i>Amortisation and impairment losses</i>								
Balance at 1 July 2013	(1,250)	-	(6,943)	(21,548)	(175)	(262)	-	(30,178)
Amortisation for the year	(259)	-	(307)	(3,178)	(18)	(32)	-	(3,794)
Exchange adjustments/other adjustments	-	-	-	(481)	-	-	-	(481)
Accumulated amortisation at 30 June 2014	(1,509)	-	(7,250)	(25,207)	(193)	(294)	-	34,453
<i>Carrying amounts</i>								
At 30 June 2014	287	46,035	1,069	6,949	-	23	3,300	57,663
2013								
<i>Cost</i>								
Balance at 1 July 2012	1,415	44,487	7,045	30,488	178	297	3,300	87,210
Acquisitions	162	-	-	-	-	-	-	162
Acquisition of businesses	-	646	768	419	-	-	-	1,833
Reclassification	-	(201)	-	201	-	-	-	-
Exchange/other adjustments	-	113	21	394	-	20	-	548
Cost at 30 June 2013	1,577	45,045	7,834	31,502	178	317	3,300	89,753
<i>Amortisation and impairment losses</i>								
Balance at 1 July 2012	(1,118)	-	(6,648)	(17,370)	(168)	(198)	-	(25,502)
Amortisation for the year	(132)	-	(295)	(3,868)	(7)	(51)	-	(4,353)
Exchange adjustments/other adjustments	-	-	-	(310)	-	(13)	-	(323)
Accumulated amortisation at 30 June 2013	(1,250)	-	(6,943)	(21,548)	(175)	(262)	-	(30,178)
<i>Carrying amounts</i>								
At 30 June 2013	327	45,045	891	9,954	3	55	3,300	59,575

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

13. 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 indefinite 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) on the Group as a whole as it cannot be allocated to individual operating segments.

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

Value-in-use is used to calculate the recoverable amount of assets in the Group. The calculations are based on the present value of cash flow projections over 5 years and the terminal value calculation after 5 years. The key assumptions used are as follows:

Description	Assumptions	Assumptions
	2014	2013
Pre-tax rates	16%	16%
Growth	3%	3%
Base figures	2014/2015 budget	2013/2014 budget

Management determined budgeted growth based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

(d) Impairment charge

There has been no impairment of intangible assets for the financial year ended 30 June 2014 (2013: Nil).

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

13. Intangible assets (continued)

(e) Impact of possible changes in key assumptions

The value-in-use calculation is less sensitive to increases in the discount rate. In 2014 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.

14. Trade and other payables

	Consolidated Group	
	30 June 2014	30 June 2013
	\$'000	\$'000
Current (unsecured)		
Trade payables	7,413	7,806
Accruals and other payables	7,333	6,165
Unearned revenue	4,865	9,441
	<u>19,611</u>	<u>23,412</u>

15. Derivative financial instruments

Current assets

Forward foreign exchange contracts

-	780
---	-----

Current liabilities

Forward foreign exchange contracts

244	-
-----	---

Non-current liabilities

Interest rate swap

1,626	1,323
-------	-------

(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 4.26%. 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 42% (2013 – 50%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 3.98% (2013 – 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

15. Derivative financial instruments (continued)

(ii) 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.

Change in accounting policy

Effective from 1 January 2014, the company has applied the new hedge accounting rules under AASB 9 *Financial Instruments*. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve for the effective portion of the hedges. Under the new rules management made the following assessments:

- an economic relationship existed between the hedged item and hedging instrument,
- The effect of credit risk did not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship was the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The amount recorded through equity, net of tax was \$140,700. A loss of \$42,900 was recognised in profit or loss for the ineffective portion of these hedging contracts.

(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.

16. Interest bearing loans and borrowings

Current (secured)

	30 June 2014 \$'000	30 June 2013 \$'000
Overdraft facility	-	686
Bank loan	-	834
Other term loans	43	82
	<u>43</u>	<u>1,602</u>

Non-current (secured)

	(i)	
Bank loan	117,163	98,417
Other term loans	-	39
	<u>117,163</u>	<u>98,456</u>

(i) Includes borrowings costs capitalised amounting to \$720,404.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

16. Interest bearing loans and borrowings (continued)

(a) Financial arrangements

On 8 May 2014 Royal Wolf completed the refinancing of its bank debt facilities with a new \$175 million senior, secured, multi-option debt facility. The new facility is structured with a common terms deed and bilateral bank debt facilities provided by Australia and New Zealand Banking Corporation (ANZ) and Commonwealth Bank (CBA). The main features of the new facilities are:

- Introduction of the five year tranche in addition to the new three year tranche;
- Change in the calculation of the leverage and interest cover covenants from a gross debt/interest basis to a net debt/interest basis;
- Greater flexibility with a leverage covenant relaxing from 2.75 times to 3 times; and
- Pricing on the new three year tranche is 0.45% p.a. lower than the existing facility.

Key conditions

The facilities under the new arrangement are divided primarily into Facility A and Facility B and the key terms and conditions relating to them are presented in the table below:

Bank	Facility	Limit \$000	Maturity Date	Purpose	Interest Terms
ANZ	Facility A – Multi-Option	\$75,000	31 July 2017	Restructuring existing debt under the ANZ letter of offer and ANZ NZ facility agreement and establishing a club facility for general corporate purposes.	The interest rate is aggregate of the base rate (average bid rate) plus the margin which varies from 1.10 % per annum to 1.85% per annum depending on the net debt leverage ratio (NDLR) as follows: NDLR of >2.75x – Margin 1.85% p.a. NDLR of >2.5x ≤ 2.75x – Margin 1.60% p.a. NDLR of >2.25x ≤ 2.5x – Margin 1.40% p.a. NDLR of >2.0x ≤ 2.25x – Margin 1.20% p.a. NDLR of ≤ 2.0x – Margin 1.10% p.a.
	Facility B	\$30,000	31 July 2019	Same as above	The interest rate is the aggregate of the base rate (average bid rate) plus the margin which varies from 1.35% per annum to 2.15% per annum depending on the net debt leverage ratio (NDLR) as follows: NDLR of >2.75x – Margin 2.15% p.a. NDLR of >2.5x ≤ 2.75x – Margin 1.85% p.a. NDLR of >2.25x ≤ 2.5x – Margin 1.65% p.a. NDLR of >2.0x ≤ 2.25x – Margin 1.45% p.a. NDLR of ≤ 2.0x – Margin 1.35% p.a.
CBA	Facility A	\$50,000	31 July 2017	Same as above	The interest rate is the aggregate of the base rate (average bid rate) plus the margin which varies from 1.20% per annum to 1.85% per annum depending on the net debt leverage ratio (NDLR) as follows: NDLR of >2.75x – Margin 1.85% p.a. NDLR of >2.5x ≤ 2.75x – Margin 1.60% p.a. NDLR of >2.25x ≤ 2.5x – Margin 1.40% p.a. NDLR of >2.0x ≤ 2.25x – Margin 1.30% p.a. NDLR of ≤ 2.0x – Margin 1.20% p.a.
	Facility B	\$20,000	31 July 2019	Same as above	The interest rate is the aggregate of the base rate (average bid rate) plus the margin which varies from 1.45% per annum to 2.15% per annum depending on the net debt leverage ratio (NDLR) as follows: NDLR of >2.75x – Margin 2.15% p.a. NDLR of >2.5x ≤ 2.75x – Margin 1.85% p.a. NDLR of >2.25x ≤ 2.5x – Margin 1.65% p.a. NDLR of >2.0x ≤ 2.25x – Margin 1.55% p.a. NDLR of ≤ 2.0x – Margin 1.45% p.a.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

16. Interest bearing loans and borrowings (continued)

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.

(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 16 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:

	Note	Consolidated Group	
		30 June 2014	30 June 2013
		\$'000	\$'000
Current			
<i>Floating charge</i>			
Cash and cash equivalents	8	6,071	2,247
Receivables	9	25,699	22,304
Inventories	10	12,071	16,237
		<u>43,841</u>	<u>40,788</u>
Non-current			
<i>First mortgage</i>			
Land and buildings	11	2,420	2,206
Property, plant and equipment	11	8,047	7,361
Container hire fleet	12	198,305	173,353
		<u>208,772</u>	<u>182,920</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

16. Interest bearing loans and borrowings (continued)

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 1062072each being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that Security Provider.
- Registered Mortgage given by Royalwolf Trading New Zealand Limited Company Number 1062072 over the property situated at 4 Ormiston Road, East Tamaki, New Zealand.
- 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

	Note	Consolidated Group	
		30 June 2014 \$'000	30 June 2013 \$'000
17. Tax			
(a) Current			
Current tax liability		1,036	543
(b) Non-current			
Deferred tax liabilities		16,264	12,059
(c) The balance comprises temporary differences attributable to:			
Deferred tax liabilities			
PPE		(1,212)	(720)
Hire-fleet containers		(16,243)	(13,592)
Intangible assets		(1,894)	(2,890)
Total deferred tax liabilities		(19,349)	(17,202)
Set-off with deferred tax assets			
Provision for doubtful debts		495	341
Fair value of derivatives		485	163
Provision for inventories		2	2
Accruals and provisions		1,574	1,329
Section 40-880 deduction		316	655
Tax losses recognised/carried forward		-	2,437
Future deductions on LTI contribution to Trust		227	-
Other future deductible amounts		(14)	216
		3,085	5,143
Net deferred tax liabilities		(16,264)	(12,059)
(d) Reconciliations			
(i) Gross movements			
Opening balance		(12,059)	(6,444)
(Charge)/credit to income tax		(4,159)	(5,522)
Effect of foreign exchange translation		(122)	(85)
Directly to equity		76	(8)
Closing balance		(16,264)	(12,059)

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

17. Tax (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 2012	5,154	1,514	476	971	387	-	8,502
(Charged)/credited to:							
-profit or loss	(2,717)	158	(313)	(316)	(387)	216	(3,359)
-directly to equity	-	-	-	-	-	-	-
At 30 June 2013	2,437	1,672	163	655	-	216	5,143
(Charged)/credited to:							
-profit or loss	(2,437)	399	322	(339)	-	(3)	(2,058)
At 30 June 2014	-	2,071	485	316	-	213	3,085

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 2012	(198)	(10,694)	-	(4,054)	-	-	(14,946)
(Charged)/credited to:							
-profit or loss	198	(3,618)	-	1,164	-	-	(2,256)
At 30 June 2013	-	(14,312)	-	(2,890)	-	-	(17,202)
(Charged)/credited to:							
-profit or loss	-	(3,142)	-	995	-	-	(2,147)
At 30 June 2014	-	(17,454)	-	(1,895)	-	-	(19,349)

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

Consolidated Group	
30 June 2014	30 June 2013
\$'000	\$'000

18. Employee benefits

Current

Liability for annual leave	1,629	1,431
Liability for long service leave	950	697
	<u>2,579</u>	<u>2,128</u>

Non Current

Liability for long service leave	537	521
	<u>537</u>	<u>521</u>
Total employee benefits	<u>3,116</u>	<u>2,649</u>

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 \$1,629,000 (2013 - \$1,431,000) 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.

Current leave obligations expected to be settled after 12 months

388	282
<u>388</u>	<u>282</u>

19. Provisions

Non Current

Provision for make good	53	53
	<u>53</u>	<u>53</u>

Consolidated Group

Opening balance at 1 July 2012	53
Additional provisions raised during the year	-
Balance at 30 June 2013	<u>53</u>
Additional provisions raised during the year	-
Balance at 30 June 2014	<u>53</u>

Leasehold makegood costs

An obligation exists to restore leasehold sites after fit-outs at the head office location in Hornsby. The expected cost for the restoration is estimated at \$53,000, and is expected to occur in June 2018. This amount has been adjusted using Australian government bond rates with similar maturities.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

20. Capital and reserves

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares Fully paid	100,387,052	100,387,052	141,383	142,440

(i) Movements in share capital

Date	Details	Number of shares	\$'000
1 July 2013	Opening balance	100,387,052	142,440
	Purchase of treasury shares		(1,057)
30 June 2014			141,383

A total of 480,641 shares have been purchased on market by Pacific Custodian Pty Ltd on behalf of Royal Wolf Employee Share Plan and held in trust for the future distribution to key management personnel under the LTI plan.

(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.

(iii) Options

Information relating to the Royal Wolf and GFN share plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 22.

(iv) 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.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

20. Capital and reserves (continued)

(iv) Capital Management (continued)

The gearing ratios for the year ended 30 June 2014 and 30 June 2013 are as follows:

		Consolidated Group	
		30 June 2014	30 June 2013
		\$'000	\$'000
Total borrowings	16	117,206	100,058
Less cash at bank	8	(6,071)	(2,247)
Net debt		111,135	97,811
Total equity		151,426	143,966
Total capital		262,561	241,777
Gearing ratio		42%	40%

Royal Wolf Holdings Limited has complied with the financial covenants of its borrowing facilities during the 2014 and 2013 reporting periods. The increase in the gearing ratio reflects the capital expenditure on containers to facilitate future growth.

(b) Reserves

Share based payments reserve	2,878	1,946
Foreign currency translation reserve	2,936	1,052
Hedging reserve	(169)	34
	<u>5,645</u>	<u>3,032</u>

Movements

(a) Share-based payments reserve

Balance 1 July	1,946	1,378
Option expense	932	568
Balance 30 June	<u>2,878</u>	<u>1,946</u>

(b) Foreign currency translation reserve

Balance 1 July	1,052	(81)
Currency translation differences arising during the year	1,884	1,133
Balance 30 June	<u>2,936</u>	<u>1,052</u>

(c) Hedging reserve

Balance 1 July	34	-
Currency translation differences arising during the year	(203)	34
Balance 30 June	<u>(169)</u>	<u>34</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

20. Capital and reserves (continued)

(d) Retained earnings

Balance 1 July	(1,506)	(7,188)
Net profit for the year	15,943	14,717
Dividends	(10,039)	(9,035)
	<hr/>	<hr/>
Balance 30 June	4,398	(1,506)

Nature and purposes of reserves

(a) Share-based payments reserve

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

Share options expense

There were 494,000 performance rights issued during the year under Royal Wolf Long Term Incentive plan which brings the total to 1,359,000 as the number of performance rights issued from 2012 – 2014 financial years. There were no further grants made under the GFN Stock Incentive Plan. Refer to note 22 below for further information. An amount of \$932,000 was recognised as equity for the year ended 30 June 2014 (2013: \$568,000).

(b) Foreign currency translation reserve

Foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of Royalwolf NZ Acquisition Co. Limited and its controlled entity at 30 June 2014.

(c) Hedging reserve

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.

21. Dividends

	2014 \$'000	2013 \$'000
Final ordinary dividend for the year ended 30 June 2013 of 5.0 cents (2012 – 4.5 cents) per fully paid unfranked paid on 3 October 2013	5,019	4,517
Interim ordinary dividend for the year ending 30 June 2014 of 5.0 cents (2013 – 4.5cents) per fully paid unfranked paid on 3 April 2014	5,019	4,517

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final unfranked ordinary dividend of \$5,521,288 (5.5 cents per fully paid share) to be paid on 3 October 2014.

Royal Wolf's franking account will move to a balance of \$2,222,000 once income tax payable at 30 June 2014 is paid.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

22. 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 16-27.

(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 issued shares to eligible personnel in the value of \$1,000 for each of 2013 and 2014 financial years.

(c) GFN Stock Incentive Plan

Prior to listing, GFN granted share options to certain employees in the Group. Under this plan, participants are granted options, which only vest if certain performance and time standards are met, and the employees are still employed by the Group at the end of the vesting period. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or receive any guaranteed benefits. The details of share options granted under GFN stock incentive plan to employees are as follows:

GFN Stock Incentive Plan was closed for Royal Wolf employees following the listing and there were no new grants during 2014 financial year. The details of historical grants to the key management personnel is provided in note 30.

Options outstanding

For the year ended 30 June 2014 the outstanding options were as follows:

2014

Options	Opening balance	Granted during the year	Exercised	Forfeited/ terminated	Ending Balance	Vested/ Exercisable
Time-based	144,000	-	-	(4,000)	140,000	140,000
Performance-based	150,900	-	-	(2,000)	148,900	148,900
Total	294,900	-	-	(6,000)	288,900	288,900

2013

Options	Opening balance	Granted during the year	Exercised	Forfeited/ terminated	Ending Balance	Vested/ Exercisable
Time-based	147,000	-	-	(3,000)	144,000	144,000
Performance-based	156,000	-	-	(5,100)	150,900	63,500
Total	303,000	-	-	(8,100)	294,900	207,500

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

22. 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 \$18,000 (2013: \$ 105,000) 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, 2014 were 140,000 and 148,900 (2013: 144,000 and 150,900), respectively, for a total outstanding amount of 288,900 (2013: 294,900).

The range of exercise prices for the outstanding options is US\$1.06 - US\$8.80.

The contractual term of the options is 10 years from the date of grant. Of the outstanding options at June 30, 2014, 180,500 were granted on January 22, 2008, 19,000 were granted on July 23, 2008, 2,000 granted on January 27, 2009 and 87,400 granted on 15 September 2010.

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.70 years (2013 – 4.70 years).

Expenses arising from share-based payment transactions

	30 June 2014 \$'000	30 June 2013 \$'000
Options issued under employee option plans	932	568

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

23. Commitments

	Note	30 June 2014 \$'000	30 June 2013 \$'000
a. Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements:			
Payable — minimum lease payments:			
— not later than 12 months		5,562	5,118
— between 12 months and 5 years		10,461	11,687
— greater than 5 years		3,277	4,465
		<u>19,300</u>	<u>21,270</u>

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 2014 \$'000	30 June 2013 \$'000
Receivable:		
— not later than 12 months	180	113
— between 12 months and 5 years	306	244
	<u>486</u>	<u>357</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

24. Consolidated entities

The group's subsidiaries at 30 June 2014 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.

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

25. 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 2014 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
Notes to the consolidated financial statements
For the year ended 30 June 2014

25. Deed of cross guarantee (continued)

Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

	Consolidated Group	
	30 June 2014	30 June 2013
	\$'000	\$'000
Revenue from continuing operations		
Container lease revenue	65,728	60,163
Container sales revenue	85,873	70,381
Total revenue	151,601	130,544
Dividend and other income	5,589	140
Foreign exchange gains	(1,053)	784
Changes in inventories of finished goods and WIP	(3,512)	(8,745)
Purchases of finished goods / raw materials and consumables used	(72,400)	(52,621)
Employee benefits expense	(21,966)	(20,155)
Branches operating expenses	(9,836)	(8,808)
Business promotion	(1,414)	(1,663)
Travel and accommodation	(909)	(832)
Professional expenses	(2,087)	(2,387)
Depreciation and amortisation expense	(14,313)	(12,541)
Other expenses	(1,072)	(2,022)
Finance costs	(5,519)	(4,843)
Profit before tax	23,109	16,851
Income tax expense	(5,104)	(5,470)
Profit after tax	18,005	11,381
Profit from continuing operations	18,005	11,381
Profit attributable to:		
Owners of Royal Wolf Holdings Limited	18,005	11,381
	18,005	11,381

Statement of comprehensive income

Profit for the year	18,005	11,381
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of the cash flow hedges, net of tax	(260)	34
Exchange differences on translation of foreign operations	-	-
Total other comprehensive income for the period, net of tax	(260)	34
Total comprehensive income for the year	17,745	11,415

Summary of movements in consolidated retained earnings

Accumulated losses at the beginning of the financial year	(9,132)	(11,478)
Profit for the year	18,005	11,381
Dividends paid	(10,039)	(9,035)
Accumulated losses at the end of the financial year	(1,166)	(9,132)

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

25. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2014 of the closed Group consisting of Royal Wolf Trading Australia Pty Limited and Kookaburra Containers Pty Limited.

Balance Sheet

	Consolidated Group	
	30 June 2014	30 June 2013
	\$'000	\$'000
Assets		
Cash and cash equivalents	4,734	1,481
Trade and other receivables	24,181	19,746
Derivative financial instruments	-	780
Inventories	11,148	14,225
Total current assets	40,063	36,232
Investments accounted for using the equity method	10,124	10,124
Trade and other receivables	306	244
Property, plant and equipment	5,653	5,080
Container for hire fleet	160,045	139,650
Intangible assets	56,672	57,946
Total non-current assets	232,800	213,044
Total assets	272,863	249,276
Liabilities		
Trade and other payables	17,128	21,142
Derivative financial instruments	244	-
Interest-bearing loans and borrowings	0	1,325
Current tax liability	952	
Employee benefits	2,398	1,994
Total current liabilities	20,722	24,461
Non-current liabilities		
Derivative financial instruments	1,626	1,323
Interest bearing loans and borrowings	92,159	76,781
Deferred tax liabilities	14,925	10,849
Employee benefits	537	521
Provisions	53	53
Total non-current liabilities	109,300	89,527
Total liabilities	130,022	113,988
Net assets	142,841	135,288
Equity		
Contributed equity	141,383	142,440
Accumulated losses	(1,166)	(9,132)
Reserves	2,624	1,980
Total equity attributable to equity holders of the parent	142,841	135,288

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

26. Business combination

(a) Summary of acquisition

1. Intermodal, Kookaburra and Pack and Secure

On 10 September 2013 Royal Wolf acquired the assets and business of Intermodal Solutions Pty Ltd, Kookaburra Containers Pty Ltd, Kookaburra Containers WA Pty Ltd, Kookaburra Containers Victoria Pty Ltd, Pack and Secure Pty Ltd and Intermodal Solutions Holdings Pty Ltd operating throughout Australia for consideration of \$5.8 million. Intermodal Containers had a fleet of around 300 specifically intermodal freight containers and Kookaburra Containers had a fleet of around 580 portable storage hire containers.

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

	Fair Value \$'000
Purchase price	<u>5,800</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	3,777
Inventory	538
PPE	54
Intangible assets-customer lists	90
Intangible assets – non compete	<u>419</u>
Net identifiable assets acquired	<u>4,878</u>
Goodwill	<u>922</u>

(i) Purchase price

The purchase price of \$5,800,000 includes cash paid of \$5,280,000 and contingent consideration of \$400,000 and purchase price adjustments of \$120,000.

(ii) Contingent consideration

Under the agreement of sale of business there is a holdback amount of \$400,000 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 on 6 September 2014.

(iii) Acquisition-related costs

Acquisition-related costs of \$5,000 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 \$1,285,000 and net profit of \$385,000 to the group for the period from 10 September 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, consolidated revenue and consolidated profit for the year ended 30 June 2014 would have been approximately \$175,952,000 and \$16,021,000 respectively.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

26. Business combination (continued)

2. DBCS Containers Limited

On 31 October 2013 Royal Wolf acquired the assets and business of DBCS Containers Limited in the Auckland region of New Zealand for consideration of NZ\$0.4 million. DBCS Containers had a fleet of around 100 portable storage hire containers.

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

	Fair Value \$'000
Purchase price	<u>351</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	268
Intangible assets-customer lists	34
Intangible assets – non compete	<u>37</u>
Net identifiable assets acquired	<u>339</u>
Goodwill	<u>12</u>

(i) Purchase price

The purchase price of \$351,000 includes cash paid of \$315,000 and contingent consideration of \$35,000.

(ii) Contingent consideration

Under the agreement of sale of business there is a holdback amount of \$35,000 in respect of any unanticipated shortages or other contingencies and the liability of the seller relating to breach of warranties. An amount of \$17,500 was paid on 30 April 2014 and the balance of \$17,500 is payable on 30 October 2014.

(iii) Acquisition-related costs

Acquisition-related costs of \$2,000 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 \$141,000 and net profit of \$42,000 to the group for the period from 31 October 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, consolidated revenue and consolidated profit for the year ended 30 June 2014 would have been approximately \$175,765,000 and \$15,965,000 respectively.

(b) Purchase consideration – cash outflow

	\$'000
Outflow of cash to acquire the businesses	<u>5,595</u>
Outflow of cash – investing activities	<u>5,595</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

27. Contingent liabilities

The group has provided bank guarantees to certain property landlords and vendors amounting to \$2,344,063 for the year ended 30 June 2014 (2013: \$3,371,845). There were no other contingent liabilities for the financial year ended 30 June 2014 and 30 June 2013.

28. Reconciliation of cash flows from operating activities

	Consolidated Group	
	30 June 2014	30 June 2013
	\$'000	\$'000
Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) for the year	15,943	14,717
Adjustments for:		
Employee share option expense	932	568
Loan establishment amortisation	130	113
Interest received disclosed as financing activity	(55)	(219)
(Gain)/loss on sale of property, plant and equipment	(38)	(126)
Exchange (gains)/losses	1,053	(784)
Depreciation and amortisation	17,222	15,049
Doubtful debts	1,372	523
Bad debts expense	23	13
Inventory obsolescence	56	23
Gain on business acquisition	-	(52)
Ineffective portion of interest rate swap	225	-
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	(5,095)	3,580
(Increase) / decrease in inventories	4,647	7,241
Increase / (decrease) in trade and other payables	(4,543)	(3,706)
Increase / (decrease) in deferred taxes	4,055	5,481
Increase / (decrease) in employee benefits	422	455
Increase / (decrease) in provisions	493	51
Net cash from operating activities	36,842	42,927

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

29. 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 2014 owned just 50% (2013:50%) of the issued shares of Royal Wolf Holdings Limited. General Finance Corporation (GFN) owns 100% of GFN US.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 30.

(d) Transactions with related companies

The following transactions occurred with related companies:

	Consolidated Group	
	30 June 2014	30 June 2013
	\$'000	\$'000
<i>(i) Management fees</i>		
Management fee expense – Royalwolf New Zealand Trading Limited	<u>1,000</u>	<u>540</u>
<i>(ii) Trademark licence fees</i>		
Trademark licence fee expense – Royalwolf New Zealand Trading Limited	<u>1,163</u>	<u>57</u>
<i>(iii) Outstanding balances arising from sales/purchases of goods and services</i>		
Amounts owing by Royalwolf Trading New Zealand Limited (eliminated on consolidation)	<u>1,459</u>	<u>293</u>

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

30. Key management personnel disclosures

(a) Key management personnel compensation

	Short-term benefits	Post-employment benefit	Share-based payments (options)	Termination payments	Long term benefits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014						
Total compensation	3,121	185	910	-	85	4,301
2013						
Total compensation	2,428	144	463	-	52	3,087

Detailed remuneration disclosures are provided in the remuneration report on pages 16-27.

(b) Equity instrument disclosures relating to key management personnel

Details of options, option and shareholdings, and performance rights (LTI) provided as remuneration together with terms and conditions pertaining to options and performance rights, can be found in the remuneration report on pages 16 to 27.

(c) Loans to key management personnel

There are no loans provided to key management personnel at 30 June 2014 (2013: Nil).

(d) Other transactions with key management personnel

Royal Wolf paid \$30,000 as sponsorship of Parramatta Rugby Union Football Club Limited of which G B 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 \$27,107 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 \$111,473 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.

On 20 May 2014 R G Allan hired a container asset under normal hire terms and conditions at arms-length. The monthly hire amount including GST is \$180.

There were no other transactions with key management personnel during the year ended 30 June 2014 (2013: nil).

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

30. Earnings per share

	2014 cents	2013 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	15.9	14.7
Total basic earnings per share attributable to the ordinary equity holders of the Group	15.9	14.7
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	15.9	14.7
Total diluted earnings per share attributable to the ordinary equity holders of the Group	15.9	14.7
 (a) Reconciliation of earnings used in calculating earnings per share	 2014 \$'000	 2013 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:	15,943	14,717
<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	15,943	14,717
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share	15,943	14,717
 (b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	100,132,081	100,326,760
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	100,132,081	100,326,760

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

32. Changes in accounting policies

The group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*.

The group has reviewed all relationships to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The group does not have any interests in joint ventures and was not affected by the adoption of the new standard.

(b) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* resulted in two changes to the entity's accounting policy which significantly affected items recognised in the financial statements:

- All past service costs are now recognised immediately in profit or loss. Previously, past service costs were recognised on a straight line basis over the vesting period if the changes were conditional on the employees remaining in service for a specified period of time (the vesting period). The group has reviewed this and the impact was found to be immaterial therefore no adjustments were made.
- The amount of net defined benefit expense that is recognised in profit or loss under the revised standard is higher than the amount that would have been recognised under the old rules, with an equal and opposite change to the amount that is recognised as remeasurement in other comprehensive income. This is the result of the replacement of the expected return on plan assets and separate interest expense with a net interest amount. The net impact on total comprehensive income is nil and there is also no adjustment to the amounts recognised in the balance sheet from this change. The group does not have any defined benefit plan hence these changes are not applicable.
- The revised standard has also changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

32. Changes in accounting policies (continued)

(c) Fair value measurement

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. The group has reviewed this and the impact was found to be immaterial therefore no adjustments were made.

(d) Financial instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it is easier to apply hedge accounting. The Group applied the AASB 9 effective from 1 July 2013 and the new hedging rules from 1 January 2014. The hedging instruments entered prior to 1 January 2014 continue to be recognised under the old rules at 30 June 2014 with mark to market values recognised entirely through profit or loss. For the hedging instruments entered after 1 January 2014 the following assessments were required to be made:

- an economic relationship continues to exist between the hedged item and hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Notes to the consolidated financial statements
For the year ended 30 June 2014

33. Subsequent events

On 12 August 2014 the directors have declared the payment of a final unfranked ordinary dividend of \$5,521,288 (5.5 cents per fully paid share) to be paid on 3 October 2014.

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.

34. Authorisation

The financial statement was authorised for issue by the directors on 12 August 2014. The directors have the power to amend and reissue the financial statements.

35. Group details

The registered office and principal place of business of the Group is:

Suite 202, Level 2,
22-28 Edgeworth David Avenue
Hornsby NSW 2077

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 2014 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 25 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

12 August 2014

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

Report on the Financial Report

We have audited the accompanying financial report of Royal Wolf Holdings Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

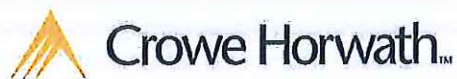
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

In conducting our audit, we have complied with the Independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of Royal Wolf Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 16 to 27 of the directors' report for the year ended 30 June 2014. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Royal Wolf Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

John Haydon

JOHN HAYDON
Partner

Dated 12th August 2014

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 8 September 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares No of holders
1 - 1000	144
1,001 - 5,000	249
5,001 - 10,000	51
10,001 - 100,000	50
100,001 and over	16
	510

There are 33 shareholders holding less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
GFN U.S. AUSTRALASIA HOLDINGS, INC.	50,198,526	50.00%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,655,579	11.61%
CITICORP NOMINEES PTY LIMITED	10,020,963	9.98%
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,716,780	7.69%
BNP PARIBAS NOMS PTY LTD	6,137,256	6.11%
NATIONAL NOMINEES LIMITED	4,561,598	4.54%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,391,278	2.38%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,430,089	1.42%
CITICORP NOMINEES PTY LIMITED	928,000	0.92%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	853,614	0.85%
AMP LIFE LIMITED	607,584	0.61%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	589,421	0.59%
PACIFIC CUSTODIANS PTY LIMITED	560,745	0.56%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	229,800	0.23%
MR ROBERT GEORGE ALLAN & MRS MICHELLE JEANETTE ALLAN	130,000	0.13%
PACIFIC CUSTODIANS PTY LIMITED	119,077	0.12%
EL AURA PTY LTD	54,500	0.05%
NETWEALTH INVESTMENTS LIMITED	50,000	0.05%
INVIA CUSTODIAN PTY LIMITED	46,858	0.05%
NATIONAL NOMINEES LIMITED	46,400	0.05%
TOTAL	98,328,068	97.95%
Balance of Register	2,058,984	2.05%
Grand TOTAL	100,387,052	100.00%

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Shareholder information (continued)
30 June 2014

C. Substantial holders

Substantial holders in the Group are set out below:

Ordinary shares	Number of shares held
GFN U.S. AUSTRALASIA HOLDINGS, INC	50,198,526
PERPETUAL LIMITED and subsidiaries	15,112,534
COMMONWEALTH BANK of AUSTRALIA (CBA), and its related bodies corporate	9,460,605
NATIONAL AUSTRALIA BANK LIMITED and its associated entities	9,442,220

D. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.