ROYAL WOLF HOLDINGS LIMITED

ACN 121 226 793

ANNUAL REPORT

2015

Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

The Royal Wolf results, achieved in challenging economic times, reinforce the diversity and resilience of the Royal Wolf operating model and the quality of the higher margin container leasing revenue stream. Whilst earnings before interest, tax, depreciation and amortisation (EBITDA) reduced by 5% compared to 2014, the EBITDA margins increased from 26.2% to 29.7% this year.

Our geographic and industry diversity has minimised the impact of the resources and energy sector contraction. Whilst these two sectors experienced significant downturns during the year, the strengthening of the building and construction and infrastructure sectors on the East Coast of Australia has enabled Royal Wolf to minimise the impact.

During the 2015 financial year, the large container sales projects of 2014 ($22.3 million) did not repeat. Of note, the underlying container sales revenue base, excluding these large projects, continues to deliver a consistent gross margin which is relatively unchanged since listing in 2011. The decline in sales revenues was expected and with the visibility in our business, we have kept the market informed that single sales contracts of those sizes were unusual. The 3 largest sales contracts in 2015 totalled $3 million.

Royal Wolf delivered year-over-year growth of 1.8% in our container leasing revenue stream over last year, despite approximately $2.0m of forgone contracted container leasing revenue from the energy sector.

During the last quarter Royal Wolf was able to reduce net debt from a high point of $137.9 million to $125.6 million at 30 June 2015 as a result of lower net fleet capital expenditure and reduced inventory spend in the final quarter and disciplined cost control. Royal Wolf can adjust the levers of the business to better match to market changes – selling, general & administrative (SG&A) costs and container fleet capital expenditure will continue to be managed in the current business environment and we expect debt reduction to continue into FY16.

Royal Wolf operates from 33 facilities including 29 dedicated Customer Service Centres and has a hire fleet of approximately 41,700 containers at 30 June 2015. We offer over 100 container based designs with applications in portable storage, portable buildings, camps and freight containers. Our passion for quality in customer service and our role as market leader and in 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 lost time injury frequency rate (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 continues to build its capacity and capability to meet significant growth objectives.

Our prudent balance sheet and cash flow management puts us in a good position to deliver our strategy to be a strong competitor in container based solutions, to continue to develop innovative solutions for our customers and to grow our market.

Financial performance

Royal Wolf achieved revenues of $147.9 million, a 15.8% decrease compared to 2014 with container leasing revenues increasing by 1.8%, to $82.1 million, and container sales revenues decreasing by 30.8%, to $65.8 million. The container leasing revenue increase was achieved despite a slight decrease in the units leased during the year to 33,004 (2014:33,220) and was affected by a combination of overall decline in the coal seam gas (CSG) market which resulted in no new camp hires during 2015 and restructuring of our rental contracts and the softening of the resources demand in WA and Central QLD.

We have greater than 5% year on year leasing revenue growth in New Zealand and five Australian states. The group is experiencing increased demand from the building and construction / infrastructure industries and is investing in relevant fleet. Lease revenue as a percentage of total revenue has increased from 45.9% for 2014 to 55.5%. Utilisation was 79.1% at 30 June 2015 compared to 82.3% at 30 June 2014. Average utilisation for 2015 was 81.8% compared to 82.4% for 2014.

Net profit after tax was $13.0 million, or 13.0 cents per share, in the 2015 financial year, versus $15.9 million, or 15.9 cents per share, in the 2014 financial year and is being impacted by higher depreciation on portable buildings. A proportion of this product with high capital cost but low unit volume is not generating revenue while it is remarketed away from the energy sector. At June 30 2015 we had $23.3 million of assets idle that had been deployed in resources / energy applications. While we secure redeployment of these idle assets, SG&A costs and container fleet capital expenditure will continue to be tightly managed.

Dividends

Royal Wolf has declared a fully franked final dividend of 5.0c per share to be paid on 2 October 2015 with a record date of 17 September 2015. This dividend lifts the full year dividend distribution to 9.0 cents (83% franked) and represents a payout ratio of 60% of adjusted net profit after tax (NPATA). The business model in a low growth environment releases cash and the visibility we have in the forward period gives us confidence to maintain the dividend after taking into consideration the franking impact despite a slight contraction in performance.

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.

The 2015 Corporate Governance Statement was adopted by the Board on 11 August 2015 and can be viewed at http://investors.royalwolf.com.au/Investors/?page=Corporate-Governance

Conclusion

Our strengthening reputation in delivering high quality container based solutions in portable storage, freight and portable buildings has contributed to our success. Our product range and customer service approach distinguishes us and continues to attract new customers from a wide variety of industries, in particular building and construction / infrastructure.

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 capability closer to our customers and to continue to grow, we will seek profit accretive acquisitions and intend to increase our CSC footprint and agents network.

We believe this result demonstrates the value of our geographic and industry diversity by minimising the impact of the resources and energy sector contraction. We continue our strategy of increasing the container leasing revenue base. It has been a good performance from the team at Royal Wolf in a challenging year for all rental companies if not most Australian businesses.

We are consistently delivering on our objective to drive leasing revenue 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,
18 September 2015

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Corporate Directory

Directors	P Housden BCom (Hons), FCPA, FAICD *Independent Chair* D W Corsie MBA IMD, BEng (Civil) *Independent Non Executive Director* P A Dexter AM, FAICD *Independent Non Executive Director* R F Valenta *Non Executive Director* R G Allan MAICD *Executive Director* M Marrero (appointed 24 October 2014) *Non Executive Director*
Secretary	G B Baker CPA,GIA (Cert), MAICD.
Executives	R G Allan *Chief Executive Officer* G B Baker *Chief Financial Officer & Company Secretary* B R Buddo *Executive General Manager Operations* D P Creighton *Executive General Manager, New Zealand* N R Littlewood *Executive General Manager, Australia CSC* P J Breen *Executive General Manager, Buildings*
Notice of annual general meeting	The annual general meeting will be held on 22 October 2015 at 11.00a.m
Principal registered office in Australia	Suite 202, Level 2, 22-28 Edgeworth David Avenue Hornsby NSW 2077 (02) 9482 3466
Share register	Link Market Services, Level 12, 680 George Street Sydney NSW 2000
Auditor	Crowe Horwath Sydney, Level 15, 1 O' Connell Street Sydney NSW 2000
Solicitor	Herbert Smith Freehills , MLC Centre, 19-29 Martin Place Sydney NSW 2000
Bankers	Australia and New Zealand Banking Corporation 242 Pitt Street Sydney NSW 2000 ANZ Bank New Zealand Limited, 22-29 Albert Street Auckland 1010, New Zealand Commonwealth Bank, 201 Sussex Street Sydney NSW 2000
Stock exchange listings	Royal Wolf Holdings Limited shares are listed on the Australian Securities Exchange.
Website address	www.royalwolf.com.au

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 2015.

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

M Marrero (appointed 24 October 2014)

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:

	2015 $'000	2014 $'000
Final ordinary dividend for the year ended 30 June 2014 of 5.0 cents (2013 – 5.0 cents) per fully paid share unfranked paid on 3 October 2014	5,521	5,019
Interim ordinary dividend for the year ended 30 June 2015 of 4.0 cents (2014 –5.0 cents) per fully paid share franked to 2.5 cents paid on 2 April 2015	4,015	5,019

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final fully franked ordinary dividend of $5,019,353 (5.0 cents per fully paid share) to be paid on 2 October 2015.

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 $13,028,000 (2014: $15,943,000).

($ in thousands, FYE 30 June)	**Actual FY2015**	**Actual FY2014**
Container lease revenue	82,052	80,614
Container sales revenue	65,800	95,081
Total revenue	147,852	175,695
EBITDA	43,863	46,098
EBITA	28,158	32,670
EBIT	25,249	28,876
Underlying NPAT*	14,940	18,967
NPAT	13,028	15,943
EPS	13.0c	15.9c

* Underlying NPAT is presented as follows:

	Actual FY2015	Actual FY2014
NPAT	13,028	15,943
Items not forming part of the normal ongoing operating activity		
Mark to market valuation loss/(gain) for interest rate swaps	(136)	225
Unrealised exchange loss/(gain) on forward contracts	193	608
Amortisation of intangible assets related to business acquisitions	2,675	3,487
Subtotal	2,732	4,320
Tax effect	(820)	(1,296)
Subtotal	1,912	3,024
Underlying NPAT	14,940	18,967

Key points on the results

- Royal Wolf continues to successfully execute its key strategy of growing container lease revenues and minimises impact of resources contraction through its geographic footprint, customer diversification and focus on growth industries.

- Container leasing revenues were $82.1 million, an increase of $1.4 million or 1.8% over last year. The resources sector second half container lease revenue being $2.4m behind last year.

- Container leasing revenues achieved 55.5% of total revenues versus 45.9% last year.

Review of operations (continued)

- Average utilisation for the year was 81.8% compared to 82.4% for last year.
- Total revenues of $147.9 million, 15.8% behind last year with the change principally in the lower margin container sales revenues as previous year's significant sales contracts ($22.3 million) not replicated.
- Net debt reduced by $12.3 million in the fourth quarter as a result of disciplined cost control and appropriate fleet expenditure.
- EBITDA of $43.9 million (margin of 29.7%) compared to $46.1 million (margin of 26.2%) last year.
- Net Profit after Tax (NPAT) attributable to ordinary shareholders of $13.0 million or 13.0c per share compared to $15.9 million or 15.9c per share last year.
- Royal Wolf paid an interim dividend of 4.0c per share (franked to 2.5c per share) in April 2015 and a fully franked final dividend of 5.0c per share will be paid on 2 October 2015.

Following is a brief discussion of the main factors which affected Royal Wolf's operating and financial performance in FY2015 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 container sales revenue and container leasing revenue. Container sales revenue includes revenue from the sale of containers, container modifications and accessories, as well as delivery revenue to customers. Container 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 container leasing revenue stream. Royal Wolf believes that promoting a container leasing revenue based model will underpin a high margin revenue base as historically container lease revenue has experienced less volatility than container sales revenue and is generally at a higher margin.

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

Review of operations (continued)

Total revenues for the year were $147.9 million, a decrease of 15.8% from last year.

Total revenue for FY2014 included a single low margin sales contract to a rail based logistics company valued in excess of $12.0 million, a sale in excess of $4.0 million in the resources sector and a sale of 150 prisoner accommodation units to the Victorian Department of Justice in excess of $6.0 million which were not replicated in FY2015.

Container lease revenue increased 1.8% with a slight decrease in the units leased during the year to 33,004 (2014:33,220). Container leasing revenue was affected by a combination of the overall decline in the coal seam gas (CSG) market which resulted in no new camp hires during FY 2015, the restructuring of our rental contracts with a Queensland based camp solution provider having a $2.0 million adverse impact for the current year and the softening of the resources demand in WA and Central Queensland.

Container lease revenue as a percentage of total revenue has increased from 45.9% to 55.5%.

Management of our container fleet including accurate forecasting, stock positioning and purchasing contributed to a steady average utilisation of the fleet at 81.8% (2014:82.4%)

The increase in container lease revenue through the CSC Australia was $1.2 million, CSC New Zealand was $1.3 million and a decrease in the National Accounts of $1.1 million.

Container sales revenue during FY2015 amounted to $65.8 million compared to $95.1 million during FY2014, representing a decrease of $29.3 million or 30.8%. Sales revenue for FY2014 included 3 substantial sales contracts mentioned above totalling in excess of $22.3 million. The container sales revenue change comprises a decrease of $18.4 million in the national accounts group and a decrease of $10.9 million in CSC operations.

Portable storage revenue for the year grew by 0.8% to $105.9 million with leasing revenue increasing by 0.9% and sales revenue increasing by 0.7%. Fleet size increased by 1.7% to 27,049 (30 June 2014: 25,694).

Portable buildings revenue for the year fell by 30.1% to $27.6 million with leasing revenue increasing by 6.5% to $22.1 million compared to $20.7 million last year and sales revenue declining due to the FY2014 sales transactions mentioned above not being replicated in FY2014. Fleet size increased by 26.8% to 5,565 (30 June 2014: 4,388)

Freight revenues fell by 53.9% to $14.4 million with last year's revenue significantly attributed to the single low margin sale in FY2014. Fleet size decreased by 2.9% to 9,128 containers (30 June 2014: 9,376).

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 margin for the year of 52.3% compares to 45.7% last year. Excluding those single low margin container sales last year the margin would have been 51.2%.

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 decreased by $0.8 million during FY2015 to $33.4 million from $34.2 million during FY2014. We were able to deliver cost reductions within the business as we adjusted our structure to the reduced resources activity through cost control management and headcount rationalisation.

There was an increase of $0.7 million in employee benefits expense during FY2015. This included the annual wage increase in July 2014 and the increase in the LTI related expenses, offset by the impact of the decrease in headcount this year. Headcount decreased from 275 at 30 June 2014 to 266 at 30 June 2015.

Earnings at the EBITDA level for the year decreased by 4.8% to $43.9 million when compared to last year.

Depreciation and amortisation combined was $18.6 million up 8.1% from $17.2 million due to the compound effect of current and previous year's asset purchases particularly focused in the higher depreciating portable buildings sector. As we market the assets now surplus to demand in oil and gas we may secure sales contracts. This would have the future effect of reducing depreciation on the higher depreciating portable buildings assets.

Earnings Before Interest and Tax decreased 12.6% from $28.9 million to $25.2 million year on year.

Financing costs of $7.0 million is an increase of 2.6% from last year and reflects the increase in borrowings to facilitate the capital expenditure on container assets in FY2015 as well as the acquisition of a property for $10.0 million and an acquisition for $1.7 million in New Zealand offset partially by reduced interest margin due to the refinancing completed in the 2H FY2014.

Underlying NPAT of $14.9 million is $4.0 million behind FY 2014 representing a decrease of 21.2%.

Net cash flow before financing activities for the period was a positive $0.3 million (FY2014 negative $0.5 million) comprising cash flow from operating activities of $33.9 million (FY2014 $36.8 million) and cash used in investing activities of $33.6 million (FY2014 $37.3 million).

Fleet capital expenditure has decreased to $19.0 million compared to $28.9 million last year to align with the reduced resources activity and our available fleet. Inventories at 30 June 2015 were $17.2 million compared to $12.1 million last year and include $5.8 million of assets to meet demand in the building and construction industry and $2.3 million of camp assets built in anticipation of growth in the accommodation sector.

The increase in property, plant and equipment spend relates to the strategic acquisition for $10.2 million of the purpose built high profile site on Jarvis Way, Auckland – our hub location for New Zealand.

Financial gearing at the end of the period was 44% (2014: 42%) on a net debt to net debt plus equity basis reflecting the capital expenditure on containers and the Auckland property 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 81.8% compared to 82.4% for last year. Units on lease at year end decreased from 33,220 to 33,004, versus lease fleet of 41,742 as at 30 June 2015. Closing utilisation at 79.1% compares to 30 June 2014 utilisation of 82.3%.

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 over the years 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 104 in FY2015 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 29 at June 2015 across Australia and New Zealand. Our agent network is 52 at June 2015 an increase of 2 during the year.

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.

Acquisitions

Since 2005, Royal Wolf has undertaken 20 acquisitions (eight 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 FY2015, Royal Wolf serviced approximately 23,000 large and small customers across 19 different industries and from 29 Customer Service Centres across diverse geographies.

Its largest customer accounted for 3.3% of total revenue and the top 50 customers accounted for around 28% 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.

Outlook

Royal Wolf has grown its container leasing revenues from existing business segments through innovation and meeting specific customer needs while also expanding activity in growth opportunities such as building solutions for the capital city building and construction industries.

The increasing container leasing demand on the Eastern Seaboard of Australia, continuing strength of the New Zealand market and relatively flat seasonal freight sector demand are expected to partially offset the reduced resource based activity in Western Australia and South Australia and the full year impact of the restructure of hire contracts relating to a customer providing camp accommodation solutions in Queensland

A proportion of the portable buildings product with high capital cost but low unit volume is not generating revenue while it is remarketed away from the energy sector. We now have $23.3 million of assets idle that were deployed in resources / energy applications.

While we secure that redeployment of the portable buildings, SG&A costs and container fleet capital expenditure have been and will continue to be reduced. .

Royal Wolf was able to reduce net debt in the fourth quarter from a high point of $137.9 million to $125.6 million at 30 June 2015 as a result of lower net fleet capital expenditure and reduced inventory spend in the final quarter and disciplined cost control. This is a real example of how Royal Wolf can adjust the levers of the business to better match market changes - SG&A costs and container fleet capital expenditure will continue to be managed in the current business environment and we expect debt reduction to continue into FY16. At 30 June 2015 we had outstanding orders for $4.0 million of container asset purchases compared to $17.0 million at 30 June 2014.

The outlook for the Australian economy is uncertain, however we approach the new financial year with good momentum in container leasing revenue and already with over $12.0m of large but low margin container sales orders for delivery in the first half of FY2016. The full year effect of the reduced container leasing revenue from the energy / resources sectors will offset growth anticipated in our other markets and we anticipate delivering a similar EBITDA and NPAT result in FY2016. The moderate fleet expenditure will allow significant debt reduction and a resultant increase in our ROFE.

Significant changes in the state of affairs

Business acquisitions

On 1 December 2014 Royal Wolf acquired the assets and business of YS Container Services (NZ) limited operating in the Christchurch region of New Zealand for consideration of NZ$2.0 million (A$1.8 million). YS Containers commenced operations in 1993 and is in the business of providing rental and sales of reefers and storage containers to a wide customer base that spans industries including logistics, construction, manufacturing and the retail market.

On 10 June 2015 Royal Wolf acquired the assets and business of Ivans Container Hire operating in the Toowoomba, Queensland for consideration of $0.3 million.

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

Matters subsequent to the end of the financial year

On 11 August 2015 the directors have declared the payment of a final fully franked ordinary dividend of $5,019,353 (5.0 cents per fully paid share) to be paid on 2 October 2015.

No other matters or circumstances have arisen since 30 June 2015 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 68*

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.

Information on directors (continued)

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

D W Corsie MBA IMD, BEng (Civil) *Independent Non Executive Director. Age 68*

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 72*

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 director of Wilh Wilhelmsen Investments, 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

Information on directors (continued)

R F Valenta *Non-Executive Director. Age 57*

Experience, expertise and directorships

R F Valenta is non-executive director of Royal Wolf who has served as the President and Chief Executive Officer of General Finance Corporation since its inception in October 2005. On 5 June 2015 he was appointed Executive Chairman of the board of General Finance Corporation. He has over 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

M Marrero *Non-Executive Director. Age 57*

Experience, expertise and directorships

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

Interests in shares and options in Royal Wolf

Nil

Special responsibilities

Member of audit, risk and compliance committee

Information on directors (continued)

R G Allan *Executive Director. Age 59*

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

15,000 ordinary shares

135,000 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

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 2015, 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	-	-	3	3	-	-
D W Corsie	8	8	-	-	3	3	4	4
P A Dexter	8	8	-	-	3	3	4	4
R F Valenta	7	8	-	-	-	-	4	4
M Marrero	3	4	-	-	1	2	-	-
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

Remuneration report

This remuneration report for the year ended 30 June 2015 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 2014 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**
Non-executive and executive directors	
P Housden	Chair
D W Corsie	Non-executive director
P A Dexter	Non-executive director
R F Valenta	Non-executive director
M Marrero	Non-executive director
R G Allan	Executive director & Chief Executive Officer
Other key management personnel (KMP)	
G B Baker	Chief Financial Officer & Company Secretary
B R Buddo	Executive General Manager, Operations
D P Creighton	Executive General Manager, New Zealand
N R Littlewood	Executive General Manager, Australia CSC
P J Breen	Executive General Manager, Buildings

From July 2014 G K Horley, Executive General Manager, West and S Cavarra, Executive General Manager, South/Central report to N R Littlewood, Executive General Manager, Australia CSC and are no longer classified as key management personnel for the Group.

2. Remuneration governance

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

3. Use of remuneration consultants

The committee has appointed Godfrey Remuneration Group Pty Ltd as an independent remuneration consultant to assist it and the Board in relation to director and executive remuneration and was paid $1,045 for these services. The appointment was made in compliance with section 206K of the Corporations Act 2001 and the consultants have declared under Section 206M their freedom from undue influence by key management personnel.

4. Non-executive director remuneration policy and framework

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

a. Base fees	$
Chairman	137,917
Other-non executive directors	76,385
b. Additional fees for Committee Chairs	
Audit, risk and compliance	8,487
Human resource and remuneration	8,487

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.

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	• 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: • threshold – 50%; • stretch for EBITDA component – 100% and TSR 75%; • pro-rata vesting on a straight line basis between 50% and 100% for EBITDA and 50%-75% for TSR.
Eligibility	The LTI Plan will only be offered to approved executives.
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 that 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.

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

d. Special incentive performance rights

On 23 October 2014, 106,112 special incentive performance rights were granted to R G Allan (CEO). The number of performance rights granted was calculated by dividing $300,000 by the volume weighted price of shares in the company for the 10 trading days prior to 30 June 2013. The rights are divided in three tranches (two tranches of 35,371 rights and one tranche of 35,370) which will vest on 1 July 2016, 1 July 2017 and 1 July 2018 respectively subject to the terms and conditions outlines below (including service and non-forfeiture conditions).

Vesting Conditions	**Tranche 1 - 35,371**	**Tranche 2 – 35,371**	**Tranche 3 – 35,370**
Service condition	This condition has been satisfied by the CEO's continued service with the Group during the period 1 July 2013 to 1 July 2014	This condition has been satisfied by the CEO's continued service with the Group during the period 1 July 2014 to 1 July 2015	This condition will be satisfied by the CEO's continued service with the Group during the period 1 July 2015 to 1 July 2016
Non-forfeiture condition	This condition will be satisfied if the performance rights do not lapse during the period 1 July 2013 to 1 July 2016	This condition will be satisfied if the performance rights do not lapse during the period 1 July 2013 to 1 July 2017	This condition will be satisfied if the performance rights do not lapse during the period 1 July 2013 to 1 July 2018
Vesting date	1 July 2016	1 July 2017	1 July 2018

d. Special incentive performance rights (continued)

Mr Allan's performance rights may lapse if the applicable service conditions are not satisfied at the end of the relevant service period. In addition, his performance rights may lapse:

- if he breaches the terms of his employment and restraint of trade;
- to prevent him from becoming entitled to any inappropriate benefits;
- if he contravenes the dealing restrictions; or
- if he notifies the company in writing that he elects to surrender his performance rights.

Vesting of each tranche will be determined once the applicable service condition and non-forfeiture condition have been satisfied. Satisfaction of the applicable non-forfeiture condition and vesting of the performance rights will be determined by the board in its sole discretion, exercised reasonably. Upon vesting each performance right will entitle Mr Allan to one ordinary share in Royal Wolf although the board has discretion to satisfy any performance rights on vesting by payment of a cash equivalent instead of an allocation of shares. It is intended that any shares delivered upon vesting of the performance rights will be acquired on market, however, the company has the discretion to also issue shares upon vesting.

6. Relationship between remuneration and the Group's performance

The following table shows key performance indicators for the Group since 2013.

	2015	**2014**	**2013**
Profit for the year attributable to owners of Royal Wolf Holdings Limited ($'000)	13,028	15,943	14,717
Basic earnings per share (cents)	13.0	15.9	14.7
Dividend payments ($'000)	9,536	10,039	9,035
Dividend payout ratio (%)	73.2	63.0	61.4
Increase/ (Decrease) in share price (%) for the year	(40.2%)	27.6%	29.7%
Total KMP incentives as a percentage of EBITDA for the year	2.7	3.2	2.0

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

7. Voting and comments made at the company's 2014 Annual General Meeting

Royal Wolf Holdings Limited received more than 90% of "yes" votes on its remuneration report for the 2014 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

2015	Short-term benefits			Post-employment	Long-term benefits		Share-based payments	
	Cash Salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Annual and long service leave	Termination benefits	Shares, Options, cash settled	Total
	$	$	$	$	$	$	$	$
Non-executive directors								
P Housden	137,917	-	-	-	-	-	-	137,917
D W Corsie	77,508	-	-	7,364	-	-	-	84,872
P A Dexter	77,508	-	-	7,364	-	-	-	84,872
R F Valenta	-	-	-	-	-	-	-	-
M Marrero*	52,842	-	-	-	-	-	-	52,842
Sub-total non-executive directors	345,775	-	-	14,728	-	-	-	360,503
Executive directors								
R G Allan	531,072	55,000	-	34,800	8,185	-	558,389	1,187,446
Other key management personnel								
G B Baker	297,142	35,000	-	27,600	5,033	-	155,749	520,524
B R Buddo	219,427	30,000	-	21,611	6,824	-	75,824	353,686
D P Creighton**	210,690	44,642	-	-	-	-	75,824	331,156
N R Littlewood	237,443	49,536	-	24,106	-	-	47,474	358,559
P J Breen	235,211	10,000	-	27,204	-	-	47,474	319,889
Total key management personnel compensation (Group)	2,076,760	224,178	-	150,049	20,042	-	960,734	3,431,763

*M Marrero was appointed as a director from 24 October 2014.

**D P Creighton's remuneration information has been converted from New Zealand dollars to Australian dollars using an exchange rate of $0.8934

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

****** Position was made redundant as a result of restructuring in December 2014

*** From July 2014, no longer classified as key management personnel

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

	2015			2014		
	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
Executive directors						
R G Allan	48%	5%	47%	49%	16%	35%
Other key management personnel						
G B Baker	63%	7%	30%	59%	14%	27%
A I McLaughlin*	-	-	-	65%	17%	18%
G K Horley**	-	-	-	68%	11%	21%
B R Buddo	70%	8%	22%	67%	11%	22%
S Cavarra**	-	-		75%	11%	14%
D P Creighton	64%	13%	23%	71%	12%	17%
N R Littlewood	73%	14%	13%	81%	12%	7%
P J Breen	82%	3%	15%	74%	21%	5%

***** Position was made redundant as a result of restructuring in December 2014

** From July 2014, no longer classified as key management personnel

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 $562,000 which includes superannuation and any salary sacrifice items. This will increase by 5% for each year from 1 July 2015.

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. The target LTI opportunity value for each year is 50% of Mr Allan's fixed remuneration.

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

Step 1: Basic value of a performance right = share price – assumed annual dividend over vesting period;

Step 2: Adjusted value of a performance right calculated based on the probability of vesting;

Step 3: Number of performance rights = value of Mr Allan's participation in the LTI Plan which is equal to 50% of his Total Employment Cost divided by the adjusted value of a performance right.

Special Incentive

Mr Allan has received 106,112 special incentive performance rights on 23 October 2014.

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, LTI or special incentive rights 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 the Royal Wolf Group and/or soliciting customers and/or employees in Australia, New Zealand and in areas in which Royal Wolf markets its products during the 2 year period commencing on the date his employment ceases.

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 $320,000 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 key management personnel's base package which includes superannuation and other salary packaged benefits are summarised in the table below:

Name	$
B R Buddo	232,000
D P Creighton (in NZD)	232,000
N R Littlewood	260,000
P J Breen	260,000

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 2012				
TSR	1 July 2012 – 30 June 2015	1.62	50.0 percentile	50%
EBITDA		2.16	$43.9m vs stretch target of $51.2m	53%

The Board has determined subsequent to the end of the financial year that the November 2012 performance rights granted in the 2013 financial year have vested in accordance with the above table.

Grant date	Measurement Period	Right value per unit $ TSR	Right value per unit $ EBITDA	Performance achieved	% Vested
November 2013	1 July 2013 – 30 June 2016	2.26	3.11	To be determined	n/a
November 2014	1 July 2014 – 30 June 2017	1.61	2.82	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:

a) be paid $1,000 via payroll, a total of $2,000 if all two tranches vest, and it will have PAYG tax deducted;

b) 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

c) 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.

Name	FY of grant	Year of vesting	Number granted to KMPs	Value at grant date	Number vested during the year	Vested %	Number forfeited during the year	Value at date of forfeiture	Forfeited %
R G Allan	2015	2017	185,000	409,775	-	-	-	-	-
	2015	*	106,112	300,000	-	-	-	-	-
	2014	2016	226,000	606,810	-	-	-	-	-
	2013	2015	204,000	385,560	-	-	-	-	-
	2012	2014	170,000	279,106	170,000	100%	-	-	-
G B Baker	2015	2017	53,000	117,395	-	-	-	-	-
	2014	2016	65,000	174,525	-	-	-	-	-
	2013	2015	86,000	162,540	-	-	-	-	-
	2012	2014	85,000	139,554	85,000	100%	-	-	-
B R Buddo	2015	2017	33,000	73,095					
	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
	2012	2014	40,000	65,672	40,000	100%	-	-	-
D P Creighton	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	-	-	-
	2013	2015	40,000	75,600	-	-	-	-	-
N R Littlewood	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	-	-	-
P J Breen	2015	2017	33,000	73,095	-	-	-	-	-
	2014	2016	29,000	77,865	-	-	-	-	-
Total			1,548,112						

* refers to the special incentive grant with tranches 1, 2, and 3 vesting 1 July 2016 (35,371 rights), 1 July 2017 (35,371 rights) and 1 July 2018 (35,370 rights), respectively.

(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 2014 and 2015 financial years.

(c) GFN Stock Incentive Plan

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

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

2015 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	600,000	291,112	(170,000)	-	721,112	-	721,112
- GFN options	123,000	-	(38,000)	-	85,000	85,000	-
G B Baker							
- Rights	236,000	53,000	(85,000)	-	204,000	-	204,000
- GFN options	30,200	-	(15,200)	-	15,000	15,000	-
B R Buddo							
- Rights	109,000	33,000	(40,000)	-	102,000	-	102,000
- GFN options	17,400	-	(11,400)	-	6,000	6,000	-
D P Creighton							
- Rights	69,000	33,000	-	-	102,000	-	102,000
- GFN options	3,000	-	-	-	3,000	3,000	-
N R Littlewood							
- Rights	29,000	33,000	-	-	62,000	-	62,000
P J Breen							
- Rights	29,000	33,000	-	-	62,000	-	62,000

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

(b) Shareholdings including granted under employee share scheme plan

2015 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	147,353	170,305	(170,000)	15,000	162,658
G B Baker	45,693	85,305	(85,000)	-	45,998
B R Buddo	15,709	40,305	(40,000)	-	16,014
D P Creighton	709	305	-	-	1,014
N R Littlewood	-	305	-	-	305
P J Breen	-	305	-	-	305

12. Loans to key management personnel

There were no loans provided to the key management personnel during the financial year ended 30 June 2015 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 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 $22,600 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 $140,248 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.

R G Allan hired a container asset under normal hire terms and conditions at arms-length. The monthly hire amount including GST is $2,593.

There were no other transactions with key management personnel during the year ended 30 June 2015 (2014: nil).

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	
	2015	**2014**
	$000	**$000**
Auditor's remuneration Crowe Horwath, Sydney		
Audit or review	294	238
Total remuneration for audit or review services	294	238

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 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 11th day of August 2015

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Sydney NSW 2000 Australia
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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 2015, 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

J Haydon

JOHN HAYDON
Partner

Date this 11th day of August 2015

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

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

Suite 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 11 August 2015. 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 2015

	Note	Consolidated Group 30 June 2015 $'000	30 June 2014 $'000
Revenue from continuing operations			
Container lease revenue	5	82,052	80,614
Container sales revenue	5	65,800	95,081
Total revenue		147,852	175,695
Cost of sales		(70,591)	(95,437)
Other income		39	43
Foreign exchange (losses)/gains		(387)	(1,053)
Employee benefits expense	5	(24,687)	(24,029)
Business promotion		(1,573)	(1,697)
Travel and accommodation		(858)	(967)
Professional expenses		(2,697)	(2,522)
IT and telecommunications		(1,148)	(1,125)
Other expenses		(2,087)	(2,810)
Profit before interest, tax, depreciation and amortisation		43,863	46,098
Depreciation expense	5	(15,705)	(13,428)
Profit before interest, tax and amortisation		28,158	32,670
Amortisation expense	5	(2,909)	(3,794)
Profit before interest and tax (EBIT)		25,249	28,876
Financing costs	5	(6,980)	(6,805)
Profit before tax		18,269	22,071
Income tax benefit/(expense)	6	(5,241)	(6,128)
Profit after tax (NPAT)		13,028	15,943
Profit from continuing operations		13,028	15,943
Profit attributable to:			
Owners of Royal Wolf Holdings Limited		13,028	15,943
		13,028	15,943
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Group			
Basic earnings per share (cents)	31	13.0	15.9
Diluted earnings per share (cents)	31	13.0	15.9

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

	Note	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
Profit for the year		13,028	15,943
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges, net of tax		(55)	(203)
Exchange differences on translation of foreign operations		(1,034)	1,884
Total comprehensive income for the period, net of tax		(1,089)	1,681
Total comprehensive income for the year		11,939	17,624
Total comprehensive income for the year is attributable to:			
Owners of Royal Wolf Holdings Limited		11,939	17,624
		11,939	17,624

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 2015

		Consolidated Group	
	Note	30 June 2015 $'000	30 June 2014 $'000
Assets			
Current assets			
Cash and cash equivalents	8	3,531	6,071
Trade and other receivables	9	18,602	25,699
Inventories	10	17,178	12,071
Derivative financial instruments	15	157	-
Total current assets		39,468	43,841
Non-current assets			
Trade and other receivables	9	185	306
Property, plant and equipment	11	19,311	10,467
Container for hire fleet	12	203,493	198,305
Intangible assets	13	57,176	57,663
Total non-current assets		280,165	266,741
Total assets		319,633	310,582
Liabilities			
Current liabilities			
Trade and other payables	14	15,380	19,611
Derivative financial instruments	15	-	244
Current tax liability	17	1,686	1,036
Borrowings	16	-	43
Employee benefits	18	2,548	2,579
Total current liabilities		19,614	23,513
Non-current liabilities			
Derivative financial instruments	15	1,866	1,626
Borrowings	16	125,262	117,163
Deferred tax liabilities	17	18,237	16,264
Employee benefits	18	652	537
Provisions	19	53	53
Total non-current liabilities		146,070	135,643
Total liabilities		165,684	159,156
Net assets		153,949	151,426
Equity			
Contributed equity	20	141,082	141,383
Retained earnings	20	7,890	4,398
Reserves	20	4,977	5,645
Total equity		153,949	151,426

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 2015

	Note	Contributed Equity	Retained Earnings/ (Accumulated Losses)	Reserves	Total Equity
		$'000	$'000	$'000	$'000
Consolidated Group					
Balance at 1 July 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
Profit for the year		-	13,028	-	13,028
Other comprehensive income		-	-	(1,089)	(1,089)
Total comprehensive income for the year		-	13,028	(1,089)	11,939
Transactions with owners in their capacity as owners					
Dividends paid		-	(9,536)	-	(9,536)
Share repurchase and distribution		(301)	-	-	(301)
Employee share options – value of employee services		-	-	421	421
Balance at 30 June 2015		141,082	7,890	4,977	153,949

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 2015

	Note	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
Cash flows from operating activities			
Receipts from customers		171,672	188,067
Payments to suppliers and employees		(128,294)	(142,915)
Interest paid		(6,864)	(6,731)
Income taxes paid		(2,582)	(1,579)
Net cash provided by operating activities	28	33,932	36,842
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		76	96
Interest received		83	55
Purchase of intangible assets		(1,518)	(234)
Purchase of property, plant and equipment		(11,380)	(2,635)
Purchase of container hire fleet		(19,039)	(28,941)
Purchase of business, net of cash acquired		(1,863)	(5,595)
Net cash (used in) investing activities		(33,641)	(37,254)
Cash flows from financing activities			
Payment of finance lease and other liabilities		(43)	(78)
Proceeds from borrowings		26,901	147,007
Payment of borrowings		(19,002)	(129,912)
Dividends paid		(9,536)	(10,039)
Purchase of shares on market and distribution		(301)	(1,057)
Net cash provided by/(used) in financing activities		(1,981)	5,921
Net increase in cash and cash equivalents		(1,690)	5,509
Cash and cash equivalents at beginning of the financial year		6,071	2,247
Effect of exchange rate on cash and cash equivalents		(850)	(1,685)
Cash and cash equivalents at the end of the year	8	3,531	6,071

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

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 2015 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.

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.

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

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 3 to 10 years.

Research and development

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

Non-compete agreements

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

Trademark

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

Note 1: Statement of Significant Accounting Policies (continued)

l. 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 corporate bond rates 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 (2014-2015) 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 reliability, 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.

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 2015 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 $1,132,000 (2014: $932,000).

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 $1,449,000 (2014: $1,688,000) 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 2015 was $10,000 (2014: $6,000).

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 are 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 the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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

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

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

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

Note 1: Statement of Significant Accounting Policies (continued)

ac. New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

The group has already early adopted AASB 9 Financial Instruments.

Title of standard	Nature of change	Impact	Mandatory application date/date of adoption by group
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	Management is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected: >extended warranties, which will need to be accounted for as separate performance obligations, which will delay the recognition of a portion of the revenue; >consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards. The balance sheet presentation of rights of return, which will have to be grossed up in future (separate recognition of the right to recover the goods from the customer and the refund obligation) At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact in FY 2016.	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017.

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.

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 periodic systematic monitoring of procedures, internal control activities and reporting.

Since last year, the company applies 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	
		2015	2014
Financial assets		$'000	$'000
Cash and cash equivalents	8	3,531	6,071
Trade receivables	9	16,822	23,053
Lease receivables	9	279	486
Derivative financial instruments	15	157	-
		20,789	29,610
Financial liabilities			
Trade payables	14	5,279	7,413
Derivative financial instruments	15	1,866	1,870
Other loans	16	-	43
Borrowings	16	125,262	117,163
		132,407	126,489

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 2015 and 2014 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 2015 approximately 40 per cent of Group debt is fixed.

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

	Weighted average interest		**Consolidated Group**	
	2015	2014	2015	2014
			$'000	$'000
Floating rate instruments				
Bank loans (unhedged)	4.14%	4.26%	75,262	67,163
Other loans	Nil	Nil	-	43
			75,262	67,206

Interest rate swaps and options

The details of loans interest rate swaps and options at 30 June 2015 are as follows:

	2015		2014	
	Notional Amount $'000	Fixed rate/ Strike Rate %	Notional Amount $'000	Fixed rate/ Strike Rate %
Swap no.5376392	50,000	3.98	50,000	3.98
Total	50,000		50,000	

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:

	2015 $'000	2014 $'000
Floating rate		
Expiring beyond one year (bank loans)	49,738	57,837
	49,738	57,837

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.

2. Financial risk management (continued)

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount(assets) /liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2015							
Non-derivatives							
Trade payables	5,279	-	-	-	-	5,279	5,279
Borrowings	-	-	-	125,262	-	125,262	125,262
Total non-derivatives	5,279	-	-	125,262	-	130,541	130,541
Derivatives							
Net settled (interest rate swaps)	-	-	1,866	-	-	1,866	1,866
Gross settled (forward exchange contracts – cash flow hedges)							
-(inflow)	(12,293)	-	-	-	-	(12,293)	-
-outflow	12,293	-	-	-	-	12,293	157
	-	-	-	-	-	-	157
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	(244)
	-	-	-	-	-	-	(244)

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 2015 was $319,633,000 of which the financial assets amounted to $20,789,000.

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 2015, the consolidated entity had hedged 100% of its foreign currency purchases for which firm commitments existed at the reporting date extending to November 2015.

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

	30 June 2015	30 June 2014
	US$'000	US$'000
Trade payables	1,071	2,609
Forward exchange contracts	9,534	14,405

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 2015 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.

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.

	2015		2014	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	$	$	$	$
Financial assets				
Cash and cash equivalents	3,531	3,531	6,071	6,071
Trade receivables	16,822	16,822	23,053	23,053
Lease receivables	279	279	486	486
Derivative financial instruments	157	157	-	-
Total financial assets	20,789	20,789	29,610	29,610
Financial liabilities				
Trade payables	5,279	5,279	7,413	7,413
Derivative financial instruments	1,866	1,866	1,870	1,870
Other loans	-	-	43	43
Borrowings	125,262	125,262	117,163	117,163
Total financial liabilities	132,407	132,407	126,489	126,489

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.

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 2015 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
2015	$'000	$'000	$'000	$'000
Financial assets				
Derivative financial instruments	-	157	-	157
Financial liabilities				
Derivative financial instruments	-	(1,866)	-	(1,866)
2014				
Financial assets				
Derivative financial instruments	-	-	-	-
Financial liabilities				
Derivative financial instruments	-	(1,870)	-	(1,870)

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 2015		
+/- 1% in interest rates	(676)	(676)
+/-10% in USD exchange rate	45	45
Year ended 30 June 2014		
+/- 1% in interest rates	540	540

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

3. Segment Information

Description of segments

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

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

(a) Segment information provided to the board

The segment information provided to the board for the reportable segments for the year ended 30 June 2015 is as follows:

2015	National Accounts	Customer Service Centres Australia	Customer Service Centres New Zealand	Head Office	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	29,738	91,778	26,336	-	147,852
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	29,738	91,778	26,336	-	147,852
EBITDA	15,118	23,205	12,580	(7,040)	43,863
Depreciation and amortisation	5,671	8,091	2,478	2,374	18,614
Income tax expense	-	-	-	5,241	5,241
Total segment assets	79,728	116,640	60,015	63,250	319,633
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	4,457	22,989	16,411	-	43,857
Total segment liabilities	4,149	10,972	3,459	53	18,633

3. Segment Information (continued)

2014	National Accounts	Customer Service Centres		Head Office	Total
		Australia	New Zealand		
	$'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 benefit (expense)	-	-	-	6,128	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

(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:

	2015	2014
	$'000	$'000
Total segment revenue	147,852	175,695
Total revenue from continuing operations	147,852	175,695

Interest revenue is netted off against financing costs.

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 $121,516,000 (2014: $151,601,000), and the total revenue from external customers in other countries is $26,336,000 (2014: $24,094,000). 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:

	2015 $'000	2014 $'000
EBITDA	43,863	46,098
Intersegment eliminations	-	-
Interest revenue	83	56
Finance costs	(7,063)	(6,861)
Depreciation and amortisation	(18,614)	(17,222)
Profit before income tax from continuing operations	18,269	22,071

(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.

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 $225,386,000 (2014: $232,801,000), and the total of these non-current assets located in other countries is $54,595,000 (2014: $33,940,000). 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.

3. Segment Information (continued)

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

	2015 $'000	2014 $'000
Segment liabilities	18,633	22,780
Intersegment eliminations		
Unallocated:		
Deferred tax liabilities	18,237	16,264
Current tax liabilities	1,686	1,036
Current borrowings	-	43
Non-current borrowings	125,262	117,163
Derivative financial instruments	1,866	1,870
Total liabilities as per the statement of financial position	165,684	159,156

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	2015 $'000	2014 $'000
Assets		
Current Assets	92,597	94,827
Total Assets	124,624	126,791
Liabilities		
Current Liabilities	-	-
Total liabilities	-	-
Equity		
Share Capital	141,082	141,383
Retained earnings	(19,339)	(17,056)
Reserves	2,881	2,464
	124,624	126,791
Statement of comprehensive income		
Profit/(loss) for the year	7,254	10,176
Total comprehensive income	7,254	10,176

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 2015 there were no contingent liabilities (2014: nil)

Contractual Commitments

At 30 June 2015 Royal Wolf Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2014: nil)

Significant Accounting Policies

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

5. Profit before income tax

	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
a. Revenue		
Container lease revenue	82,052	80,614
Container sales revenue	65,800	95,081
Total revenue	147,852	175,695
b. Expenses		
Employee benefits expenses	24,687	24,029
Depreciation of hire fleet containers	13,413	11,199
Depreciation of property, plant and equipment	2,292	2,229
Total depreciation expense	15,705	13,428
Amortisation of intangibles	2,909	3,794
Net financing costs		
Interest (received)	(83)	(56)
Interest expense		
- bank	7,063	6,861
	6,980	6,805
Net gain/(loss) on disposal of property, plant and equipment	16	38
Rental expense relating to operating leases		
Minimum lease payments	6,295	6,817
Doubtful debt expense	682	1,372
Fair value gain/(loss) on interest rate swaps/options and forward exchange contracts cash flow hedges	167	(1,048)

	Consolidated Group	
	30 June 2015 $'000	30 June 2014 $'000

6. Income tax expense

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

Current tax	3,269	1,969
Deferred tax	1,972	4,159
	5,241	6,128
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax liabilities (Note 17)	1,599	2,147
(Decrease)/increase in deferred tax assets (Note 17)	374	2,058
Deferred tax on share issue costs recognised in equity	-	76
Effect of translation of New Zealand dollar tax balances	(1)	(122)
	1,972	4,159

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

Profit before tax	18,269	22,071
Income tax using the domestic corporation tax rate of 30%	5,481	6,621
Increase in income tax expense due to:		
Add/(less) non-deductible items:		
Performance rights expense	501	278
Contribution to the Trust	(395)	(330)
Entertainment, legal & other expenses	46	40
Foreign currency adjustment	(201)	(307)
Foreign income tax rebate	(66)	-
Prior year adjustments	(125)	(174)
Income tax expense/(benefit)on pre-tax net profit	5,241	6,128
The applicable weighted average effective tax rates as follows:	29%	28%

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% (2014 – 30%)	3,007	-
	3,007	-

	Note	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000

7. Auditor's remuneration

Remuneration of auditor:			
Crowe Horwath Sydney			
- audit or review		294	238
		294	238

8. Cash and cash equivalents

Cash at bank and on hand		3,531	6,071

The effective interest rate on cash balances at bank was 2.09% (2014: 2.72%).

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.

9. Trade and other receivables

	Note	2015 $'000	2014 $'000
Current			
Trade receivables		18,271	24,741
Provision for impairment	(a)	(1,449)	(1,688)
		16,822	23,053
Lease receivable	(b)	95	180
Other receivables and prepayments		1,685	2,466
		18,602	25,699
Non-current			
Lease and other receivable		185	306
		185	306

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:

	2015 $'000	2014 $'000
Provision for impairment at the beginning of the year	1,688	1,152
Charge for year	682	1,372
Written off	(921)	(836)
Provision for impairment at the end of the year	1,449	1,688

9. Trade and other receivables (continued)

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.

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) 31–60	61–90	> 90	Within initial trade terms
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated Group						
2015						
Trade and term receivables	18,271	1,449	3,830	1,129	920	10,943
Other receivables	280	-	-	-	185	95
Total	18,551	1,449	3,830	1,129	1,105	11,038
2014						
Trade and term receivables	24,741	1,688	6,097	1,920	2,197	12,839
Other receivables	486	-	-	-	306	180
Total	25,227	1,688	6,097	1,920	2,503	13,019

9. Trade and other receivables (continued)

	Consolidated Group	
	30 June 2015 $'000	30 June 2014 $'000
f. Reconciliation to Note 2. Financial Risk Management		
Lease receivable		
Lease receivable - current	95	180
Lease receivable – non current	185	306
	280	486

10. Inventories

	30 June 2015 $'000	30 June 2014 $'000
Finished goods	14,149	9,137
Materials	2,145	1,685
Work in progress	894	1,255
Less: impairment allowance	(10)	(6)
	17,178	12,071

Inventory provision recognised as expense during the year ended 30 June 2015 amounted to $31,000 (2014: $56,000). The expense has been included in cost of goods sold in the consolidated income statement.

11. Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment, furniture and fittings and motor vehicles $'000	Total $'000
2015				
Cost				
Balance at 1 July 2014	2,140	330	19,779	22,249
Acquisitions during the year	7,751	2,421	1,208	11,380
Disposals during the year	-	-	(377)	(377)
Exchange adjustments	(38)	-	(227)	(265)
Cost at 30 June 2015	9,853	2,751	20,383	32,987
Depreciation and impairment losses				
Balance at 1 July 2014	-	(50)	(11,732)	(11,782)
Depreciation charge for the year	-	(49)	(2,243)	(2,292)
Disposals and other adjustments	-	-	398	398
Accumulated depreciation at 30 June 2015	-	(99)	(13,577)	(13,676)
Carrying amounts				
At 30 June 2015	9,853	2,652	6,806	19,311

11. Property, plant and equipment (continued)

	Land $'000	Buildings $'000	Plant and equipment, furniture and fittings and motor vehicles $'000	Total $'000
2014				
Cost				
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
Depreciation and impairment losses				
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)
Carrying amounts				
At 30 June 2014	2,140	280	8,047	10,467

Non-current assets pledged as security

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

12. Container for hire fleet

	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
Cost		
Balance at beginning of the year	232,131	199,705
Acquisitions and transfers from inventory	33,726	45,340
Acquisition of businesses	912	4,045
Disposals	(18,518)	(20,548)
Exchange adjustments	(1,570)	3,589
Cost at the end of the year	246,681	232,131
Depreciation and impairment losses		
Balance at the beginning of the year	(33,826)	(26,352)
Depreciation charge for the year	(13,413)	(11,199)
Disposals during the year	3,831	4,148
Exchange adjustments	220	(423)
Accumulated depreciation at the end of the year	(43,188)	(33,826)
Carrying amounts		
At 30 June	203,493	198,305

12. Container for hire fleet (continued)

(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.

13. Intangible assets

2015	Software $'000	Goodwill $'000	Non compete $'000	Customer list $'000	Establish-ment costs $'000	Developm-ent costs $'000	Trade-mark $'000	Total $'000
Cost								
Balance at 1 July 2014	1,796	46,035	8,319	32,156	193	317	3,300	92,116
Acquisitions	1,518	-	-	-	-	-	-	1,518
Acquisition of businesses	-	200	194	447	-	-	-	841
Exchange/other adjustments	104	(31)	(19)	(256)	-	-	-	(202)
Cost at 30 June 2015	3,418	46,204	8,494	32,347	193	317	3,300	94,273
Amortisation and impairment losses								
Balance at 1 July 2014	(1,509)	-	(7,250)	(25,207)	(193)	(294)	-	(34,453)
Amortisation for the year	(223)	-	(317)	(2,358)	-	(11)		(2,909)
Exchange adjustments/other adjustments	12	-	-	253	-	-		265
Accumulated amortisation at 30 June 2015	(1,720)	-	(7,567)	(27,312)	(193)	(305)	-	(37,097)
Carrying amounts								
At 30 June 2015	1,698	46,204	927	5,035	-	12	3,300	57,176

2014								
Cost								
Balance at 1 July 2012	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
Amortisation and impairment losses								
Balance at 1 July 2012	(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)
Carrying amounts								
At 30 June 2014	287	46,035	1,069	6,949	-	23	3,300	57,663

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 infinite useful life, and is tested annually for impairment and carried at cost less impairment losses.

(b) Impairment of assets

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

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

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

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

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them for the financial year ended 30 June 2015.

	National Accounts	**CSC Australia**	**CSC New Zealand**
Long-term growth rate	2%	2%	2%
Pre-tax discount rate	13.9%	13.9%	14.6%
Goodwill allocated	$9.3m	$28.7m	$8.2m
Base figures	2015/2016 budget	2015/2016 budget	2015/2016 budget

13. Intangible assets (continued)

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

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

(d) Impairment charge

There has been no impairment of intangible assets for the financial year ended 30 June 2015 (2014: Nil).

(e) Impact of possible changes in key assumptions

The value-in-use calculation is less sensitive to increases in the discount rate. In 2015 there were no reasonably possible changes in any of the key assumptions that would have caused the carrying amount of the assets to exceed their recoverable amounts.

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

(a) Long term growth of less than 1% for CSC Australia and New Zealand segments before goodwill would need to be impaired, with all other assumptions remaining constant.

(b) The discount rate would be required to increase to 20% for all segments before goodwill would need to be impaired, all other assumptions remaining constant.

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

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

14. Trade and other payables

	Consolidated Group	
	30 June 2015 $'000	30 June 2014 $'000
Current (unsecured)		
Trade payables	5,279	7,413
Accruals and other payables	5,429	7,333
Unearned revenue	4,672	4,865
	15,380	19,611

15. Derivative financial instruments

Current assets		
Forward foreign exchange contracts	157	-
Current liabilities		
Forward foreign exchange contracts	-	244
Non-current liabilities		
Interest rate swap	1,866	1,626

(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 4.14%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 40% (2014 – 42%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 3.98% (2014 – 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.

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.

(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.

		Consolidated Group	
		30 June 2015	30 June 2014
		$'000	$'000
16. Interest bearing loans and borrowings			
Current (secured)			
Other term loans		-	43
		-	43
Non-current (secured)			
Bank loan	(i)	125,262	117,163
		125,262	117,163

(i) Includes borrowings costs capitalised amounting to $739,994.

(a) Financial arrangements

In June 2015 the Common Terms Deed Poll was amended as set out below:

- Net leverage ratio changed from “not greater than 3 times” to “not greater than 3.25 times”;
- Consent to a temporary increase in the net leverage ratio to “not greater than 3.5 times” for a period of 12 months;
- Amendment to the margin grid to cater for leverage scenarios in excess of 3.0 times as set out below:

Bank	Facility Limit	Net Debt Leverage Ratio	Facility A	Facility B
Commonwealth Bank	Facility A - $50M Facility B - $20M	>3.00x	2.05% per annum	2.35% per annum
		>2.0x ≤ 2.75 x	1.30% - 1.85% per annum	1.45%- 2.15% per annum
		≤2.0x	1.20% per annum	1.45% per annum
ANZ Bank	Facility A- $75M Facility B- $30M	>3.00x	2.10% per annum	2.40% per annum
		>2.0x ≤ 2.75 x	1.10%-1.85% per annum	1.35%- 2.15% per annum
		≤2.0x	1.10% per annum	1.35% per annum

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 2015 $'000	30 June 2014 $'000
Current			
Floating charge			
Cash and cash equivalents		3,531	6,071
Receivables		18,602	25,699
Inventories		17,178	12,071
		39,311	43,841
Non-current			
First mortgage			
Receivables		185	306
Land and buildings		12,505	2,420
Property, plant and equipment		6,806	8,047
Container hire fleet		203,493	198,305
		222,989	209,078

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 1062072

  each being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that Security Provider.
- 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.

17. Tax

	Note	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
(a) Current			
Current tax liability		1,686	1,036
(b) Non-current			
Deferred tax liabilities		18,237	16,264

(c) The balance comprises temporary differences attributable to:

Deferred tax liabilities		
PPE	307	(1,212)
Hire-fleet containers	(20,130)	(16,243)
Intangible assets	(990)	(1,894)
Fair value of derivatives	(120)	-
Prior period adjustment	(15)	-
Total deferred tax liabilities	(20,948)	(19,349)
Set-off with deferred tax assets		
Provision for doubtful debts	431	495
Fair value of derivatives	558	485
Provision for inventories	3	2
Accruals and provisions	1,342	1,574
Section 40-880 deduction	-	316
Tax losses recognised	263	-
Tax losses recouped	(73)	
Future deductions on LTI contribution to Trust	187	227
Other future deductible amounts	-	(14)
	2,711	3,085
Net deferred tax liabilities	(18,237)	(16,264)

(d) Reconciliations

(i) Gross movements		
Opening balance	(16,264)	(12,059)
(Charge)/credit to income tax	(2,308)	(4,159)
Effect of foreign exchange translation	56	(122)
Directly to equity	17	76
Prior period adjustment for losses brought forward	262	-
Closing balance	(18,237)	(16,264)

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 2013	2,437	1,672	163	655	-	216	5,143
(Charged)/credited to:							
-profit or loss	(2,437)	399	322	(339)	-	(3)	(2,058)
-directly to equity	-	-	-	-	-	-	-
At 30 June 2014	-	2,071	485	316	-	213	3,085
(Charged)/credited to:							
-profit or loss	190	(295)	73	(316)	-	(26)	(374)
At 30 June 2015	190	1,776	558	-	-	187	2,711

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 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)
(Charged)/credited to:							
-profit or loss	-	(2,369)	(120)	905	-	-	1,584
-directly to equity	-	-	-	-	-	(15)	(15)
At 30 June 2015	-	(19,823)	(120)	(990)	-	(15)	(20,948)

18. Employee benefits

	Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
Current		
Liability for annual leave	1,563	1,629
Liability for long service leave	985	950
	2,548	2,579
Non Current		
Liability for long service leave	652	537
Total employee benefits	3,200	3,116

18. Employee benefits (continued)

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 $1,563,000 (2014 - $1,629,000) 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.

	Consolidated Group	
	30 June 2015 $'000	30 June 2014 $'000
Current leave obligations expected to be settled after 12 months	276	388
	276	388

19. Provisions

	30 June 2015 $'000	30 June 2014 $'000
Non Current		
Provision for make good	53	53
	53	53

Consolidated Group

Opening balance at 1 July 2013	53
Additional provisions raised during the year	-
Balance at 30 June 2014	53
Additional provisions raised during the year	-
Balance at 30 June 2015	53

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.

20. Capital and reserves

(a) Share capital

	2015 Shares	2014 Shares	2015 $'000	2014 $'000
Ordinary shares				
Fully paid	100,387,052	100,387,052	141,082	141,383

(i) Movements in share capital

	2015 $'000	2014 $'000
On issue at 1 July, 100,387,052 fully paid shares (30 June 2014: 100,387,052 fully paid)	141,383	142,440
Repurchase of shares on market	(1,639)	(1,057)
Shares distributed under the LTI plan	1,338	-
Subtotal	(301)	(1,057)
Balance at the end of the year	141,082	141,383

(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.

20. Capital and reserves (continued)

(iv) Capital Management (continued)

The gearing ratios are as follows:

		Consolidated Group 30 June 2015 $'000	Consolidated Group 30 June 2014 $'000
Total borrowings	16	125,262	117,206
Less cash at bank	8	(3,531)	(6,071)
Net debt		121,731	111,135
Total equity		153,949	151,426
Total capital		275,680	262,561
Gearing ratio		44%	42%

Royal Wolf Holdings Limited has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods. The increase in the gearing ratio reflects the capital expenditure on containers to facilitate future growth and for the purchase a property in Auckland, New Zealand.

(b) Reserves

Share based payments reserve	3,299	2,878
Foreign currency translation reserve	1,902	2,936
Hedging reserve	(224)	(169)
	4,977	5,645

Movements

(a) Share-based payments reserve		
Balance 1 July	2,878	1,946
Option expense	421	932
Balance 30 June	3,299	2,878
(b) Foreign currency translation reserve		
Balance 1 July	2,936	1,052
Currency translation differences arising during the year	(1,034)	1,884
Balance 30 June	1,902	2,936
(c) Hedging reserve		
Balance 1 July	(169)	34
Currency translation differences arising during the year	(55)	(203)
Balance 30 June	(224)	(169)

20. Capital and reserves (continued)

(d) Retained earnings

Balance 1 July	4,398	(1,506)
Net profit for the year	13,028	15,943
Dividends	(9,536)	(10,039)
Balance 30 June	7,890	4,398

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 are 449,000 performance rights issued during the year under Royal Wolf Long Term Incentive plan. For the financial years from 2012 to 2015 there were 1,808,000 rights granted of which 375,000 for FY 2012 were exercised during the year and a total of 102,000 were forfeited following termination of key management personnel which brings the total remaining to 1,331,000. There was an additional special grant of 102,112 performance rights to the CEO. There were no further grants made under the GFN Stock Incentive Plan. Refer to note 22 below for further information. An amount of $1,132,000 was recognised as equity for the year ended 30 June 2015 (2014: $932,000).

(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 2015.

(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

	2015 $'000	2014 $'000
Final ordinary dividend for the year ended 30 June 2014 of 5.0 cents (2013 – 5.0 cents) per fully paid share unfranked paid on 3 October 2014	5,521	5,019
Interim ordinary dividend for the year ending 30 June 2015 of 4.0 cents (2014 – 5.0 cents) per fully paid share franked to 2.5 cents per share paid on 3 April 2015	4,015	5,019

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final fully franked ordinary dividend of $5,019,353 (5.0 cents per fully paid share) to be paid on 2 October 2015.

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 15-27.

(b) Employee Share Scheme

The approved executives are eligible to participate in the company's employee share scheme. Under the scheme the approved executives were issued shares to eligible personnel in the value of $1,000 for each of 2014 and 2015 financial years. A total of 59,170 shares were granted for the value of $184,000.

(c) GFN Stock Incentive Plan

GFN Stock Incentive Plan was closed for Royal Wolf employees following the listing and there were no new grants during 2015 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 2015 the outstanding options were as follows:

2015

Options	Opening balance	Granted during the year	Exercised	Forfeited/ terminated	Ending Balance	Vested/ Exercisable
Time-based	140,000	-	(5,000)	(10,000)	125,000	125,000
Performance -based	148,900	-	(87,400)	(1,000)	60,500	60,500
Total	288,900	-	(92,400)	(11,000)	185,500	185,500

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

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 $5,000 (2014:$ 18,000) 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, 2015 were 125,000 and 60,500 (2014: 140,000 and 148,900), respectively, for a total outstanding amount of 185,500 (2014: 288,900).

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

The contractual term of the options is 10 years from the date of grant. Of the outstanding options at June 30, 2015, 170,500 were granted on January 22, 2008, 13,000 were granted on July 23, 2008 and 2,000 granted on January 27, 2009.

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.70 years (2014 – 3.70 years).

Expenses arising from share-based payment transactions

	30 June 2015 $'000	30 June 2014 $'000
Options issued under employee option plans	1,132	932

23. Commitments

	30 June 2015 $'000	30 June 2014 $'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	4,636	5,562
— between 12 months and 5 years	8,249	10,461
— greater than 5 years	536	3,277
	13,421	19,300

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 2015 $'000	30 June 2014 $'000
Receivable:		
— not later than 12 months	95	180
— between 12 months and 5 years	185	306
	280	486

24. Consolidated entities

The group's subsidiaries at 30 June 2015 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	Dormant	Australia	100%
Royalwolf NZ Acquisition Co Limited	New Zealand parent	New Zealand	100%
Royalwolf Trading New Zealand Limited	Sale and hire	New Zealand	100%

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 2015 of the closed Group consisting of Royal Wolf Trading Australia Pty Limited and Kookaburra Containers Pty Ltd.

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 2015 $'000	30 June 2014 $'000
Revenue from continuing operations		
Container lease revenue	65,883	65,728
Container sales revenue	55,633	85,873
Total revenue	121,516	151,601
Dividend and other income	4,283	5,589
Foreign exchange gains	(392)	(1,053)
Changes in inventories of finished goods and WIP	112	(3,512)
Purchases of finished goods / raw materials and consumables used	(50,891)	(72,400)
Employee benefits expense	(22,172)	(21,966)
Branches operating expenses	(9,364)	(9,836)
Business promotion	(1,349)	(1,414)
Travel and accommodation	(804)	(909)
Professional expenses	(2,208)	(2,087)
Depreciation and amortisation expense	(16,136)	(14,313)
Other expenses	(710)	(1,072)
Finance costs	(5,230)	(5,519)
Profit before tax	16,655	23,109
Income tax expense	(4,952)	(5,104)
Profit after tax	11,703	18,005
Profit from continuing operations	11,703	18,005
Profit attributable to:		
Owners of Royal Wolf Holdings Limited	11,703	18,005
	11,703	18,005

Statement of comprehensive income

Profit for the year	11,703	18,005
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in the fair value of the cash flow hedges, net of tax	(422)	(260)
Total other comprehensive income for the period, net of tax	(422)	(260)
Total comprehensive income for the year	11,281	17,745

Summary of movements in consolidated retained earnings

Accumulated losses at the beginning of the financial year	(1,166)	(9,132)
Profit for the year	11,703	18,005
Dividends paid	(9,536)	(10,039)
Retained earnings at the end of the financial year	1,001	(1,166)

25. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2015 of the closed Group consisting of Royal Wolf Trading Australia Pty Limited and Kookaburra Containers Pty Limited.

Balance Sheet

	Consolidated Group	
	30 June 2015	30 June 2014
	$'000	$'000
Assets		
Cash and cash equivalents	2,775	4,734
Trade and other receivables	21,332	24,181
Derivative financial instruments	157	-
Inventories	14,772	11,148
Total current assets	39,036	40,063
Investments accounted for using the equity method	10,124	10,124
Trade and other receivables	185	306
Property, plant and equipment	4,649	5,653
Container for hire fleet	165,007	160,045
Intangible assets	55,731	56,672
Total non-current assets	235,696	232,800
Total assets	274,732	272,863
Liabilities		
Trade and other payables	13,425	17,128
Derivative financial instruments	-	244
Current tax liability	2,323	952
Employee benefits	2,353	2,398
Total current liabilities	18,101	20,722
Non-current liabilities		
Derivative financial instruments	1,866	1,626
Interest bearing loans and borrowings	92,342	92,159
Deferred tax liabilities	16,753	14,925
Employee benefits	652	537
Provisions	52	53
Total non-current liabilities	111,665	109,300
Total liabilities	129,766	130,022
Net assets	144,966	142,841
Equity		
Contributed equity	141,082	141,383
Accumulated losses	1,001	(1,166)
Reserves	2,883	2,624
Total equity attributable to equity holders of the parent	144,966	142,841

26. Business combination

(a) Summary of acquisition

YS Container Services

On 1 December 2014 Royal Wolf acquired the assets and business of YS Container Services (NZ) limited operating in the Christchurch region of New Zealand for consideration of NZ$2.0 million (A$1.8 million). YS Containers commenced operations in 1993 and is in the business of providing rental and sales of reefers and storage containers to a wide customer base that spans industries including logistics, construction, manufacturing and the retail market.

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

	Fair Value $'000
Purchase price	1,833
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	785
Inventory	310
Intangible assets-customer lists	175
Intangible assets – non compete	398
Net identifiable assets acquired	1,668
Goodwill	165

(i) Purchase price

The purchase price of $1,833,000 includes cash paid of $1,660,000 and contingent consideration of $172,000 and purchase price adjustments of $1,000.

(ii) Contingent consideration

Under the agreement of sale of business there is a holdback amount of $172,000 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 fifty percent equally on 1 June 2015 and 1 December 2015.

(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 $301,000 and net profit of $63,000 to the group for the period from 1 December 2014 to 30 June 2015. If the acquisition had occurred on 1 July 2014, consolidated revenue and consolidated profit for the year ended 30 June 2015 would have been approximately $148,069,000 and $13,074,000 respectively.

26. Business combination (continued)

Ivans Container Hire

On 10 June 2015 Royal Wolf acquired the assets and business of Ivans Container Hire operating in the Toowoomba, Queensland for consideration of $0.3 million.

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

	Fair Value $'000
Purchase price	262
The assets and liabilities recognised as a result of the acquisition are as follows:	
Container hire fleet	127
Inventory	31
Intangible assets-customer lists	50
Intangible assets – non compete	19
Net identifiable assets acquired	227
Goodwill	35

(iii) Purchase price

The purchase price of $262,000 includes cash paid of $203,000 and contingent consideration of $13,000 and purchase price adjustments of $46,000.

(iv) Contingent consideration

Under the agreement of sale of business there is a holdback amount of $13,000 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 9 June 2016.

(iii) Acquisition-related costs

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

(iv) Revenue and profit contribution

Since the acquisition of this business occurred close to year end the revenue and profit contribution from this business was not material for the year ended 30 June 2015.

(b) Purchase consideration – cash outflow

	$'000
Outflow of cash to acquire the businesses	1,863
Outflow of cash – investing activities	1,863

27. Contingent liabilities

The group has provided bank guarantees to certain property landlords and vendors amounting to $1,438,000 for the year ended 30 June 2015 (2014: $2,344,063). There were no other contingent liabilities for the financial year ended 30 June 2015 and 30 June 2014.

28. Reconciliation of cash flows from operating activities

	Consolidated Group	
	30 June 2015	30 June 2014
	$'000	$'000
Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) for the year	13,028	15,943
Adjustments for:		
Employee share option expense	1,672	932
Loan establishment amortisation	199	130
Interest received disclosed as financing activity	(83)	(55)
(Gain)/loss on sale of property, plant and equipment	(16)	(38)
Exchange (gains)/losses	387	1,053
Depreciation and amortisation	18,614	17,222
Doubtful debts	682	1,372
Bad debts expense	7	23
Inventory obsolescence	31	56
Ineffective portion of interest rate swap	(136)	225
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	6,494	(5,095)
(Increase) / decrease in inventories	(4,795)	4,647
Increase / (decrease) in trade and other payables	(4,896)	(4,543)
Increase / (decrease) in deferred taxes	2,010	4,055
Increase / (decrease) in employee benefits	84	422
Increase / (decrease) in current tax liability	650	493
Net cash from operating activities	33,932	36,842

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 2015 owned just 50% (2014:50%) 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 2015 $'000	30 June 2014 $'000
(i) Management fees		
Management fee expense – Royalwolf New Zealand Trading Limited	1,000	1,000
(ii) Trademark licence fees		
Trademark licence fee expense – Royalwolf New Zealand Trading Limited	1,248	1,163
(iii) APA transfer pricing adjustment		
APA transfer pricing adjustment – Royalwolf New Zealand Trading Limited	4,247	-

During the financial year Royal Wolf entered into an Advance Pricing Agreement (APA - transfer pricing) with The Inland Revenue, New Zealand. This amount is eliminated on consolidation.

	30 June 2015 $'000	30 June 2014 $'000
(iv) Outstanding balances arising from sales/purchases of goods and services		
Amounts owing by Royalwolf Trading New Zealand Limited (eliminated on consolidation)	5,129	1,459

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
2015						
Total compensation	2,301	150	961	-	20	3,432
2014						
Total compensation	3,121	185	910	-	85	4,301

Detailed remuneration disclosures are provided in the remuneration report on pages 15-27.

(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 15 to 27.

(c) Loans to key management personnel

There are no loans provided to key management personnel at 30 June 2015 (2014: Nil).

30. Key management personnel disclosures (continued)

(d) Other transactions with key management personnel

Other transactions with the key management personnel are provided in the remuneration report on pages 15 to 27.

31. Earnings per share

	2015 cents	2014 cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	13.0	15.9
Total basic earnings per share attributable to the ordinary equity holders of the Group	13.0	15.9
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	13.0	15.9
Total diluted earnings per share attributable to the ordinary equity holders of the Group	13.0	15.9

(a) Reconciliation of earnings used in calculating earnings per share	2015 $'000	2014 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:	13,028	15,943
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Group: Used in calculating basic earnings per share	13,028	15,943
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share	13,028	15,943
(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:	99,847,818	100,132,081
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	99,847,818	100,132,081

32. Changes in accounting policies

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

33. Subsequent events

On 11 August 2015 the directors have declared the payment of a final fully franked ordinary dividend of $5,019,353 (5.0 cents per fully paid share) to be paid on 2 October 2015.

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 11 August 2015. 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 2015 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

11 August 2015

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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 2015, 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 Statement*, that the financial statement 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.

Crowe Horwath™

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 2015 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 the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 27 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

JHaydon

JOHN HAYDON
Partner

Dated this 11th day of August 2015

Royal Wolf Holdings Limited ACN 121 226 793 and Controlled Entities
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 3 September 2015.

A. Distribution of equity securities

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

Holding			Ordinary shares No of holders
1	-	1000	219
1,001	-	5,000	317
5,001	-	10,000	69
10,001	-	100,000	62
100,001	and over		20
			687

There are 51 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:

	Ordinary shares	
Name	Number held	Percentage of issued shares
GFN U.S. AUSTRALASIA HOLDINGS, INC.	50,198,526	50.00%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	10,601,159	10.56%
CITICORP NOMINEES PTY LIMITED	9,982,040	9.94%
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,904,204	7.87%
NATIONAL NOMINEES LIMITED	4,026,266	4.01%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,000,000	3.98%
HSBC CUSTODY NOMINEES (AUSTRALIA) PTY LIMITED	2,369,158	2.36%
UBS NOMINEES PTY LTD	2,321,692	2.31%
CITICORP NOMINEES PTY LIMITED	1,139,000	1.13%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,000,000	1.00%
FIVE TALENTS INVESTMENT PTY LTD	654,421	0.65%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	634,799	0.63%
SANDHURST TRUSTEES LTD	622,487	0.62%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	503,628	0.50%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	402,793	0.40%
PACIFIC CUSTODIANS PTY LIMITED	275,957	0.27%
PACIFIC CUSTODIANS PTY LIMITED	275,484	0.27%
BNP PARIBAS NOMS PTY LTD	239,956	0.24%
MR ROBERT GEORGE ALLAN & MRS MICHELLE JEANETTE ALLAN	135,000	0.13%
MR ROBERT GEORGE ALLAN	119,249	0.12%
TOTAL	97,405,819	97.03%
Balance of Register	2,981,233	2.97%
Grand TOTAL	**100,387,052**	**100.00%**

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	7,555,945

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.